Annual Report

& FINANCIAL STATEMENTS 2023

APS bank
values you can bank on

Table of Contents

This document is not the official version of the Annual Financial Statements for 2023. Official Annual Financial Statements for 2023 in line with the ESEF requirements may be accessed through the Bank's website www.apsbank.com.mt. The approved ESEF version should prevail in case of any conflicts with this document.

Our Vision, Mission and Values

OUR VISION

To be the **community bank** in Malta.

OUR MISSION

By making the banking experience **simpler and more personal**, inspired by a commitment to social, economic and environmental progress while providing all stakeholders with **opportunities to grow.**

EXCELLENCE

Get it right the first time

AUTHENTICITY

Always do the right things

PASSION

Do what you love, care about others

INCLUSIVENESS

Build on the differences and break silos

CONTEMPORARY

Be relevant to today's world

Group Highlights

LOANS AND ADVANCES TO CUSTOMERS
EUR

2,694M

2,225M

TOTAL ASSETS
EUR

3,661M

3,112M

SHAREHOLDER'S EQUITY
EUR

287.4M

261.5M

PROFIT AFTER TAX
EUR

20.6M

5.8M

ROAE

7.5%

2.3%

TOTAL CAPITAL RATIO

20.6% 18.8%

AVERAGE NUMBER OF EMPLOYEES

589

548

BONDS LISTED ON THE MALTA STOCK EXCHANGE
EUR

105M

55M

Key 2023 2022

Chairman's Statement

WELCOME

It is a pleasure to be addressing our shareholders once more. During 2023 we continued to register growth in many areas of the business whilst serving our customers' needs, be they personal or business banking requirements.

OUR BUSINESS ENVIRONMENT

The complexities arising out of high interest rates, inflationary pressures and geo-political tensions have continued to present stretching challenges. Your Board of Directors continues to address its attention to all aspects of running a business successfully, sustainably, and responsibly.

Whilst monetary policy interest rate hikes may have plateaued, interest rates will continue to remain high compared to the last few years. As a socially conscious Bank we have striven to pass on credit interest income via deposit accounts and keeping personal lending rates, especially house loan lending, stable.

Inflationary pressures have started to reduce across many parts of the world including Malta. Whilst there is a correlation between high interest rates and inflation, there are other sources of inflation such as energy and food products' pricing that will continue to present economic pressures.

In addition to the war in Ukraine, regretfully we now also have a war in the Middle East with significant tensions creating humanitarian tragedies and dangers of access to important trade routes, which in turn completes a vicious circle effecting inflationary pressures filtering into our economy.

Other risks that may have implications for any economy, including Malta, include the emergence of potential global risks such as misinformation and disinformation. With billions of people going to the polls in many countries during 2024, these risks could lead to social and political instability. Extreme weather events and the ever-present risks and dangers associated with cybercrime will continue to be addressed with considerable investment of time and financial resources at APS.

The Board and the Management of the Bank remain fully attuned to the current and evolving business needs of all our customers and to the needs and requirements of our wider stakeholder base.

PERFORMANCE

APS Group Profit Before Tax reached €30.2 million (versus prior year of €15.7 million). Bank solo Profit Before Tax stands at €27.8 (versus prior year of €28.9). Non-Performing Loans represent a very strong position at 2.2%. The Chief Executive Officer's Review will address the Bank's performance in more detail. The Bank's financial performance will contribute €9.7 million to local tax revenues during the year under review.

The Bank's capital position is strong with a Tier 1 capital of 14.6% and a Total Capital of €358.7 million up on prior year by €74.6 million. The Board of Directors is pleased to note a Group return on average equity of 7.5% for 2023.

REWARDING SHAREHOLDERS

The Board is recommending a gross scrip dividend to shareholders of €8.4 million, bringing the total dividend for the year to €11.7 million, up from €9.8 million for 2022 - equating to a 2023 dividend per share of €0.031 gross or €0.020 net per share. We firmly believe that shareholders need to participate in the success achieved by the Bank. This dividend distribution reflects the strong performance of the Bank despite the many challenges faced in both local and international economic contexts. All regulatory approvals for the payment of this dividend have been obtained.

CORPORATE GOVERNANCE

The Board of Directors met regularly during the year. In line with best practice and regulatory corporate governance guidelines the composition, skills and experience of the Board is regularly reviewed, to ensure that individual and collective suitability remains at the highest levels.

Strategic focus, sustainable business planning and a strong oversight stance continue to be the guiding principles of your Board. Discussions and decisions are based on a wealth of experience, diversity, competence, and a forward-looking mindset, enabling the Board to guide, lead and challenge the Management team in the pursuit of successful and compliant outcomes.

2023 saw the retirement of two longstanding Directors and the appointment of two new Directors to the Board. On behalf of the Board, I would like to thank the two outgoing directors, Mr Franco Azzopardi and Mr Alfred Demarco, who have served the Bank faithfully and competently for many years consistently contributing to the success of the Bank. We augur well for the future for both Mr Demarco and Mr Azzopardi. I would like to welcome Ms Marisa Xuereb and Mr Noel Mizzi to the Board of Directors. As described in the published bios, both Mr Mizzi and Ms Xuereb bring a wealth of competence and experience to the Board. I would like to thank Victor E. Agius, who will retire at the 2024 Annual General Meeting, for the significant contributions that he has made over many years. Further information on his successor will be provided in due course.

I assure you as shareholders that the Board continues to discharge their individual and collective responsibilities diligently, responsibly and with total commitment.

FUTURE FOCUS

The latest growth rates for Malta and the Eurozone region published by the International Monetary Fund forecast growth rates for 2024 of circa 5.1% and circa 0.9% respectively. Social, economic, and environmental challenges will continue to present risks and opportunities; the Bank's Board and Management are determined to continue to contribute to all stakeholders' needs and requirements.

The Bank is committed to inbuild responsibilities arising out of the United Nations Sustainable Development Goals and out of Environmental, Social and Governance standards into our strategic and business plans. Our vision, mission, and values, described elsewhere in this document, remain to be our primary drivers in making the APS brand the hallmark of sustainable success. The hard work of all our colleagues will continue to ensure that APS is well placed to succeed and grow sustainably meeting and exceeding our customers' needs.

RECOGNITION

2023 has been another successful year. I would like to sincerely thank my colleagues on the Board, the Management team led by our Chief Executive Officer, Marcel Cassar, and all the employees for their contributions.

Finally, I would like to sincerely reiterate my thanks to you all, our shareholders, for your support and backing.

Martin Scicluna
7 March 2024

CEO's Review

It gives me great pleasure to present this Review for a year in which, despite considerable challenges, APS Bank once again stood out as a leader in providing outstanding customer service, promoting talent and a driver of sustainable change in Malta's economic and social fabric.

Indeed, 2023 saw an increase in the load of geopolitical risk due to the continuing war in Ukraine and other regional tensions which in October exploded into an unprecedented, full-blown conflict in Gaza and growing humanitarian emergencies. On top of existing economic sanctions, supply chain shocks re-appeared thanks to the Red Sea crisis and ensuing disruptions to shipping and trade, inflationary pressures persist which are causing monetary authorities to remain cautious on their outlook about interest rate easing. Although the likelihood of a recession with cross-border implications remains uncertain, a slowdown in global growth for 2024 is anticipated, with a corresponding drop in headline inflation.

As always, this international backdrop reverberates on Malta's open economy through higher costs of inputs and imported goods, being partly cushioned by Government subsidies which contribute to a build-up in public debt. Overall, Malta continued to experience better economic growth, milder inflation, higher consumption and lower unemployment than its EU counterparts, aided by a record performance in tourism and buoyant property market. This benign picture remains weighed by demographic, infrastructural and over-development pressures that challenge the journey forward for Malta's sustainable progress.

Despite this complex picture, our results are the best ever for the APS Bank Group – a performance that is not accidental but thanks to a highly structured and curated planning process that is kept responsive to the dynamic business and market environment. As usual this Review touches briefly on how we tackled key strategic objectives to deliver these outcomes, as well as our ideas for continuing to create and deliver value to all our stakeholders.

For the year under review, APS Bank plc registered a Group pre-tax profit of €30.2 million (2022: €15.7 million). I attribute such a strong performance to various factors, namely robust operating fundamentals and a strategy underpinned by ongoing digital transformation, striving to continuously enrich the customer experience and an eye on business selection in order to maintain asset quality.

As market volatility subsided, we are pleased to report that, consistent with our forecast in last year's Review, we have now seen the Group starting to reverse some of the unrealised investments portfolio losses of 2022, boosting performance and equity. At the same time, we decided to take a prudent view on commercial real estate (CRE) risk in Central Europe where, despite the investment grade names and prime portfolios involved, pressures have been mounting leading to an increase in ECL. The impact of this impairment provisioning was to dent the Bank Solo pre-tax profit down to €27.8 million, from €28.9 million in 2022.

This Review does not delve into performance indicators in any detail, nor does it repeat the information which is contained in substantial detail in other parts of the Annual Report, including the Directors' Report. It is also satisfying to see that the Group communicates with regular frequency about its performance through company announcements and other media, such as Market Briefings. So I shall here elaborate on a few main aspects of our performance and focus on some key messages.

A YEAR OF ALL-ROUND GROWTH

The year under review saw all-round growth across the main business segments of retail, corporate and investment services, resulting in record results for interest, fee and commission income. As interest rates continued to rise, we were also rewarded with better returns on our liquidity stock as well as improved pricing opportunities on the syndicated loan book. Interest income grew by 32.3% on 2022 to reach €105.7 million, while net fee and commission income went up by 21.0% to €8.3 million.

But as our depositors also came to benefit from the interest rate pass-through, we saw interest cost more than double to €32.1 million in the year under review. This was due not only to higher repricing on largely EUR funding but also the effect of the drive to raise MREL, including the issue of a 5.8% Subordinated Bond, in Q4. Net interest income consequently rose by 13.1% on 2022, our best-ever result despite the tough competition and compressed conditions.

Even more important is the fact that these results were achieved thanks to robust growth in business activity, seeing record numbers of retail customers being onboarded across our branch network, both tellered and tellerless. In fact, 2023 saw retail deposits grow by €427 million with €585 million being extended in new retail finance (in the main part, home loans), as well as an all-time high of €446 million in new commercial facilities sanctioned, with the Bank's domestic market share increasing across all business lines. This performance was mirrored by growth in corresponding revenue streams, like advances, card related and other transactional banking fees and commissions.

It was also a strong year for our investment services offering, with growth in retail and private clients business, as well as private and occupational pensions. I need hardly say that the strength of our distribution and advisory teams helped in no small way with the success of the MREL-raising exercise, the Subordinated Bond issue and two new editions of Kapital+. The year under review also saw the Bank's return to active transaction business on behalf of clients at the Malta Stock Exchange, alongside a buoyant primary market particularly in Malta Government paper.

ASSET QUALITY REMAINS A PRIORITY

In 2022, the Group results had been significantly marked by the high economic uncertainty and financial markets instability which negatively impacted the investment in APS Funds SICAV, not mirrored at the level of the Bank. This led the performance to go into red territory with an unrealised loss on financial instruments of €10.3 million, which also complemented the dreary activity in investment services. Thanks to active and diligent portfolio investment management, as well as less market volatility, we saw some of those losses being reversed in 2023 resulting in a net gain of €3.1 million, with further stabilisation expected in 2024.

The growth in the Bank's loan portfolio continued to be supported by high credit underwriting standards leading to a general improvement in the NPL ratio during the year under review, a trend which reversed slightly in 4Q with the ratio going back to 2.2%. This was due to a shift to Stage 3 of a loan representing exposure to prime European CRE which has been facing market and valuation strains in recent months. Consequently, this led to an increase in ECL for a total charge of €3.5 million, in contrast with a net writeback of €0.3 million in 2022. Aside from these situations, which result from the Bank's strategy of diversifying its sectorial and geographical risk through the syndicated loan book, the risk appetite remained prudent and focused on maintaining preserving quality.

A RESILIENT OPERATING AND BUSINESS MODEL

2023 saw the stepping-up and continuation of a pipeline of projects that drive the Bank's growth across many areas. Well-curated proposals, rigorous analyses and detailed budgets support the millions of euros of investment in projects that range from backbone technology to more visible, customer interfacing solutions, alongside ongoing remediation projects demanded by compliance and risk management considerations. There is both a flow and a scaling-up of operations that direct the Bank's transformation programme, from smaller scale projects for peripheral systems and initiatives, to upgrades of existing core technologies, to implementations that are mandated by regulatory authorities or providers of payment systems infrastructures.

Further development was rolled out on 'myAPS' permitting customers the convenience and versatility of seamless digital banking, now further enhanced with the introduction of e-statements and the investments module. Other operational improvements continued relentlessly both at front- and back-end functions, with technology leading to increased efficiencies. Of particular note is the traction at the Marsa Digitisation and Documentation Centre, where a team of dedicated staff provide the engine for the Bank-wide digitisation project. But this is also the right place to highlight the cost increases mainly arising from licensing and maintenance of technologies, regulatory and compliance requirements, professional and marketing fees, insurance, and other inflationary pressures. Notwithstanding, we managed to improve the cost/income ratio from business operations to 61.6%, mainly as a result of a positive denominator effect thanks to the recovery in net operating income.

OUR FASCINATION WITH 'CULTURE'

I am often asked why APS Bank has a 'Culture' department represented also at senior management level. 'Culture' is a concept that cuts right across and fuses our internal corporate beliefs with the external view of the Bank. This means having a uniform, overarching message that engages all our staff, customers, business partners and thousands of investors into one culture. All of this is drilled into our active approach to marketing, CSR, ESG campaigning and delivering the best customer experience. In an environment where talent is increasingly a scarce resource, our culture also helps us to attract the right individuals and skills by a well-defined vision, excellent career prospects and employment conditions.

We also continued to provide generous programmes to promote the wholesome development of our employees, including coaching, training and education opportunities, family-friendly work arrangements and incentives that go beyond your normal reward structures. Amongst the many events and initiatives, worthy of highlighting are the highly organised Staff Townhalls, regular offsites at various management levels, professional staff surveys, talks, breakfasts, and dynamic social media presence, complemented by a busy calendar of events thanks to our Social Activities and Sports Committees.

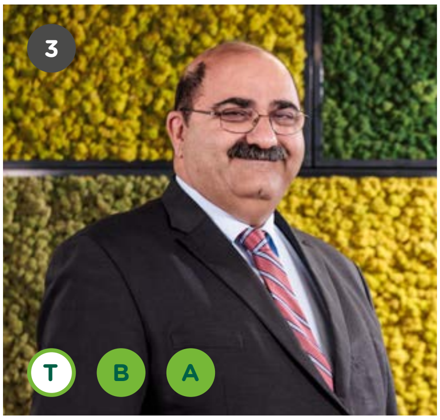
INTEREST RATE PASS-THROUGH ... AND CONCLUSION

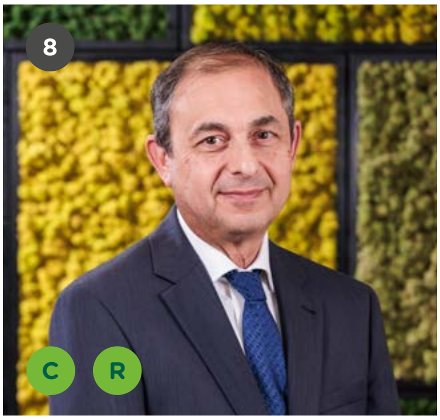
Our record numbers are insignificant when compared to the news that Europe's largest twenty banks exceeded €100 billion in profit for the first time last year, thanks to the lift from rising interest rates. But that massive profit surge will be hard to repeat as the tailwind from interest rates subsides and central banks consider their next policy moves. It is also fair to say that, due to our higher pass-through of interest rate policy, our bonanza from higher interest rates is relatively less than what some other players in the market will experience.

But it is equally pertinent to point out that our business model remains centred around the provision of credit and financial support to Maltese businesses and families. The Business Plan 2024-26 approved last year anticipated an outlook that would be challenging and focused on a number of strategic priorities which still see revenue and profit in home loans and commercial credit, international lending, retail investments and pensions business. Equally we shall be seeking to secure lower-cost funding and to reinforce further our capital base as we position ourselves to identify new, exciting opportunities for growth.

Marcel Cassar
7 March 2024

Board of Directors





LEGEND

- A Audit Committee
- E ESG Committee
- T Technology & Innovation Committee
- R Risk Committee
- B Board Credit Committee
- ○ Chair
- C Conduct Committee
- N Nominations & Remuneration Committee

1. MARTIN SCICLUNA

Chairman of the Board,
Non-Executive Director

Appointed to the Board in November 2013 and as Chairman in September 2021.

Bio: Martin is an Associate of the Chartered Institute of Bankers, holds a Diploma in Financial Studies and was elected Fellow of the Institute of Financial Services in 1999. Martin held a number of managerial appointments in Mid-Med Bank between 1976 and 1996, following which he joined Midland Bank plc which later became HSBC Bank Malta plc. Between 1996 and 2012, Martin held several senior executive roles in HSBC Malta including Group Head of Internal Audit, Deputy Head of Operations and Head of Wealth Management. From 2006 to 2012, he served on several boards for HSBC Malta regulated subsidiaries in Life Insurance, Asset Management and Financial Advisory and on its Audit Committee. Since 2012, he has held directorships in asset management and insurance companies licensed in Malta. Martin has contributed to various areas of voluntary work for 40 years, including Scouting, the preservation of the built and natural environment and financial services education. He has served on the Boards of Administration, in a voluntary capacity, of Non-Governmental Organisations such as Din l-Art Ħelwa (Malta's 'National Trust') and the HSBC Malta Foundation.

Significant External Appointments:
- Chairman – Accredited Insurance (Europe) Limited;
- Non-Executive Director - Merck Capital Asset Management Limited;
- Non-Executive Director, Member of Investments Committee - Thybo Malta Limited.

2. VICTOR E. AGIUS

Non-Executive Director

Appointed to the Board in October 2018.

Bio: Victor has an extensive career in financial services and investment banking, which includes 23 years at the World Bank Group in Washington DC, three years of which at the European Bank for Reconstruction and Development in London and seventeen years with the Council of Europe Development Bank in Paris. Past appointments consist of extensive field missions in leadership responsibilities to over 60 countries in Africa, East Asia, Middle East & North Africa, Europe and in Former Soviet Republics. Victor graduated with a BA (Hons) in Economics from the University of Malta, holds an MBA from the Manchester Business School and completed Senior Finance and Banking Executive programmes at the Wharton School of Finance and at the Stanford Graduate School of Business.

Significant External Appointments: None

Victor rotated out of the Risk Committee (Member) and the Environment, Social and Governance Committee (Chair) on 31 December 2023.

3. JOSEPH C. ATTARD

Non-Executive Director

Appointed to the Board in July 2018.

Bio: Joseph has over 25 years of local and international experience in the information and communication technology (ICT) sector. Between 2007 and 2015, he was the Chief Technology Officer of Emirates International Telecommunications LLC and subsequently Chief Technical Officer of GO plc up till 2020. Since 2002, he has regularly lectured at University College London on ICT related topics.

He holds a BSc (Hons) in Electrical Engineering from the University of Malta, an MSc in Operational Telecommunications from the University of Coventry (UK) and a PhD in Telecommunications Engineering from University College London (UK).

Significant External Appointments: None

4. JUANITO CAMILLERI

Non-Executive Director

Appointed to the Board in September 2021.

Bio: Juanito was successively CEO at GO mobile and at Melita Cable plc, then served as Rector of the University of Malta from 2006 to 2016. Between September 2014 and January 2017, he served as non-executive director of HSBC Bank Malta plc, and for a period was also Chairman of its Risk Committee. Over the years, Juanito served as a non-executive director and consultant on the boards of several public and private entities. Juanito is the Chairman and Resident Professor at the Centre for Entrepreneurship and Business Incubation at the University of Malta, serves as a non-executive member of the Board of Governors of St Edward's College and is the owner of Ta' Betta Wine Estates and St Anne's Clinic.

He holds a BSc (Hons) in Computer Science from the University of Kent at Canterbury and a PhD in Theoretical Computer Science from the University of Cambridge. He completed several Executive Training Programmes at London Business School (LBS) and at Massachusetts Institute of Technology (MIT).

Significant External Appointments:
- Chairman, Resident Professor at the Centre for Entrepreneurship and Business Incubation at the University of Malta;
- Board Member – Debono Group Holdings Company Ltd;
- Board Member – Malta University Innovation Portfolio Ltd and Non-Executive Chairman (of its two subsidiaries) – FLASC BV and DeNovoCell Ltd;
- Board Member – Prohealth Ltd and its subsidiary TrioMed Ltd.

5. LARAGH CASSAR

Senior Independent Non-Executive Director

Appointed to the Board in April 2016 and as Senior Independent Non-Executive Director in October 2021.

Bio: Laragh held the role of partner at Camilleri Preziosi between 2009 and 2015, after which she founded the firm Camilleri Cassar Advocates where she now heads the corporate and commercial practice group. Throughout her career, Laragh has gained extensive experience in many areas of practice, with a particular focus on mergers and acquisitions, banking, asset management, capital markets and corporate law restructuring. She has acted for a significant number of publicly listed companies, structuring the offering/issuance of equity and non-equity securities as well as subsequently advising on continuing obligations as listed entities, and is often appointed by the Faculty of Laws of the University of Malta as supervisor and examiner of MAdv dissertations.

Laragh obtained a degree in law from the University of Malta in 2002 and a Master of Law in Banking and Finance from the University of London in 2003.

Significant External Appointments:
- Partner - Camilleri Cassar Advocates;
- Non-Executive Director – Hili Properties plc;
- Non-Executive Director/Company Secretary – MedservRegis plc.

6. NOEL MIZZI
Non-Executive Director

Appointed to the Board in May 2023.

Bio: Noel graduated as an accountant from the University of Malta in 1988. He is a certified public accountant and a holder of a practicing certificate in auditing. Noel is a Fellow of the Malta Institute of Accountants. He commenced his extensive career in 1988.

Upon graduation he joined KPMG Malta and dedicated a 35-year career with the said firm, working on auditing entities in the financial services industry, particularly banks and asset management companies. He retired as Partner of the firm in September 2022. Noel was crucial in the setting-up of a dedicated financial services audit team in the Malta KPMG office. Noel was a council member and an officer of the Malta Institute of Accountants up to 30 September 2023.

Until retirement, he headed the operations side of the audit practice, which involves the auditing of a number of banks operating locally. He was a member of the firm's Executive Management Committee and the Audit Quality Panel up to the date of his retirement from the firm.

Significant External Appointments:
- Non-Executive Director – Embark Malta Limited.

7. MICHAEL PACE ROSS
Non-Executive Director

Appointed to the Board in November 2015.

Bio: Michael served as Director General of the National Statistics Office for six years, sitting on national and European committees, including the European Statistical Advisory Committee, prior to his current appointment as Administrative Secretary of the Archdiocese of Malta. He is a council member of the Malta Employers Association (MEA). He also sits on the board of trustees of the Richmond Foundation, and on the board of the Voluntary Solidarity Fund (Malta). In his capacity as Administrative Secretary, he sits on the Diocesan Representative Council, the Diocesan Pastoral Council, and the Diocesan Finance Committee. He is also an associate of the London College of Music. He was vested as Knight in a papal equestrian order by Cardinal Edwin O'Brien in 2019. Michael holds a BA (Hons) in Economics and Management and an MBA from the University of Malta.

Significant External Appointments:
- Administrative Secretary - Archdiocese of Malta;
- Non-Executive Director - Amalgamated Investments SICAV plc;
- Non-Executive Director – Beacon Media Group Limited;
- Company Secretary - AROM Holdings Limited.

8. JOSEPH RAPA
Non-Executive Director

Appointed to the Board in January 2023.

Bio: Joseph started his career in 1990 at the Economic Policy Department, Ministry of Finance, Malta. In 2012, he was appointed Director General, responsible for leading teams providing technical, economic, and financial analysis, including advice to the ministry on macroeconomic management, fiscal policy and on macroprudential issues. Between March 2013 and May 2022, he served as Permanent Secretary at the Ministry for Health and was responsible for general management functions within the ministry, with responsibilities for human resources management, strategic management, financial budgeting/planning, and management, as well as for the exercise of internal control. He currently carries out duties of oversight over the management of the Ministry for European Funds, Equality, Reforms and Social Dialogue, within the Ministry for the economy, European Funds and Lands. Joseph holds a BA (Hons) in Public Administration from the University of Malta, and an MBA from the Rotterdam School of Management Erasmus University.

Significant External Appointments:
- Member - Kunsill Finanzjarju Djoċeżan, Diocese of Gozo.

9. MARISA XUEREB
Non-Executive Director

Appointed to the Board in May 2023.

Bio: Marisa commenced her career in 1997 and occupied various senior roles in the manufacturing industry including that of Managing Director. She carried out a brief stint at the Central Bank of Malta as an external researcher on Monetary Policy Transmission, and undertook contractual research assignments relating to economic, social and technological impact of ICT and eServices. In March 2015, Marisa was appointed Council Member of the Malta Chamber of Commerce, Enterprise and Industry progressing to President in 2021. By virtue of this appointment, she was nominated to sit on a number of Boards related to the industry which she relinquished following completion of her terms as President of the Malta Chamber in March 2023.

Marisa read for a Bachelor of Commerce (Hons) degree in Economics at the University of Malta, graduating in 2000. She proceeded to read for a Master of Arts in Economics degree from the same University, graduating in 2002.

Significant External Appointments:
- Chairperson – Epic Communications Limited

10. GRAZIELLA BRAY
Company Secretary

Appointed Company Secretary in July 2018.

Bio: Graziella joined APS Bank in 2006. Over the years, she has performed duties in various areas of law, regulation, and compliance, including providing support to the Board, its subsidiaries and various committees. In 2021, she was elected fellow of the Chartered Governance Institute of UK & Ireland, as a Chartered Company Secretary and Governance Professional. She also sits on the Board of Directors of APS Funds SICAV plc. Graziella lectures in company law, regulation, and corporate governance at the Malta Stock Exchange (MSE) Institute and as a freelance trainer.

Graziella graduated with a Doctor of Laws from the University of Malta in 2004.

Executive Management

LEGEND

A Audit Committee

N Nominations & Remuneration Committee

T Technology & Innovation Committee

R Risk Committee

E ESG Committee

EX Executive Committee

C Conduct Committee

B Board Credit Committee

CC Compliance Committee

AL Assets-Liabilities Committee

MC Management Credit Committee

Chair

Non-voting

1. MARCEL CASSAR
Chief Executive Officer

Bio: Marcel joined the Bank in 2016. His career started in 1987 with Price Waterhouse Malta followed by MIBA/MFSC, now the MFSA (1991-1996). He was General Manager at Lombard Bank Malta plc (1996-2004) and First Executive Vice President and CFO at FIMBank plc (2004-2015). He has served as Chairman of the Malta Bankers' Association between 2018-2020, and again since 2022, leading to a seat on the board of the Brussels-based European Banking Federation (EBF).

Marcel is a CPA, a fellow of the Malta Institute of Accountants, and holds an MBA in Bank Financial Management jointly from the University of Wales and Manchester Business School (1995). He has lectured and examined at both FEMA and the MA Financial Services course, University of Malta, and is a frequent speaker and writer on topics related to financial services.

2. GIOVANNI BARTOLOTTA
Chief Risk Officer

Bio: Giovanni joined the Bank in 2018. Giovanni is responsible for leading and overseeing the second line of defence of the Bank, through the fostering of an appropriate risk culture within the institution and implementing effective risk management and compliance frameworks, within the boundaries of the risk appetite set by the Board. Prior to joining, he spent ten years in London working for major global investment banks, including Kleinwort Benson, JP Morgan Chase & Co and Bear Stearns International. He then moved to Malta where he spent 14 years at FIMBank plc, as Executive Vice President and Global Head of Risk.

Giovanni holds a BA in Economics from SDA Bocconi, University of Milan and is currently a member of the Council of the Malta Association of Credit Management.

3. RAYMOND BONNICI
Chief People Officer

Bio: Raymond joined the Bank in 2016 as Head of Human Capital and was appointed to his present role in June 2020. He started his career in aviation, working for KLM, Swissair and Sabena. Following this period, he worked at Hilton Hotels International, as Director of Human Resources for Malta. Prior to joining the Bank, he was Director of Human Resources at Premier Capital plc and was a key element in setting up the group's human resources function across the company's business in six EU Member States. He currently oversees the sourcing of the Bank's employee talent and the human resource management functions.

Raymond holds a BA in Youth and Community Studies from the University of Malta.

4. ANTHONY BUTTIGIEG
Chief Banking Officer

Bio: Anthony joined the Bank in 2016 as Head of Banking and was appointed to his present role in June 2019. His experience in the banking sector spans 45 years. His career started with Mid-Med Bank, which later became HSBC Bank (Malta) plc, where he held a number of Senior and Managerial roles. Anthony is responsible for the Bank's commercial business division, retail branches, contact centre and electronic channels.

Anthony is an Associate of the Institute of Bankers.

5. EDWARD CALLEJA
Chief Operations Officer

Bio: Edward joined the Bank in 1992 and was appointed to his present role in August 2021. Edward started his career with Mid-Med Bank in 1981. Since then, he held senior managerial positions in lending, corporate strategy, and risk management. He was responsible for the setting up of the Bank's lending function and the centralisation of key operations through the implementation of the Loans Processing System in 2009. Edward is responsible for the efficient management of the Bank's operations, and of Support Services as from 1 January 2024, which is responsible *inter alia* for the renovation and facilities management of the Head Office premises, the branch network and other Bank's properties.

Edward holds a BA (Hons) Accountancy from the University of Malta (1990), a Diploma in Management (2003) and an MBA from Henley Management College, UK (2005). He obtained his warrant as CPA in 1991 and became a Fellow member of the Malta Institute of Accountants in 2011.

6. JONATHAN CARUANA
Chief Technology Officer

Bio: Jonathan joined the Bank in 1999 and was appointed to his present role in November 2016. He held various senior managerial positions in the Bank, including retail banking, payments and clearing, and technology. He was appointed Information Systems Manager in 2008 and Head of Technology in 2015. Jonathan is responsible for the technology, project management and digital innovation domains of the Bank.

Jonathan holds a BSc (Hons) in Computing from the University of Greenwich and an MSc in Software Engineering from the University of Hertfordshire.

7. LIANA DEBATTISTA
Chief Strategy Officer

Bio: Liana joined the Bank in 2003 and was appointed in her present role in October 2021. She held various managerial positions across multiple areas, including strategy, internal audit, and marketing, and was promoted to Head of Strategy & Propositions in 2020. Liana leads the business planning process and advises the Board of Directors, the CEO and Senior Management on corporate strategy formulation. In addition, she oversees sustainability and CSR, brand and marketing, customer insight and performance management. She is also responsible for product oversight and governance, corporate culture, and customer experience.

Liana has a BSc in Business & Computing (2001) and a BCom (Hons) in Management (2002), both from the University of Malta, and an MSc in Corporate Finance from the University of Liverpool (2015).

8. NOEL MCCARTHY
Chief Investments Officer

Bio: Noel joined the Bank in 2000 and was appointed to his present role in 2020. Since, Noel has successively served in a number of senior positions, including the role of Chief Financial Officer since 2016. Noel oversees the Investment Management and Investment Distribution units, the activities of the subsidiary and affiliated companies and the Bank's property portfolio. He also serves as a Director in ReAPS Asset Management Limited.

Noel holds an MA in Financial Services from the University of Malta. He is a CPA and a Fellow member of the Malta Institute of Accountants.

9. RONALD MIZZI
Chief Financial Officer

Bio: Ronald joined the Bank in 2020. He is responsible for leading and maintaining the effective governance and stewardship of the Bank's finance, asset-liability management, and capital management programme. He is also responsible for business process reengineering, operational effectiveness and data integrity initiatives at the Bank. Prior to joining the Bank, Ronald was Group Chief Financial Officer at FIMBank plc having spent his earlier career with PricewaterhouseCoopers in Malta, the Channel Islands and New York. He is a Council Member of the Malta Institute of Accountants and sits on the Institute's Financial Services Committee and Sustainable Finance Committee.

Ronald holds a BA (Hons) in Accountancy from the University of Malta and a Diploma in VAT Compliance from the institute of Indirect Taxation (UK). He is a warranted CPA and holds a Practicing Certificate in Auditing, both issued by the Accountancy Board in Malta, and is a Fellow of the Malta Institute of Accountants.

Heads of Departments

1. **KENNETH AZZOPARDI**
Head of Human Capital

2. **RACHAEL BLACKBURN**
Head of Culture

3. **CYNTHIA BORG**
Head of Financial Crime Compliance & MLRO
C CC

4. **ELAINE CALLEJA**
Head of Career Development

5. **ALEXANDER CAMILLERI**
Head of Operations
T

6. **GILBERT CARUANA**
Head of Finance
AL T

7. **DANIEL CASSAR**
Head of Project Delivery and Innovation
T

8. **JOSEPH FARRUGIA**
Head of Special Projects

9. **MARVIN FARRUGIA**
Head of Asset Liability Management
AL MC

10. **MARIO GAUCI**
Head of Commercial
B MC AL

11. **KENNETH GENOVESE**
Head of Investment Distribution
AL

12. **GORDON GILFORD**
Head of Electronic Channels
T

13. **DIONE STEPHAN GRAVINO**
Head of IT Infrastructure & Operations

14. **NIVES GRIXTI**
Head of Legal
C B CC MC

15. **ZOLTAN HORVATH**
Head of Propositions
T

16. **MARCO MICALLEF**
Head of Risk
R B MC

17. **SIMON MICALLEF**
Head of Customer Profiling
CC

18. **AARON MIFSUD**
Head of Retail
AL MC

19. **RODNEY NAUDI**
Head of Operational Risk and Security Governance
R T

20. **JOSEF PORTELLI**
Head of Investment Management

21. **RONALD PSAILA**
Head of Business Solutions
T

22. **RICHARD SCERRI**
Head of Internal Audit

23. **MATTHEW SWAIN**
Head of Sustainability
E MC

24. **CHRISTINE TABONE**
Head of Enterprise Risk Management
AL

25. **DORIANNE TABONE**
Head of Regulatory Compliance
C CC

LEGEND

- A Audit Committee
- R Risk Committee
- C Conduct Committee
- AL Assets-Liabilities Committee
- N Nominations & Remuneration Committee
- E ESG Committee
- B Board Credit Committee
- MC Management Credit Committee
- T Technology & Innovation Committee
- EX Executive Committee
- CC Compliance Committee
- Chair
- Non-voting

Financial Statements and Other Information

CONSTITUTION AND PRINCIPAL ACTIVITIES

APS Bank Group (the Group) comprises APS Bank plc (the Bank) and its subsidiaries ReAPS Asset Management Limited (ReAPS) and the APS Diversified Bond Fund. The Group also has a significant investment in its associates IVALIFE Insurance Limited (IVALIFE), the APS Ethical Fund, the APS Income Fund and the APS Global Equity Fund.

The Bank is a public limited company. It is licensed by the Malta Financial Services Authority (the MFSA) to carry out the business of banking and investment services in terms of the Banking Act (Cap. 371 of the Laws of Malta) and the Investment Services Act (Cap. 370 of the Laws of Malta). The Bank is also enrolled in the Tied Insurance Intermediaries List in terms of the Insurance Intermediaries Act (Cap. 487 of the Laws of Malta).

ReAPS is a wholly owned subsidiary of the Bank incorporated in October 2016 as a private limited liability company. The company is a UCITS fund management company and is licenced by the MFSA to perform investment management services under the Investment Services Act. The company also holds a Registration Certificate pursuant to article 6 of the Laws of Malta of the Retirement Pensions Act (Cap. 514) to carry out activities as an Investment Manager of retirement schemes.

APS Funds SICAV plc was incorporated in January 2008 and is licensed by the MFSA as a collective investment scheme under the Investment Services Act. The company operates under the Retail UCITS Scheme and has established four sub-funds.

IVALIFE was incorporated in December 2019 as a private limited liability company and is licenced by the MFSA to undertake insurance business activities in terms of the Insurance Business Act (Cap. 403 of the Laws of Malta).

SHARE CAPITAL STRUCTURE AND MAJOR SHAREHOLDERS

The Bank's authorised share capital is of €125,000,000, divided into 500,000,000 shares with a nominal value of €0.25c each, with 377,803,569 ordinary shares in issue. The Bank's entire shareholding is listed on the Malta Stock Exchange. The 377,803,569 shares referred to also comprise the shares allotted to shareholders following two scrip dividends declared in 2023 and the awarding of shares to employees in terms of the Executive Share Incentive Plan. The share capital consists of one class of ordinary shares, with equal voting rights. Further information on the Bank's authorised and issued share capital is disclosed in Note 37 to the financial statements.

The shares are freely transferable. However, AROM Holdings Limited and the Diocese of Gozo have undertaken not to offer, sell, grant any option, right or warrant to purchase or otherwise transfer, assign or dispose of, any of the shares they held in the Bank as at 24 May 2022, for a period of 24 months from the date when the shares were admitted to listing on the Official List, i.e. 17 June 2022, and this undertaking shall subsist notwithstanding any provisions of the Companies Act and the Memorandum and Articles of Association and/or the Capital Markets Rules that would otherwise have permitted such transfer, assignment or disposal. As an exception to the lock-in, AROM Holdings Limited and the Diocese of Gozo may transfer, sell, assign or dispose of any of these shares in the Bank where such transfer, sale, assignment or disposal is made (1) consequent to the enforcement, as a result of default of the underlying obligation by the pledgor, of a bona fide pledge made to a credit institution licensed in Malta or holding an equivalent authorisation in an EU member state or EEA state; or (2) in the context of an internal corporate restructuring exercise of either of the said shareholders, where the beneficial interest in the relevant shares does not change.

AROM Holdings Limited and the Diocese of Gozo are the Bank's qualifying shareholders, and the only two shareholders holding more than 5% in the Bank. The below table provides an overview of their respective shareholding:

	No. of shares held as at 31 December 2023	% holding as at 31 December 2023
AROM Holdings Ltd (wholly owned by the Archdiocese of Malta)	**208,530,943**	**55.2%**
Diocese of Gozo	**47,777,556**	**12.7%**

The following table includes the number of shares held by Directors/Company Secretary as at 31 December 2023:

Director/Company Secretary	No. of shares
Martin Scicluna	31,845*
Joseph C. Attard	33,437
Laragh Cassar	16,524
Graziella Bray	18,188

*held jointly with spouse

All of the ordinary shares in the Bank rank *pari passu* in all respects, including in terms of voting rights, participation in dividends and other distributions of profits of the Bank or otherwise.

In terms of Article 19 of the said Articles of Association, the Bank may acquire any of its own shares in line with the provisions of the Companies' Act (Cap 86).

There are no arrangements currently known to the Bank the operation of which may at a subsequent date result in a change of control in the Bank.

DIRECTORS, THEIR APPOINTMENT AND POWERS

The Articles of Association specify that a shareholding of ten per cent (10%) of the Bank's shares having voting rights shall constitute a 'qualifying shareholding', and that a shareholder of the Bank that holds, or shareholders who among them hold (in the aggregate), a qualifying shareholding, shall be entitled to appoint one Director by letter in respect of each qualifying shareholding held, in every case subject to regulatory approval. Consequently, at the last Annual General Meeting held on 16 May 2023, AROM Holdings Limited held 55.15% shareholding in the Bank and therefore appointed five Board Directors, whereas the Diocese of Gozo held 12.63% shareholding and therefore appointed one Director. The seventh Director was appointed by an aggregation of the remaining shareholding. The eighth and ninth Directors were appointed by the public float following a call for nominations issued via a Company Announcement. The provisions relating to the appointment of Directors are found in Articles 102 to 115 of the Bank's Articles of Association.

The Articles of Association also provide that the largest single shareholder of the Bank (holding at least twenty-five per cent (25%) of the ordinary issued share capital of the Bank) shall be entitled to appoint the Chairman of the Board from amongst the Directors appointed or elected to the Board.

The Directors who served during the financial year were:
Martin Scicluna
Victor E. Agius
Joseph C. Attard
Franco Azzopardi*
Juanito Camilleri
Laragh Cassar
Alfred DeMarco*
Noel Mizzi**
Michael Pace Ross
Joseph Rapa
Marisa Xuereb**

*Franco Azzopardi and Alfred DeMarco retired at the AGM on 16 May 2023.

**Noel Mizzi and Marisa Xuereb were appointed to office at the AGM on 16 May 2023.

All the above Directors, bar Messrs Azzopardi and DeMarco, continue to serve at the date of approval of the Directors' Report. Bio notes on these Directors are found on pages X to XII.

The powers of Directors are provided in Articles 128-136 of the Bank's Articles of Association.

There are no agreements between the Bank and the Directors providing for compensation on resignation or termination of directorship.

NON-FINANCIAL DISCLOSURES

Directive 2014/95/EU – also referred to as the Non-Financial Reporting Directive (NFRD) – lays down the rules on disclosure of non-financial and diversity information by certain large companies. The following are the disclosures hereby made pursuant to this Directive:

1. THE BANK'S BUSINESS MODEL

APS Bank is an established Maltese credit institution that provides a comprehensive range of banking and financial services to its personal and corporate customers. Ever since its foundation in 1910, its aim has been to connect fully with customers within local communities. Through the Bank's professional network, it has been able to assist customers in realising their financial and economic ambitions, whether for purchasing their new family home, a new car, renewable energy solutions or saving and investing for their retirement or other goals.

The Bank provides a wide suite of products and services, ranging from basic deposit accounts, credit and lending facilities and also investment and retirement services. All of this is delivered to customers through the Bank's branch network in Malta and Gozo, which the Bank is continuously investing in to ensure presence and accessibility in various locations.

All the Bank's customers are also provided access to banking services digitally through myAPS desktop and mobile app, making it easy to view and perform transactions through their accounts while on the move.

The Bank also participates in syndicated lending on an ongoing basis, where across the years, it has managed to secure participations in facilities arranged by renowned international institutions. Being there for the community and being able to provide banking services effectively to all strata of society was always a strategic priority for the Bank. In fact, ongoing effort is dedicated to make sure that families in need, or those who require dedicated assistance, can be provided with a banking experience. This is made available through specific products and services provided by the Bank itself or through collaboration with local and international entities, such as the Malta Development Bank, the Malta Housing Authority, and the European Investment Bank. The Bank's commitment to the betterment of the communities it serves also extends to its own core product offering.

Sustainability matters are at the forefront for APS Bank – in early 2023 the Bank launched its Responsible Lending Policy (RLP) – a first for Malta. The purpose of this policy, which sought to formalise and add to, practices already adopted by the Bank for some years, is to provide clear and transparent assessment criteria for evaluating lending proposals from an environmental, social and governance (ESG), and sustainability perspectives. The Bank's ESG and Executive Committees have approved the implementation and distribution of the RLP, which has been articulated in line with European Banking Authority (EBA) Guidelines on Loan Origination and Monitoring, outlining responsible lending standards across Europe.

2. COMMUNICATING BRAND, PURPOSE AND CORPORATE CULTURE

The Culture Department is responsible for the Bank's brand and marketing, corporate social responsibility (CSR), corporate culture change and voice of the customer (VOC) programmes. These four units implement and activate communication and brand management strategies, to ensure that internal and external communications are aligned with the Bank's purpose and strategic priorities.

Brand and Marketing

The APS Bank brand is a vital medium to communicate the Bank's vision, mission and values. In 2023, the Brand and Marketing function continued its focus on further elevating the brand in its communication strategy to ensure top-of-mind awareness, while complementing product-specific messages.

This was done through the continuation of the Bank's brand campaign across integrated media channels, product-specific campaigns, and various brand initiatives – such as the Bank's term deposit offerings, branch experience initiatives, investment chats and bonds issue. Throughout the year, the Bank also presented five livestreamed Market Briefing sessions to inform the market about important or material developments and follow up on company announcements. This offered another avenue to engage with investors and the public, who in turn welcomed this innovative approach.

The brand messaging was further sustained with the Bank's third Christmas advert, focusing on rekindling of our life stories together. The power of community is emphasised in the advert as individuals come together to spread Christmas cheer, share their talent, and companionship.

Corporate Social Responsibility Programme

CSR is a critical driver in the successful delivery of the Bank's business strategy and a vehicle to communicate its brand and corporate values. The annual CSR Programme is made up of curated events and activities, in addition to donations and sponsorships, which are selected in alignment with three CSR pillars to support art, lifelong learning and sustainability.

The CSR Programme includes a wide range of activities with a broad appeal to reach different audiences. From the sponsorship of diverse book publications, artistic exhibitions and performances, restoration projects, to collaborations with educational institutions and conferences organised by professional bodies, each CSR activity demonstrates the Bank's commitment to sustain and celebrate the community, which it serves. The introduction of a call for CSR 2024 funding proposals was met with an overwhelming response and marked an evolution in the Bank's efforts to respond to the community's needs.

In 2023, four APS talks and two APS Business talks were delivered online, in hybrid format and in person by experts with the objective of knowledge-sharing, building awareness and encouraging cross-disciplinary application of best practices. The Malta Sustainability Forum (MSF) also continued to raise more awareness

and empower citizens to make conscious decisions towards a more sustainable life. Three MSF events were delivered in 2023: Reconsidering Mobility and Affordable Housing Solutions which were livestreamed, and Confronting Pension Inequity: Unmasking the silent struggle, presented as an in-person conference.

Some of the CSR Programme highlights included: the APS Bank Easter Concert, the APS Teatru Unplugged, and the APS Mdina Cathedral Contemporary Art Biennale. The Bank was also proud to support the Order of Malta National Art Exhibition, KampuSajf arts festival organised by the Malta College of Arts, Sciences and Technology, and the Sculptura exhibition in aid of the Malta Community Chest Fund Foundation.

Following Fondazzjoni Patrimonju Malti's transformation of the Bank's former Head Office APS House in St. Paul Street, Valletta into the state-of-the-art Victor Pasmore Gallery, a significant step was taken towards recognising and celebrating Malta's artistic and cultural heritage. This milestone was marked by the inaugural exhibition titled 'In Search of Line.'

Voice of the Customer

The Bank's vision, mission and values are also engrained in the VOC function as it catalyses its Customer First Strategy, ensuring that the voices of the Bank's customers are heard and channelled throughout the organisation to deliver an optimal experience. Responsible for directly assisting customers who have feedback or complaints on any point in the customer journey, VOC handles each individual case through to resolution, ensuring a fair outcome for all concerned.

The Bank's Customer Experience (CX) Strategy was implemented in 2023, through various initiatives, including: Customer Journey Mapping, a Senior Management CX Offsite and the introduction of CX Activation Workshops to cascade the strategy across the Bank.

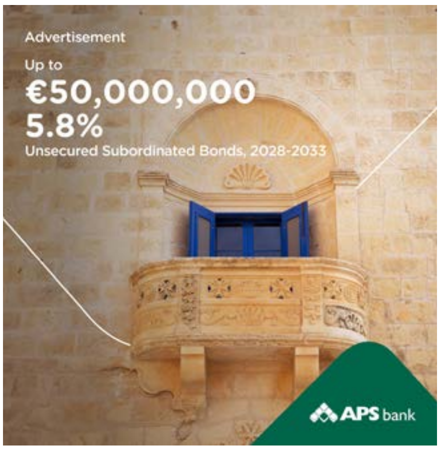
VOC coordinates various external research initiatives annually to identify ways to optimise the Bank's customer experience. These exercises include mystery shopping, regular customer satisfaction surveys (CSAT) and focus groups. Customer feedback touchpads located throughout the Branch network continue to provide critical customer sentiment data, which is updated regularly and displayed as a score on the in-branch digital screens.

In the spirit of continuous improvement, VOC collates and shares customer feedback with senior management and develops and delivers ongoing coaching and training on effective customer support to front-line and operations teams.

Corporate Culture Change Programme

The Corporate Culture Change Management Programme aims to cultivate the Bank's corporate culture as defined in the APS Bank Culture Deck through various activities and strategic corporate culture communications. The Programme is designed to embed the Bank's vision, mission and values in the thinking, behaviour and actions of employees, optimising employee experience and engagement.

The 2023 Programme included Executive Breakfasts, #APSlife consumer-graded internal communications such as the Bank's in-house podcast, workshops, and talks and presentations for senior and



middle management. The annual APS Bank Values Awards also recognised employees who walk the talk on living and breathing the Bank's values.

Several new initiatives were launched. #APSlife Celebrating Diversity Breakfasts, delivered by speakers from the Committee on the Rights of Persons with Disabilities (CRPD), provided informative sessions over breakfast for employees to understand and discuss how to create a more inclusive and accessible environment for all. All employees were invited to attend a Culture Activator - a one-day offsite, with the objective of enhancing interdepartmental collaboration and communication, through team-building activities and facilitated discussions on selected topics from the APS Bank Culture Deck.

An initiative to map the moments that matter in the employee journey was also introduced as part of the Bank's ongoing efforts to enhance employee experience, nurture holistic wellbeing, and strengthen corporate culture. Subsequently, an open communication loop was established, providing employees with a channel to share their feedback and contribute towards continuous improvement in employee experience.

Developing an ESG Strategy

The Sustainability Strategy is owned by the Chief Strategy Officer and implemented by a dedicated Sustainability Unit which was set back in 2022. Oversight of the strategy is provided to both the ESG Committee and the Executive Committee. Furthermore, in 2023, APS Bank appointed its first Head of Sustainability, further solidifying its commitment in this remit. The Bank's ambitions are to expand to a wider sustainability strategy, encompassing the UN Sustainable Development Goals (SDGs) as well as overall responsibility for Emissions Accounting and ESG reporting.

The Bank has also made three Sustainability & ESG public commitments, namely:

1. **To facilitate EUR250 million of sustainable finance by 2030**
   The Bank endeavours to finance activities and projects that take into account the ESG factors of an economic activity or project. In addition, APS Bank wants to be the Bank when it comes to sustainable financing opportunities and options. Sustainable finance is becoming increasingly important to investors and customers who are looking to invest in environmentally and socially responsible undertakings.

2. **Reduce the impact of the Bank's operational emissions by 30% by 2030**
   Reducing the impact of APS Bank's operational emissions is important for several reasons. Most importantly, the Bank recognises its role in contributing to climate change and takes responsibility to take action to reduce its carbon footprint. At the same time, reducing operational emissions can help banks save money by reducing energy consumption and increasing efficiency.

3. **Establish a baseline for APS Bank's financed emissions to align the Bank's lending, to reach carbon neutrality by 2050**

The Sustainability Department is responsible for formulating and executing the Bank's Sustainability strategy across all its functions. The role encompasses formulating an ESG and sustainability-led growth business strategy, mapping the delivery of regulatory ESG reporting as well as leading on ESG and sustainability engagement with both internal and external stakeholders of the Bank.

The Strategy and Propositions functions are responsible for the integration of ESG and sustainability-related factors where required within the Bank's suite of products and services, and in also enhancing the Bank's green and social product offerings.

The Sustainability Department manages the Bank's participation and membership of the Malta ESG Alliance (MESGA) of which APS Bank is a founding member. MESGA was set up in July 2022 by 13 founding members from various sectors across Malta who are committed to collaborate and work collectively to lead and drive national ESG goals.

Furthermore, the Sustainability Department also provides bespoke training to a multitude of employees and functions within the Bank, from board members to frontline employees, to raise awareness of ESG and sustainability topics. This ensures that the Bank's people are conversant with these vital topics, and that they are also well-versed when it comes to proposing APS Bank's Green Products to current and future customers.

3. CLIMATE CHANGE AND ESG RELATED RISKS

Transitioning to a low-carbon and circular economy entails both risks and opportunities for the economy at large and for financial institutions operating in it, while physical damage caused by climate change and environmental degradation can also have a significant impact on the real economy and the financial system. Throughout the years, the focus on sustainability has been growing, resulting in the need for businesses to act and be part of the solution to pressing environmental and social issues.

The Group recognises the pace of such trends and the need for a Sustainable and Responsible banking strategy in line with the Group's Vision and Mission, which is that of being the community bank in Malta. The Group is committed to continue supporting business and economic growth, but mindful of the fact that existential issues such as climate change need to be prioritised if we are to make meaningful inroads into the sustainability of the environment we live in, for our lives and that of future generations.

The Group recognises that it has responsibility towards the environment and society beyond legal and regulatory requirements. It is committed to improve performance in these areas as an integral part of its business strategy, with regular review points. The Group is aware of its exposure to ESG risks and is closely following regulatory guidelines, developments, and supervisory expectations. As such, measures to mitigate its exposure to these risks form an integral part of the Group's risk management framework.

Climate and environmental risk drivers can result – in terms of monetary and other impacts – into traditional financial risk categories, rather than representing a new type of risk, thereby climate-related financial risk is integrated into the Bank's risk management framework through the management of the various risk types, including Credit risk, Market risk, Liquidity risk, Operational risk and Reputational risk. Climate risk drivers can affect the Bank's credit risk through its counterparties, its market risk through the value of financial assets, and its liquidity risk through its deposits, funding costs and withdrawal of credit or liquidity lines.

The Responsible Lending Policy sets out, in a clear and transparent manner, the assessment criteria to be used when evaluating lending proposals from an ESG perspective. In line with the mentioned Policy, the evaluation of proposals using ESG assessment criteria has the ultimate objective of grading a borrower and its financing proposal against pre-determined environmental, social and governance sustainability criteria and metrics. Each of these criteria are assessed during the loan proposal stage, before a report of this grading is passed on to the Credit Risk Management function, for an independent review in line with the Bank's policies, risk appetite and other credit related assessments.

The Group has in place an Environmental & Social Management Systems (ESMS) Policy. The ESMS Policy aims to ensure compliance with relevant regulatory requirements, including best practice Exclusion Lists and Standards to actualise environmental and social directives, laws and regulations.

The Sustainability Risk Policy of the Group outlines its approach to sustainability within its risk management framework. It applies as standard to all investments and advice in financial products provided by the Group. This ensures that the sustainability risk profile of the Group is fully aligned with its risk appetite, whilst providing a clear rationale for investment decisions taken.

The Treasury bond book is mainly composed of high-quality government and supranational bonds and to a lesser extent investment grade corporate bonds. Before bonds are purchased, the Treasury Unit reviews research reports published by external credit rating agencies to get a better understanding not only on the financial aspect of the government or company but also with respect to their ESG criteria. In line with the Group's risk appetite and Treasury Policy, the Treasury Unit takes a conservative stance with respect to the Treasury bond book, hence market and liquidity risk are mitigated as the exposure to issuers with a low ESG score is heavily curtailed. ESG is also one of the eight pillars of the Reputational Risk Framework set up by the CSO's office and being monitored by the Operational Risk and Security Governance Unit as well as the reputational dimensions considered in the Reputational Risk Management Matrix as part of the Reputational Risk Policy.

The Risk Department monitors and reports the Bank's sectorial exposure periodically and benchmarks this to ESG-related ratings issued by external credit rating agencies. Local exposures within the lending portfolio are categorised according to the CO_2 emitted by each sector of economic activity in producing one unit of Gross Value Added (GVA). The Bank performs an internal adequacy assessment on the Bank's capital and liquidity positions, with the results being reported in the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) documents. These processes include an assessment of the Bank's exposure to ESG risk and the management thereof, to ensure that the risk is managed within the Bank's risk appetite and that the Bank's capital adequately covers its exposure to such risk. As part of the 2023 ICAAP and ILAAP documents, the Bank included a tailored and in-depth review of the potential vulnerabilities resulting from transition risk through stress testing, as mandated by ECB Guidelines. Through this stress scenario, the Bank understands and monitors its resilience in the context of stressed macro-economic and financial conditions. The assessment is performed based on both quantitative and qualitative analysis and consideration is also given to the changing external and internal conditions and supervisory expectations.

In 2023, the Group published the regulatory Pillar 3 disclosures on ESG governed by Part Eight of the Capital Requirements Regulation (CRR) II No. 2019/876 and in line with guidelines published by the EBA on prudential disclosures on ESG risks. This report includes data on climate-material sectors which show how climate risk drivers may impact the balance sheet and how these risks are being mitigated. This report is available on the Bank's website.

Work is ongoing to enhance the reporting around ESG, and the report for 31 December 2023 will be published on the Bank's website by June 2024.

4. SOCIAL MATTERS

Trade Unions

The Bank recognises the Malta Union of Bank Employees (MUBE) as the sole and exclusive bargaining agency for the managerial, clerical, and non-clerical categories of employees. The Bank's relationship with the MUBE has been productive throughout the years, with ongoing communication between both parties on various topical matters. The Bank has an active Collective Agreement covering the three-year period 2023-2025.

Community Relations

The Bank has over the years supported a number of community projects and initiatives and continues to engage more on an ongoing basis. These are generally selected for their significance to a specific sector of society, such as youth or people with special needs, or to support specific areas of Maltese culture, such as music or visual arts. The Bank's philosophy is to create partnerships that are just, sustainable and of mutual value, and preference is given to umbrella organisations, federations, or collective interest groups over individual endeavours. Through various direct initiatives, substantial support is given to charitable, voluntary and community projects, in line with the Bank's social support philosophy. The Bank's employees are encouraged to pursue various activities in voluntary work to take an active role in matters that are so vital to society at large.

The Bank contributes to public education and debate by sponsoring seminars and their proceedings which expound topical themes of general or specific interest. In this way, it provides opportunities for the exchange of ideas in a structured and cohesive manner and makes them available to a wider audience.

Occasionally, the Bank also publishes studies which consider critically particular issues concerning the demographic, economic, social and political networks in the Maltese Islands and in the European Union.

Consumer Relationships
The provision of the Bank's products and services through both its physical and virtual channels, as well as the ongoing refinement and modernisation of its internal processes lend towards the Bank's ultimate objective; that of providing excellent levels of customer experience and service.

The Bank continues to devote increasing attention and resource towards ensuring that its customers feel comfortable and confident in engaging with the Bank through several physical and virtual interactive spaces.

Significant investment has gone into upgrading the Bank's network of Retail branches, making them more modern in design and experience for its customers and colleagues alike. Branches are equipped with improved office spaces and furniture, modern waiting and meeting areas, as well as interactive digital display monitors that are available for customers to use.

At the same time, the Bank continued to make a positive difference when it comes to sustainability, through the choices that were made when the project of branch and offices transformation was ongoing. This regeneration of the Bank's premises has, as a matter of fact, been planned to contribute towards lowering its carbon footprint. Energy efficient lighting and heating and cooling systems have been installed in several of its locations. Many branches have already passed through this transformation, with the few remaining renovations planned to follow in short order. The Bank's flagship branch and head office premises in Swatar also allows for the recycling of rain and wastewater, as well as generating renewable energy through several photovoltaic panels. The Bank has also invested in charging bays on every floor of its latest underground staff and customer parking area, aimed at encouraging its staff to invest in hybrid and electric cars, which are less harmful to the environment.

5. EMPLOYEE MATTERS

The Bank's people strategy continues to be aimed at being the 'Employer of Choice'. It achieves this through maintaining high employee engagement levels, supported by a competitive remuneration package, that includes an occupational pension plan. The Bank continued to attract and retain the best talent. Employee churn rate FY2023 was maintained at less than 7.6% and vacant positions attracted a good number of applications having the qualifications, skills, competencies, and experience required for the positions.

Being the 'Employer of Choice' means ensuring that all employees are supported in achieving their full potential. This continued to be achieved through the ongoing support and investment in the development of employees' skills, knowledge and competencies, required for todays and future needs. This strong investment in development is coupled with opportunities for career development and growth.

During 2023, the Bank continued to support the mental, physical and social wellness of its employees. The Bank provides a health insurance scheme to all employees, has an on-premises gym and active sport and social committees. In addition, the Bank has an Employee Assistance Programme (EAP), which is continually enhanced to support the mental wellbeing of its employees. The EAP offers confidential counselling, guidance and support to assist employees resolve work, family and personal issues.

Moreover, the Bank adopts a robust and current policy framework with polices on diversity, equity and inclusion, zero-tolerance to bullying, harassment and discrimination, preventative medical care and sports activity, employee screening, succession planning and a performance development review process.

Diversity, Equity and Inclusion Policy
The Diversity, Equity and Inclusion policy, implemented early in 2023, continued to support the Bank in fostering, cultivating, and preserving a culture of diversity, equity and inclusion amongst all employees. It aims to create an inclusive environment that respects the dignity and diversity of all its people, in line with the Bank's Values. Throughout an employee's life cycle – attraction, recruitment, onboarding, development, retention, and separation – the Bank works hard to give every person an equitable opportunity to grow and to thrive. The Bank's employee complement increasingly comprises of a wide array of nationalities employed in various disciplines, specialisations and roles and a good gender balance.

Zero-tolerance Policy
The Bank maintains zero-tolerance to cases of bullying, harassment and unlawful discrimination and supports a workplace that promotes a dignified working environment and harmonious relations among its employees based on respect, understanding and appreciation. There were no reported cases of bullying, harassment or discrimination in FY2023.

Preventative Medical Care and Sports Activity Policy
Every three years each employee has the option of attending a preventive medical examination/check-up according to their age. This policy complements other wellbeing initiatives organised by the Bank to promote the physical, mental and social health and wellbeing of its employees to achieve their full potential and live a healthy and active lifestyle. The Bank also subsidises sports activities for its employees.

Employee Screening
Employee screening presents a critical opportunity for the Bank to ensure prospective and existing employees are aligned with its desired corporate culture, embrace its values and are 'fit and proper' to discharge their duties and responsibilities. The Bank uses various tools for screening its employees as part of its due diligence process. Employees are also expected to abide with other policies including its Code of Ethics and other regulatory policies and guidelines that ensure the integrity of its employees.

Succession Planning
This policy details the Bank's process for identifying and growing talent to fill leadership and business-critical functions and positions in the future. Succession and talent planning sits inside a much wider strategic framework encompassing areas such as business strategy and plans, business continuity management, resource management, required skills and competencies and career development. The scope of this policy is to complement these areas through a framework for ensuring that the Bank has the right people in the right place at the right time, and that learning, and development investment is maximised.

Performance Development
The Bank adopts a clear distinction between fixed and variable remuneration. Its variable remuneration is based on the performance of staff members taking in consideration both qualitative and quantitative criteria, the performance of the Bank, the achievement of departmental, team and individual targets in line with Key Performance Indicators (KPIs), living the Bank's values and supporting the ongoing development of skills, knowledge and competency required by each employee. Each employee has clear objectives and ongoing development discussions so that they can achieve high levels of performance across the Bank.

IDENTIFICATION AND MANAGEMENT OF PRINCIPAL RISKS

Credit Risk

Credit Risk is the potential risk that a borrower or counterparty fails to meet the respective obligations in accordance with (or performing according to) agreed terms. Alternatively, losses may result from reduction in assets value arising from actual or perceived deterioration in credit quality.

Lending is considered to be APS Bank's main activity and, as such, assessment of credit risk plays a pivotal part in the execution of the Bank's strategy. The Bank's exposure to credit risk is diversified by maximum single exposure, by sector, by geography, by tenor and by product, through its engagement in Retail Lending, Commercial Lending, Trade Finance and selected participations in Syndicated Lending. The appetite (and tolerance levels) for credit risk which is deemed acceptable by the Bank at any point in time is defined and evaluated in the Risk Appetite Statement (RAS), which is approved by the Board and reviewed on an annual basis.

Credit Risk is managed and controlled in various ways, including the regular four-eye approach/risk-based review of the:

a) credit risk policy, including the policies relating to forbearance, connected accounts and non-performing loans;
b) lending procedures of the first line of defence;
c) new lending products and/or the review/revamp of existing lending products;
d) internal credit scoring systems;
e) internal credit risk grading system based on days past due and other non-financial/qualitative factors, including cure/probation periods;
f) daily excesses/loan arrears exceeding the encroachment tolerance limits of the branch/commercial managers and/or the 30 days past due (Significant Increase in Credit Risk (SICR));
g) dual recommendation with Business (first line of defence) by the CRU (second line of defence), to ensure proper oversight/governance on:
   i. fresh and/or renewal of business and retail credit limits;
   ii. ESG considerations in credit proposals on a solo or connected basis, in line with the Bank's Responsible Lending Policy (RLP);
   iii. fresh retail credit facilities with parameters exceeding established delegated criteria;
h) bi-annual snap checks of a sample credit facilities sanctioned by the first line of defence;
i) issuance/checking of EOM data with respect to the monthly Expected Credit Loss (ECL) calculation done in compliance with the IFRS 9 accounting regime; and
j) internal limits relating to single-name and sectoral concentration risk.

Financial Crime Compliance Risk

Financial crime risk is the potential misuse of the Bank's products and services for unlawful activities, covering a spectrum of criminal actions such as money laundering, terrorist financing, proliferation financing, tax evasion, sanction evasions, fraud, bribery, and corruption.

APS Bank plc acknowledges the impact of financial crime on the global economy and society at large. The Bank is committed to combatting financial crime by meticulously adhering to all relevant laws and regulations governing financial crime. This unwavering commitment is aimed at safeguarding APS Bank, its esteemed customers, and dedicated employees from the inherent risks associated with financial crime.

The management of financial crime risks is systematically addressed through the establishment of a robust financial crime compliance framework which:

a) establishes guiding principles and policies ensuring a robust approach to the prevention of financial crime;
b) delineates the roles and responsibilities necessary for the effective management of financial crime risks;
c) outlines key processes integral to financial crime compliance and meeting local and international regulatory obligations; and
d) articulates the essential features of financial crime compliance governance.

This framework plays a pivotal role in fostering a consistent and robust fight against financial crime across Group entities. The programme further seeks to identify, assess, monitor and manage FCC risks in line with the Bank's risk appetite and statutory obligations.

The Financial Crime Compliance function is responsible for the design and implementation of the Framework.

Financial Crime Compliance Function

The structure of the Financial Crime Compliance function remained substantively unchanged in 2023. That said, the Bank continued to review the effectiveness of its governance framework to manage financial crime risk. The leadership of the FCC function is held by the Head of Financial Crime Compliance and MLRO, reporting to the Chief Risk Officer and the Board of Directors.

The FCC function of APS Bank is divided into distinct teams, each focusing of specific aspects of the FCC Framework as follows:

- Advisory and Monitoring – AML and Fraud
- Advisory and Monitoring – Sanctions/Anti-Bribery & Corruption
- Investigations Team
- Transaction Monitoring Team
- Financial Crime Compliance Operations Team
- Regulatory & AML Solutions Team

Operational Risk

The Bank defines Operational Risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events" in line with the Basel Committee. This definition includes legal risk but excludes strategic and reputational risk. Operational risk is inherent in the Bank's products, services and activities. The Bank's operational risk management framework and governance are fully integrated into the Bank's overall risk management framework.

The Bank aims to ensure sound operational risk governance practices with the involvement of the following functions:

- Board of Directors;
- Risk Committee;
- Operational Risk and Security Governance Department;
- Senior Management;
- Business Risk and Control Management;
- Voice of the Customer;
- Legal; and
- Internal Audit.

The operational risk management process is intended to maintain an overall operational risk level that meets the Bank's operational risk appetite.

Risk identification considers internal and external factors and is paramount for the subsequent development of a viable operational risk monitoring and control system.

Through ongoing awareness, the Operational Risk and Security Governance Department continues to promote a culture of risk identification by encouraging employees from all levels to report any identified operational risks and incidents in a timely manner.

Following the identification of operational risks, these are measured by quantifying, where possible, the potential losses from each identified risk and allocation of an adequate amount of capital to cover the Bank's exposure to this risk.

The Group maintains a database to regularly quantify and record operational losses and near miss events, reported electronically by the first line of defence and co-ordinated and analysed by the Operational Risk and Security Governance Department, in order to promote a culture of cooperation, communication and continuous improvement where lessons are learnt from incidents and near misses.

The Operational Risk and Security Governance Department carries out planned and ad hoc operational risk assessments throughout the year to allow for a more thorough identification, assessment and measurement of operational risk. Controls and process improvements are then suggested and developed, implemented by the first line of defence as necessary to further mitigate identified risks to levels that are within the risk appetite. The Business Risk and Control Managers' role in the first line of defence in liaison with the Operational Risk and Security Governance Department, strengthen this process. The Bank also ensures that procedures and processes are documented in the Bank's handbooks and reviewed from an Operational Risk perspective.

APS Bank has a Business Continuity Plan where three main disruption scenarios are contemplated:

- Unavailability of the Bank's main premises;
- Staff unavailability; and
- Supply-Chain disruptions.

The Bank also maintains an Operational Losses Databases aligned to ORX taxonomy where one of the categories is 'Physical Security and Safety' which deals with the likelihood of natural disasters and/or emergencies.

The Bank does regular monitoring of operational risks to quickly detect and correct deficiencies in the Bank's policies, processes and procedures. Finally, appropriate reporting mechanisms are in place to support proactive management of operational risk at Board, Executive and business line levels.

Liquidity Risk

Liquidity risk is the risk that the Group cannot meet its financial obligations as they fall due in the short term and medium term, either at all or without incurring unacceptable losses. Funding risk is the risk that the Group cannot meet its financial obligations as they fall due in the medium to long term, either at all or without increasing funding costs unacceptably.

Funding risk can also be seen as the risk that its assets are not stably funded in the medium and long term.

The Group manages this risk by seeking to match the maturities of assets and liabilities in its balance-sheet. The management of liquidity and funding is governed by a detailed Liquidity and Funding Risk Policy. This Policy establishes clear lines of responsibility, limits and guidance on the measurement and monitoring of the Group's net funding requirements. The ALM Unit is responsible for implementing the Policy; whereas ALCO is responsible for monitoring and ensuring the implementation of and adherence with the Policy, as well as ensuring consistency with the Bank's Risk Appetite. It also ensures that adequate liquidity is held to meet both expected and unexpected commitments. This Policy includes a detailed Liquidity Contingency Plan, which addresses the strategy for handling liquidity crises and includes procedures for covering cash flow shortfalls in emergency situations.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and prices of equities, bonds and commodities.

The Group's exposure to market risk is limited since its trading portfolio is minimal[1]. This is consistent with the Group's Risk Appetite. In accordance with Article 94 of the CRR, the Group is exempted from the trading book capital requirements.

The Group's exposure to market risk is mainly related to:

i. Interest rate risk – the risk that the Group's financial position and cash flow are exposed to unfavourable movements in interest rates; and
ii. Foreign exchange risk – the risk that the Group's financial position and cash flow are exposed to unfavourable movements in foreign exchange rates.

Solvency Risk

The Group continuously aims at building and sustaining a strong capital base and at applying it efficiently throughout its activities to attain its strategic objectives, optimise shareholder value whilst ensuring the sustainability of the Bank's business model and risk profile. A strong and prudent capital base is one of the pillars of the Group's business model and maintaining adequate capital ratios will continue being key to enable the Group to steer through currently challenging economic conditions.

The Bank performs an Internal Capital Adequacy Assessment Process (ICAAP) in compliance with the Pillar II requirements of Banking Rule BR/12/2022 – The Supervisory Review Process of Credit Institutions Authorised Under the Banking Act 1994 and the CRR. This key decision-making tool is of utmost importance for keeping the Board of Directors informed about the Bank's ongoing risk assessment, the mitigation measures adopted and their impact on the capital requirements. The ICAAP includes an assessment of both Pillar I and Pillar II risks. The latter includes concentration risk, IRRBB risk, IT and cyber risk, reputation risk and other key risks.

The Bank's stress testing framework forms an integral part of the ICAAP. A number of severe but plausible scenarios are developed which test the resilience of the Bank's business model and risk profile.

Interest Rate Risk

The Group has an Interest Rate Risk Policy approved by the Board, which sets out a comprehensive risk management process that identifies, measures, monitors and controls interest rate risk exposures, whilst also ensuring appropriate oversight by Senior Management, Board-appointed committees and ultimately the Board, to confirm that this risk is consistent with the Group's risk appetite.

Interest rate risk is measured from two perspectives – the economic value of equity (EVE) and the earnings-based approach.

The Group's exposure to interest rate risk is monitored on a monthly basis by the Enterprise Risk Management Unit (ERMU) and verified by Asset Liability Management (ALM), and is reported to Executive Committee, ALCO and Risk Committee on a quarterly basis.

Regulatory Compliance Risk

The Bank provides a wide range of financial services and products in a highly regulated environment. Thus, it is required to establish an independent, permanent, and effective Regulatory Compliance (RC) function to manage regulatory compliance risks.

Regulatory Compliance is an integral part of good governance. As a second line of defence function, RC's role is to identify, evaluate, and address regulatory risks emanating from the Bank's Credit Institution, Investment Services and Tied Insurance Licenses. The Bank is committed to a corporate culture which promotes high standards of honesty and integrity whilst conducting licensable activities/business activities through serving its customer base. Effective compliance risk management is a key control towards ensuring that the Bank continues to operate within the remit of its operating licenses.

The key areas within scope of RC Unit's remit as part of the second line of defence are the following:

- Conduct of business and treating customers fairly (TCF);
- Conflicts of interest;
- Market Abuse;
- Marketing and promotions of products and services;
- Product Oversight Governance (POG); and
- GDPR.

[1] As at end December 2023, the Bank had no securities in its Trading Book.

Clear demarcations exist between those persons within the Bank who are responsible for monitoring regulatory compliance risk and establishing its appropriate limits and thresholds, to those persons who operationally own the risk.

RC Unit is led by the Head of Regulatory Compliance who is also the Compliance Officer of the Bank as approved by the MFSA and reports to the Chief Risk Officer of the Bank and the Board of Directors.

The Unit is divided into Regulatory Development and Regulatory Oversight:

- **Regulatory Development Section** - Analyses and tracks in terms of compliance risk those laws, regulations and standards which are material and relevant to the Bank and fall within the overall scope of regulatory compliance. Constantly interacts with relevant Units for the implementation of new/amended laws, regulations, and standards.
- **Regulatory Oversight Section** - Conducts oversight monitoring on the various functions within the Bank to ensure that the operational procedures are in line with the regulatory requirements through a set Compliance Monitoring Programme and Ad hoc reviews. This Section also provides assistance and advice when it comes to new Projects, Product Launches and Complaints Management and is also responsible for Regulatory Reporting and Tax Compliance.

Both sections are interdependent and provide support to each other on an ongoing basis. In addition, the GDPR function also falls within the remit of RC, and this is represented by the Data Protection Officer (DPO).

Reputational Risk

Reputation is one of the Bank's most important intangible assets, founded on trust from its internal and external stakeholders. It has a direct impact on the Bank's value, which falls under the scrutiny of the Bank's Board of Directors, employees, existing and prospective customers, business partners, investors, regulators and legislators.

The Bank established an appropriate reputational risk environment by defining the governance framework and pertinent responsibilities for managing reputational risk. The framework is established to provide consistent standards for the identification, assessment, management and monitoring of reputational risk issues, especially direct reputational risk.

The Operational Risk and Security Governance Unit (ORSG) has developed a framework for the second line of defence monitoring of Reputational Risk. The framework sets out a risk dashboard which presents metrics that capture the eight reputational risk dimensions defined by the Reputational Risk Policy:

- Corporate Governance;
- Strategy and Leadership;
- Financial Performance and Profitability;
- Products and Services;
- Image, Brand, Communications, Marketing and Customer Relations;
- Ethical, ESG and CSR;
- Innovation, Opportunities and Technology; and
- Employee and Corporate Culture.

The risk dashboard is compiled on a quarterly basis, and presented to Executive Management and Conduct Committee. It aims to provide quantitative measurement of reputational risk as well as providing insight and identifying potential issues or gaps that can lead to reputational damage.

Reputational risks which may arise from a failure with another risk type, control or process (indirect reputational risk) are addressed separately via the associated risk type framework.

In addition to the above, other mitigating factors that the Bank adopts to manage reputational risk are the following:

- Prompt and effective communication with all categories of stakeholders;
- Strong and consistent enforcement of controls on governance, business, legal and compliance;
- Establishment and continual updating of the Business Continuity Plan and Crisis Management Plan, and the team required to support them;
- Continuous monitoring of threats to reputation;
- Clear core corporate values setting out expected standards of behaviour;
- A strong corporate culture that is open, trusting and supportive;
- A robust and dynamic risk management framework which provides continuous monitoring of threats to reputational and early warning of developing issues; and
- Organisational learning leading to corrective action where necessary.

The Bank has zero appetite for any form of reputational risk, as articulated in the Bank's Risk Appetite Statement. Reputational risks and their implemented/planned controls are recorded in the Bank's risk register.

Key Performance Indicators (KPIs)

The Bank has in place a set of KPIs that include:

	2023	2022
	%	%
CET1	**14.6**	15.2
Capital Adequacy Ratio	**20.6**	18.8
LCR	**140.1**	128.5

The Group has in place other KPIs which include:

	2023	2022
	%	%
Profitability ROAE	**7.5**	2.3

Further analysis and KPIs are found in CEO's Review, Financial Overview and Notes to the financial statements.

Consolidation disclosures pursuant to Article 8 of the EU Taxonomy Regulation

In order to achieve the targets established by the European Union (EU) of reaching net zero greenhouse gas (GHG) emissions by 2050, with an interim target of reducing GHG emissions by 55%, compared to 1990 levels, by 2030, the EU has developed a classification system, by virtue of the EU Taxonomy Regulation[2], or (the EU Taxonomy) which establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable.

The EU Taxonomy establishes criteria in terms of six environmental objectives, against which entities assess whether economic activities qualify as environmentally sustainable.

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

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

1. Climate change mitigation;
2. Climate change adaptation;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;

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

5. Pollution prevention and control; and
6. Protection and restoration of biodiversity and ecosystems.

A Delegated Act to the EU Taxonomy was issued in 2021, supplementing Article 8 of the Taxonomy Regulation (the Disclosures Delegated Act)[5], which establishes the disclosure requirements of entities within the scope of the Taxonomy Regulation.

This currently comprises entities subject to an obligation to publish non-financial information pursuant to the Non-Financial Reporting Directive (NFRD)[6], emanating from article 19a or 29a of the Accounting Directive[7].

The Disclosures Delegated Act was further updated in 2023 by the Complementary Climate Delegated Act[8] to include certain energy activities relating to fossil gas and nuclear energy.

Taxonomy eligibility of economic activities have been reported in financial years 2021 and 2022, in respect of total on-balance sheet assets of APS Bank plc. This is required to be reported on the basis of prudential consolidation requirements, which do not apply to APS Bank plc and its subsidiaries due to the application of terms of article 19 of the Capital Requirements Regulation[9].

The Bank is now also required to disclose its initial Taxonomy alignment of eligible activities in the Climate Delegated Act based on the current financial year of reporting, in line with the phased-in approach outlined in the Disclosures Delegated Act, where Taxonomy eligible economic activities are assessed to determine whether they are environmentally sustainable. The Bank is also required to report its initial Taxonomy eligibility of exposures in the Environmental Delegated Act based on the current financial year of reporting.

Comparative templates relating to prior period reporting of EU Taxonomy disclosures are not required given that this is the Bank's first EU Taxonomy disclosure in line with mandatory templates required by the Disclosures Delegated Act. Furthermore, since the Bank's prior period EU Taxonomy eligibility disclosure was not required with the same level of detail as the current financial year, and was based on total assets rather than covered assets, Taxonomy eligibility disclosures are not strictly comparable. Accordingly, comparative EU Taxonomy information has not been reported.

Scope of Consolidation

Section 1.1.1 of Annex V of the Disclosures Delegated Act scopes credit institutions' EU Taxonomy disclosures to their prudential consolidation as determined in article 19 of CRR. In line with previous disclosures, this EU Taxonomy disclosure is based on assets and activities relating solely to APS Bank plc, since the Bank is not required to consolidate on a prudential basis.

In this respect, the Bank has considered all complementary guidance, in the form of Frequently Asked Questions (FAQs) to the EU Taxonomy and its delegated acts, officially published by the European Commission (EC).

On 21 December 2023, the EC published a Draft Commission Notice[10] in the form of a set of FAQs specific to financial undertakings' EU Taxonomy reporting. The Draft Commission Notice is, at the time of reporting, yet to be adopted into the Official Journal of the European Union. Considering this, and the recency of the publication of such FAQs, interpretations to the guidance resulting from such FAQs have been implemented on a best-effort basis. It has therefore not been operationally possible to implement all aspects of the mentioned FAQs in time for this reporting year. As a result, the following KPIs are excluded from this report:

- Separate KPIs for the Group's asset management activities, carried out by ReAPS Asset Management Ltd, pertaining to Annex III of the Disclosures Delegated Act, in addition to the Bank's activities as a credit institution; and
- The inclusion of a consolidated group-level KPI in the form of a weighted average of the corresponding KPIs for each business segment in the contextual disclosures.

EU Taxonomy KPIs disclosed

The following KPIs are reported in the templates disclosed.

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

Green Asset Ratio

Covered assets

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

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

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

Exposures to undertakings that are not in scope of NFRD, derivatives, on-demand interbank loans, cash and cash-related assets, as well as other assets including tangible and intangible assets are excluded from the assessment of Taxonomy eligible economic activities. Similarly, retail exposures, except for the mortgage lending portfolio, building renovations loans, and credit consumption loans for cars, are also excluded from the EU Taxonomy framework, and not assessed for Taxonomy eligibility. These assets are therefore all excluded from the numerator of the GAR but included in the denominator.

[5] Commission Delegated Regulation 2021/2178

[6] EU Directive 2014/95/EU. NFRD entities are public interest entities exceeding an average of 500 employees during the reporting period. The introduction of EU Directive 2022/2464/EU (the Corporate Sustainability Reporting Directive, 'CSRD', which will replace the NFRD) will significantly extend the scope of EU Taxonomy reporting.

[7] EU Directive 2013/34/EU

[8] Commission Delegated Regulation 2022/1214

[9] EU Regulation 575/2013

[10] Draft Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (third Commission Notice).

Taxonomy-Eligible and Non-Eligible economic activities

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

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

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

Taxonomy eligibility and alignment of specific purpose lending, (where the use of proceeds is known), have been assessed in line with the technical screening criteria established in the EU Taxonomy, comprising 'substantial contribution' and 'do no significant harm' criteria. Compliance with minimum safeguards is required further to this, which is an integral part of assessing EU Taxonomy alignment. This is applicable to specific purpose lending in the case of financial and non-financial counterparties, since households and public authorities are not required to meet minimum safeguards under article 18 of the EU Taxonomy. In this respect, the Bank has not yet developed a system of capturing such information.

In addition, the Bank did not assess car loan exposures which are eligible under the Climate Change Mitigation objective for Taxonomy alignment, due to core banking system limitations. Such exposures are categorised as 'Other categories of assets' in Template 1 of Annex VI of the Disclosures Delegated Act.

Data limitations

In the case of general-purpose lending, predominantly to NFRD entities, the Bank relies on published counterparty eligibility and alignment ratios to assess eligibility and alignment of exposures. In this respect, the Bank determines whether counterparties are subject to NFRD through the use of a financial data terminal. Upon identification of relevant counterparties, the Bank researches annual reports of such entities in order to obtain relevant EU Taxonomy KPIs.

However, in certain cases, the Bank is unable to obtain the required information from counterparties. This is relevant in the case of counterparties disclosing EU Taxonomy data for the first time in 2024, particularly:

- Financial undertakings' Taxonomy alignment disclosures; and
- Financial and non-financial undertakings' Taxonomy eligibility disclosures in terms of non-climate environmental objectives. Accordingly, the specific columns in the Bank's disclosure templates relating to the non-climate environmental objectives have been excluded from all templates.

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

Business Strategy

The sustainability function within the Strategy, Product and Propositions Department is responsible for the process around EU Taxonomy reporting for the Bank.

The Sustainability Strategy is owned by the Chief Strategy Officer whilst formulated and executed through a dedicated Sustainability Unit which has been in place since 2022. The strategy is pivoted toward facilitating green and sustainable growth and raising awareness of the Bank's strategy on sustainability through public and internal engagement.

Business Strategy (updated)

The ESG Committee and the Executive Committee maintain oversight of the Sustainability strategy for the Bank.

The Sustainability strategy approved in November 2022 by the overseeing committees is a multi-pronged approach which encompasses several key initiatives which include but are not limited to:

- To facilitate an increase in social and green lending referred to as sustainable finance across both retail and commercial portfolios;
- Expanding or enhancing our ESG suite of products;
- Expanding our ESG linked investment offerings;
- Enhancing our sustainability reporting and meeting ESG regulatory reporting requirements;
- Integrating ESG across some of the Bank's activities and decision making; and
- Rolling out dedicated thematic training across the group from board/executive level for frontline functions.

The activities ultimately contribute to the Bank's three Sustainability and ESG Public commitments which are described in detail within the Non-Financial Disclosures Section.

Considering all the points outlined above, these initiatives are intended to be coherent with the objectives of the EU Taxonomy.

EU Taxonomy templates – Annex VI

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

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

The Bank is also required to disclose the Taxonomy eligibility and Taxonomy alignment of its relevant exposures by climate-related environmental objective. However, until now, certain non-financial undertakings have reported Taxonomy eligibility and Taxonomy alignment of economic activities without distinguishing between the environmental objectives of Climate Change Mitigation and Climate Change Adaptation. For the purposes of its GAR calculation, the Bank does not assign exposures to individual environmental objectives, disclosing respective amounts in 'total' columns i.e. 'TOTAL (CCM + CCA)'. Neither does the Bank identify which assets and counterparty types are transitional activities or enabling activities.

In respect of the above, the Bank is still in the process of setting up a data collection system which will allow it to distinguish between respective environmental objectives and identify exposures as transitional or enabling activities.

In the case of specific purpose lending towards financial and non-financial counterparties, the respective use of proceeds has not been identified, therefore such instances are treated as general purpose lending. Therefore, the 'known use of proceeds' column can only be populated in the case of Taxonomy aligned retail exposures, which the Bank does not currently have.

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

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

As the Trading book KPI and Fees and Commissions KPI are required to be disclosed from 1 January 2026, the applicable rows for these KPIs are not populated.

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

		Total environmentally sustainable assets (Turnover)	KPI (Turnover)	Total environmentally sustainable assets (CapEx)	KPI (CapEx)	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Main KPI	**Green asset ratio (GAR) stock**	6.53	0.20%	9.11	0.28%	88.25%	32.51%	11.75%
		Total environmentally sustainable assets (Turnover)	**KPI (Turnover)**	**Total environmentally sustainable assets (CapEx)**	**KPI (CapEx)**	**% coverage (over total assets)**	**% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)**	**% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)**
Additional KPIs	GAR (flow)	3.45	0.34%	5.04	0.50%	100.00%	40.56%	0.00%
	Trading book							
	Financial guarantees	-	-	-	-			
	Assets under management	2.18	2.77%	4.62	5.87%			
	Fees and commissions income							

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

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

Row 1 of Template 1 'Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation' relates to the numerator of the GAR, whilst row 48 of Template 1 'Total GAR assets' relates to the denominator of the GAR.

This template has been duplicated to disclose turnover-based and CapEx-based information.

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

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

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

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

1.Assets for the calculation of GAR (Turnover)

	a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
Million EUR	Disclosure reference date T														
	Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
GAR - Covered assets in both numerator and denominator															
1 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	**2,080**	-	-	-	-	-	-	-	-	-	1,944	7	-	-	-
2 **Financial undertakings**	72	-	-	-	-	-	-	-	-	-	35	-	-	-	-
3 Credit institutions	20	-	-	-	-	-	-	-	-	-	5	-	-	-	-
4 Loans and advances	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Debt securities, including UoP	8	-	-	-	-	-	-	-	-	-	3	-	-	-	-
6 Equity instruments	7	-	-		-	-	-	-		-	1	-		-	-
7 Other financial corporations	52	-	-	-	-	-	-	-	-	-	30	-	-	-	-
8 of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
12 of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
16 of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19 Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
20 **Non-financial undertakings**	119	-	-	-	-	-	-	-	-	-	22	7	-	-	-
21 Loans and advances	111	-	-	-	-	-	-	-	-	-	16	6	-	-	-
22 Debt securities, including UoP	8	-	-	-	-	-	-	-	-	-	7	1	-	-	-
23 Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
24 **Households**	1,887	-	-	-	-	-	-	-	-	-	1,887	-	-	-	-
25 of which loans collateralised by residential immovable property	1,718	-	-	-	-	-	-	-	-	-	1,718	-	-	-	-

1.Assets for the calculation of GAR (Turnover) (continued)

	a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
	Disclosure reference date T														
		Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**				**TOTAL (CCM + CCA)**				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
Million EUR	Total [gross] carrying amount			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
26 of which building renovation loans	114	-	-	-	-	-	-	-	-	-	114	-	-	-	-
27 of which motor vehicle loans	-	-	-	-	-	-					-	-	-	-	-
28 **Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29 Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32 **Assets excluded from the numerator for GAR calculation (covered in the denominator)**	1,213	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33 **Financial and Non-financial undertakings**	988														
34 SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	807														
35 Loans and advances	791														
36 of which loans collateralised by commercial immovable property	570														
37 of which building renovation loans	-														
38 Debt securities	13														
39 Equity instruments	3														
40 Non-EU country counterparties not subject to NFRD disclosure obligations	181														
41 Loans and advances	85														
42 Debt securities	96														
43 Equity instruments	-														

1.Assets for the calculation of GAR (Turnover) (continued)

	a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
Million EUR	Disclosure reference date T														
	Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
44 **Derivatives**	**1**														
45 **On demand interbank loans**	**54**														
46 **Cash and cash-related assets**	**13**														
47 **Other categories of assets (e.g. Goodwill, commodities etc.)**	**158**														
48 **Total GAR assets**	**3,294**	-	-	-	-	-	-	-	-	-	**1,944**	**7**	-	-	-
49 **Assets not covered for GAR calculation**	**439**														
50 **Central governments and Supranational issuers**	**321**														
51 **Central banks exposure**	**118**														
52 **Trading book**	**-**														
53 **Total assets**	**3,733**	-	-	-	-	-	-	-	-	-	**1,944**	**7**	-	-	-
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations															
54 Financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55 Assets under management	79	-	-	-	-	-	-	-	-	-	8	2	-	-	-
56 Of which debt securities	41	-	-	-	-	-	-	-	-	-	5	2	-	-	-
57 Of which equity instruments	24	-	-	-	-	-	-	-	-	-	4	-	-	-	-

1.Assets for the calculation of GAR (CapEx)

		a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
	Million EUR	Disclosure reference date T														
		Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	**2,080**	-	-	-	-	-	-	-	-	-	1,922	9	-	-	-
2	**Financial undertakings**	72	-	-	-	-	-	-	-	-	-	3	-	-	-	-
3	Credit institutions	20	-	-	-	-	-	-	-	-	-	3	-	-	-	-
4	Loans and advances	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	8	-	-	-	-	-	-	-	-	-	3	-	-	-	-
6	Equity instruments	7	-	-		-	-	-	-		-	-	-		-	-
7	Other financial corporations	52	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
20	**Non-financial undertakings**	119	-	-	-	-	-	-	-	-	-	32	9	-	-	-
21	Loans and advances	111	-	-	-	-	-	-	-	-	-	26	7	-	-	-
22	Debt securities, including UoP	8	-	-	-	-	-	-	-	-	-	6	2	-	-	-
23	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
24	**Households**	1,887	-	-	-	-	-	-	-	-	-	1,887	-	-	-	-
25	of which loans collateralised by residential immovable property	1,718	-	-	-	-	-	-	-	-	-	1,718	-	-	-	-

1.Assets for the calculation of GAR (CapEx) (continued)

	a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
Million EUR	Disclosure reference date T														
	Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
26 of which building renovation loans	114	-	-	-	-	-	-	-	-	-	114	-	-	-	-
27 of which motor vehicle loans	-	-	-	-	-	-					-	-	-	-	-
28 **Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29 Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32 **Assets excluded from the numerator for GAR calculation (covered in the denominator)**	1,213	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33 **Financial and Non-financial undertakings**	988														
34 SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	807														
35 Loans and advances	791														
36 of which loans collateralised by commercial immovable property	570														
37 of which building renovation loans	-														
38 Debt securities	13														
39 Equity instruments	3														
40 Non-EU country counterparties not subject to NFRD disclosure obligations	181														
41 Loans and advances	85														
42 Debt securities	96														
43 Equity instruments	-														

1.Assets for the calculation of GAR (CapEx) (continued)

	a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
Million EUR	Total [gross] carrying amount	Disclosure reference date T													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
44 **Derivatives**	**1**														
45 **On demand interbank loans**	**54**														
46 **Cash and cash-related assets**	**13**														
47 **Other categories of assets (e.g. Goodwill, commodities etc.)**	**158**														
48 **Total GAR assets**	**3,294**	-	-	-	-	-	-	-	-	-	1,922	9	-	-	-
49 **Assets not covered for GAR calculation**	**439**														
50 **Central governments and Supranational issuers**	**321**														
51 **Central banks exposure**	**118**														
52 **Trading book**	**-**														
53 **Total assets**	**3,733**	-	-	-	-	-	-	-	-	-	1,922	9	-	-	-
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations															
54 Financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55 Assets under management	79	-	-	-	-	-	-	-	-	-	6	5	-	-	-
56 Of which debt securities	41	-	-	-	-	-	-	-	-	-	3	3	-	-	-
57 Of which equity instruments	24	-	-	-	-	-	-	-	-	-	4	1	-	-	-

Template 2: GAR Sector information

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

2. GAR sector information (Turnover)

Breakdown by sector - NACE 4 digits level (code and label)	a	b	c	d	e	f	g	h	y	z	aa	ab
	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)			
	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)
1 J63.11 - Data processing, hosting and related activities	-	-			-	-			34	-		
2 C29.32 - Manufacture of other parts and accessories for motor vehicles	-	-			-	-			18	2		
3 L68.20 - Renting and operating of own or leased real estate	-	-			-	-			10	-		
4 C29.10 - Manufacture of motor vehicles	-	-			-	-			8	1		
5 Q86.10 - Hospital activities	-	-			-	-			8	-		
6 M71.11 - Architectural activities	-	-			-	-			7	1		
7 C28.22 - Manufacture of lifting and handling equipment	-	-			-	-			7	-		
8 C20.59 - Manufacture of other chemical products n.e.c.	-	-			-	-			6	-		
9 Q86.90 - Other human health activities	-	-			-	-			5	-		
10 C27.40 - Manufacture of electric lighting equipment	-	-			-	-			5	1		
11 C14.19 - Manufacture of other wearing apparel and accessories	-	-			-	-			4	-		
12 H52.10 - Warehousing and storage	-	-			-	-			3	-		
13 C27.51 - Manufacture of electric domestic appliances	-	-			-	-			3	2		

2. GAR sector information (CapEx)

		a	b	c	d	e	f	g	h	y	z	aa	ab
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	Breakdown by sector - NACE 4 digits level (code and label)	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
		Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1	J63.11 - Data processing, hosting and related activities	-	-			-	-			34	-		
2	C29.32 - Manufacture of other parts and accessories for motor vehicles	-	-			-	-			18	2		
3	L68.20 - Renting and operating of own or leased real estate	-	-			-	-			10	-		
4	C29.10 - Manufacture of motor vehicles	-	-			-	-			8	2		
5	Q86.10 - Hospital activities	-	-			-	-			8	-		
6	M71.11 - Architectural activities	-	-			-	-			7	3		
7	C28.22 - Manufacture of lifting and handling equipment	-	-			-	-			7	-		
8	C20.59 - Manufacture of other chemical products n.e.c.	-	-			-	-			6	-		
9	Q86.90 - Other human health activities	-	-			-	-			5	-		
10	C27.40 - Manufacture of electric lighting equipment	-	-			-	-			5	1		
11	C14.19 - Manufacture of other wearing apparel and accessories	-	-			-	-			4	-		
12	H52.10 - Warehousing and storage	-	-			-	-			3	-		
13	C27.51 - Manufacture of electric domestic appliances	-	-			-	-			3	2		

Template 3: GAR KPI Stock

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

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

3. GAR KPI stock (Turnover)

	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
	Disclosure reference date T														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
% (compared to total covered assets in the denominator)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
GAR - Covered assets in both numerator and denominator															
1 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	-	-	-	-	-	-	-	-	-	93.46%	0.31%	-	-	-	55.73%
2 **Financial undertakings**	-	-	-	-	-	-	-	-	-	48.18%	-	-	-	-	1.93%
3 Credit institutions	-	-	-	-	-	-	-	-	-	22.63%	-	-	-	-	0.53%
4 Loans and advances	-	-	-	-	-	-	-	-	-	5.13%	-	-	-	-	0.14%
5 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	34.65%	-	-	-	-	0.22%
6 Equity instruments	-	-		-	-	-	-		-	21.50%	-		-	-	0.18%
7 Other financial corporations	-	-	-	-	-	-	-	-	-	58.00%	-	-	-	-	1.39%
8 of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
12 of which management companies	-	-	-	-	-	-	-	-	-	5.80%	-	-	-	-	0.01%

3. GAR KPI stock (Turnover) (continued)

% (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
	Disclosure reference date T														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
13 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity instruments	-	-		-	-	-	-		-	5.80%	-		-	-	0.01%
16 of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
20 **Non-financial undertakings**	-	-	-	-	-	-	-	-	-	18.89%	5.49%	-	-	-	3.19%
21 Loans and advances	-	-	-	-	-	-	-	-	-	14.12%	5.12%	-	-	-	2.97%
22 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	84.21%	10.49%	-	-	-	0.22%
23 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
24 **Households**	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	50.56%
25 of which loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	46.03%
26 of which building renovation loans	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	3.04%
27 of which motor vehicle loans	-	-	-	-	-										

3. GAR KPI stock (Turnover) (continued)

	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
	Disclosure reference date T														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
% (compared to total covered assets in the denominator)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
28 **Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29 Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.06%
32 **Total GAR assets**	-	-	-	-	-	-	-	-	-	59.03%	0.20%	-	-	-	88.25%

3. GAR KPI stock (CapEx)

% (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
	Disclosure reference date T														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
GAR - Covered assets in both numerator and denominator															
1 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	-	-	-	-	-	-	-	-	-	92.40%	0.44%	-	-	-	55.73%
2 **Financial undertakings**	-	-	-	-	-	-	-	-	-	3.96%	-	-	-	-	1.93%
3 Credit institutions	-	-	-	-	-	-	-	-	-	14.25%	-	-	-	-	0.53%
4 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.14%
5 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	35.45%	-	-	-	-	0.22%
6 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	0.18%
7 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.39%
8 of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
12 of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01%
13 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	0.01%

3. GAR KPI stock (CapEx) (continued)

	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
	Disclosure reference date T														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
% (compared to total covered assets in the denominator)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Pro-portion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which Use of Pro-ceeds	Of which transi-tional	Of which ena-bling			Of which Use of Pro-ceeds	Of which ena-bling			Of which Use of Pro-ceeds	Of which transi-tional	Of which ena-bling	
16 of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
20 **Non-financial undertakings**	-	-	-	-	-	-	-	-	-	27.02%	7.66%	-	-	-	3.19%
21 Loans and advances	-	-	-	-	-	-	-	-	-	23.27%	6.64%	-	-	-	2.97%
22 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	78.34%	21.61%	-	-	-	0.22%
23 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
24 **Households**	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	50.56%
25 of which loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	46.03%
26 of which build-ing renovation loans	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	3.04%
27 of which motor vehicle loans	-	-	-	-	-										
28 **Local gov-ernments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29 Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.06%
32 **Total GAR assets**	-	-	-	-	-	-	-	-	-	58.36%	0.28%	-	-	-	88.25%

Template 4: GAR KPI Flow

Template 4 discloses the proportion of total covered assets funding Taxonomy relevant sectors in respect of both Taxonomy eligibility and Taxonomy alignment on a flow basis. The Bank's approach towards disclosing GAR (flow) KPI ratios in this template is based on the amounts of new covered assets throughout the financial year, whereby each ratio's denominator is equal to the respective gross carrying amount of the particular counterparty type and asset class. This is in line with guidance provided in the respective sub-sections of section 1.2.1 of the Disclosures Delegated Act.

Template 4 also discloses the particular counterparty type and asset class captured in each relevant row as a proportion of the Bank's total new assets throughout the financial year.

4. GAR KPI flow (Turnover)

	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
	Disclosure reference date T														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
% (compared to flow of total eligible assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Pro-portion of total new assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which Use of Pro-ceeds	Of which transi-tional	Of which ena-bling			Of which Use of Pro-ceeds	Of which ena-bling			Of which Use of Pro-ceeds	Of which transi-tional	Of which ena-bling	
GAR - Covered assets in both numerator and denominator															
1 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	-	-	-	-	-	-	-	-	-	90.61%	0.57%	-	-	-	59.44%
2 **Financial undertakings**	-	-	-	-	-	-	-	-	-	21.50%	-	-	-	-	0.68%
3 Credit institutions	-	-	-	-	-	-	-	-	-	21.50%	-	-	-	-	0.68%
4 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	1.14%
7 Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-

4. GAR KPI flow (Turnover) (continued)

% (compared to flow of total eligible assets)	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
	Disclosure reference date T														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Pro-portion of total new assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which Use of Pro-ceeds	Of which transi-tional	Of which ena-bling			Of which Use of Pro-ceeds	Of which ena-bling			Of which Use of Pro-ceeds	Of which transi-tional	Of which ena-bling	
12 of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
16 of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
20 **Non-financial undertakings**	-	-	-	-	-	-	-	-	-	19.85%	5.4%	-	-	-	6.30%
21 Loans and advances	-	-	-	-	-	-	-	-	-	19.85%	5.4%	-	-	-	6.30%
22 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
24 **Households**	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	52.46%
25 of which loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	37.41%
26 of which building reno-vation loans	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	7.54%
27 of which motor vehicle loans	-	-	-	-	-					-	-	-	-	-	-

4. GAR KPI flow (Turnover) (continued)

% (compared to flow of total eligible assets)	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
	Disclosure reference date T														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
28 **Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29 Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32 **Total GAR assets**	-	-	-	-	-	-	-	-	-	53.86%	0.34%	-	-	-	100.00%

4. GAR KPI flow (CapEx)

% (compared to flow of total eligible assets)	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
	Disclosure reference date T														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Pro-portion of total new assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which Use of Pro-ceeds	Of which transi-tional	Of which ena-bling			Of which Use of Pro-ceeds	Of which ena-bling			Of which Use of Pro-ceeds	Of which transi-tional	Of which ena-bling	
GAR - Covered assets in both numerator and denominator															
1 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	-	-	-	-	-	-	-	-	-	92.00%	0.84%	-	-	-	59.44%
2 **Financial undertakings**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.68%
3 Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.68%
4 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	0.68%
7 Other financial corporations	-	-	-	-	-	-	-	-	-	-	0.93%	-	-	-	-
8 of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
12 of which management companies	-	-	-	-	-	-	-	-	-	-	0.93%	-	-	-	-
13 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
16 of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17 Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

4. GAR KPI flow (CapEx) (continued)

% (compared to flow of total eligible assets)	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
	Disclosure reference date T														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Pro-portion of total new assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
			Of which Use of Pro-ceeds	Of which transi-tional	Of which ena-bling			Of which Use of Pro-ceeds	Of which ena-bling			Of which Use of Pro-ceeds	Of which transi-tional	Of which ena-bling	
18 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
20 **Non-financial undertakings**	-	-	-	-	-	-	-	-	-	35.31%	7.88%	-	-	-	6.30%
21 Loans and advances	-	-	-	-	-	-	-	-	-	35.31%	7.88%	-	-	-	6.30%
22 Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23 Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
24 **Households**	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	52.46%
25 of which loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	37.41%
26 of which building reno-vation loans	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	7.54%
27 of which motor vehicle loans	-	-	-	-	-					-	-	-	-	-	-
28 **Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29 Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32 **Total GAR assets**	-	-	-	-	-	-	-	-	-	54.69%	0.50%	-	-	-	100%

Template 5: KPI off-balance-sheet exposures

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

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

5. KPI off-balance sheet exposures (Turnover) (Stock)

	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae
	Disclosure reference date T													
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
% (compared to total eligible off-balance sheet assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
			Of which Use of Pro-ceeds	Of which transi-tional	Of which enabling			Of which Use of Pro-ceeds	Of which enabling			Of which Use of Pro-ceeds	Of which transi-tional	Of which enabling
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Assets under management (AuM KPI)	-	-	-	-	-	-	-	-	-	10.79%	2.77%	-	-	-

5. KPI off-balance sheet exposures (Turnover) (Flow)

	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae
	Disclosure reference date T													
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
% (compared to total eligible off-balance sheet assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
			Of which Use of Pro-ceeds	Of which transi-tional	Of which enabling			Of which Use of Pro-ceeds	Of which enabling			Of which Use of Pro-ceeds	Of which transi-tional	Of which enabling
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Assets under management (AuM KPI)	-	-	-	-	-	-	-	-	-	21.71%	6.93%	-	-	-

5. KPI off-balance sheet exposures (CapEx) (Stock)

	% (compared to total eligible off-balance sheet assets)	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae
		Disclosure reference date T													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Pro-ceeds	Of which transi-tional	Of which enabling			Of which Use of Pro-ceeds	Of which enabling			Of which Use of Pro-ceeds	Of which transi-tional	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Assets under management (AuM KPI)	-	-	-	-	-	-	-	-	-	8.07%	5.87%	-	-	-

5. KPI off-balance sheet exposures (CapEx) (Flow)

	% (compared to total eligible off-balance sheet assets)	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae
		Disclosure reference date T													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Pro-ceeds	Of which transi-tional	Of which enabling			Of which Use of Pro-ceeds	Of which enabling			Of which Use of Pro-ceeds	Of which transi-tional	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Assets under management (AuM KPI)	-	-	-	-	-	-	-	-	-	20.28%	19.24%	-	-	-

EU Taxonomy templates - Annex XII

The following are the templates to be disclosed by credit institutions, such requirement emanating from Annex XII of the Disclosures Delegated Act.

Template 1: Nuclear and fossil gas related activities

Template 1 indicates whether, or not, the Bank has exposures to nuclear energy and fossil gas related activities, based on non-financial counterparties' disclosures in this respect. In the current financial year, the Bank does not have any exposures to non-financial counterparties which carry out nuclear energy and fossil gas related activities and that are also required to disclose templates relating to the Complementary Climate Delegated Act. The Bank consequently does not disclose the remainder of the nuclear and fossil gas related templates found in Annex XII of the Disclosures Delegated Act (Templates 2 - 5).

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

FINANCIAL OVERVIEW

The global economy continues to face multiple challenges, from low growth prospects to heightened geopolitical risks between wars in Ukraine and Gaza and electoral tests impacting almost half the world's population. At the same time supply chain shocks have re-emerged thanks mainly to the Red Sea crisis and shipping disruptions permitting inflation to persist. The first half of 2023 saw stronger than expected GDP growth which is now moderating on the back of tighter financial conditions and lower business and consumer confidence, with excess savings accumulated during the pandemic rapidly depleting. Global growth is therefore estimated to have been 2.9% in 2023, moderating to 2.7% in 2024, with the OECD predicting headline inflation to fall gradually to 5.2% and 3.8% in 2024 and 2025, respectively.

Domestically, economic activity has remained strong and well above the EU average as Malta continues to maintain a high pace of employment, production, and consumption, mirrored also in population expansion. While fuelling growth, these are also placing further strain on the country's infrastructure and carrying capacity at a time when Government borrowing is at all-time highs due to the post-pandemic recovery and inflation mitigation measures. The Maltese authorities continue indicating their commitment to limiting energy inflation until at least 2025, which will put some pressure on the budget deficit (expected at 4.1% of GDP in 2025), coupled with the costs related to the relaunch of the national airline.

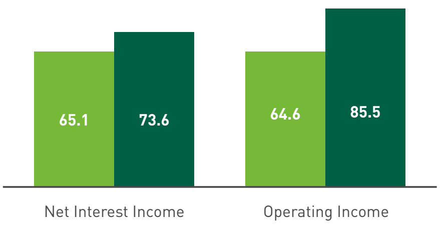
INCOME STATEMENT

For the year under review, APS Bank plc registered a pre-tax profit of €30.2 million (2022: €15.7 million) at Group level and €27.8 million (2022: €28.9 million) at Bank level. Such a strong performance is underpinned by robust operating fundamentals and a growth strategy driven by ongoing digital transformation, enhancing the customer experience and maintaining asset quality. As market volatility subsided, the Group also started reversing some of the unrealised investments portfolio losses of 2022, boosting performance and equity.

a) Interest income for the year under review amounted to €105.7 million, up by €25.8 million or 32.3% over 2022. The main contributor is the overall growth in the credit portfolio aided by improved pricing opportunities business loans and advances and the syndicated loan book.
b) Interest payable more than doubled, from €14.8 million in 2022 to €32.1 million in the year under review. The steep rise was due to higher repricing on domestic deposits and non-EUR funding as interest rates spiked, partly also including the effect of the Subordinated Bond issued in Q4.
c) Net fee and commission income went up by 21.0% to €8.3 million (2022: €6.9 million). This increase corresponds with the growth in business activity of the Group across several commission streams, like advances, card related transactions and investment services.
d) Other operating income generated was of €3.6 million, mainly a result of the net gains on financial instruments totalled €3.1 million for 2023, compared to the (unrealised) loss of €10.3 million posted in 2022.
e) Net impairment losses of €3.5 million for 2023 contrast with a writeback of €0.3 million posted for the year 2022. In large part, the 2023 result is due to a credit charge taken on a syndicated loan which moved from stage 1 to stage 3 in the year under review, increasing the ECL charge.
f) Operating expenses for the year under review amounted to €52.6 million, up by €5.6 million on the previous year. Staff costs largely drove this increase as investment in human resources remains one of the priority drivers in the execution of the Group's business strategy.
g) Staff expenses include for the first time a realised cost portion of share-awards granted in August 2023. Other increases were mainly arising from licensing and maintenance of technologies, regulatory and compliance requirements, professional and marketing fees, insurance, and other inflationary pressures.

h) Cost-to-income ratio from business operations for the year was 61.6%, an improvement of 11.1% over 2022 mainly as a result of a positive denominator effect thanks to the recovery in net operating income.

Group Revenue (€ million)



FINANCIAL POSITION

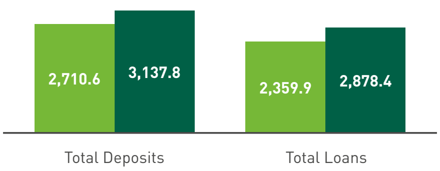
i) **Total assets for the Group grew by 17.6% to €3.7 billion.** Key contributors were:
   - Net loans and advances to customers and the syndicated loan portfolio which in aggregate grew by 22.0% to €2.9 billion.
   - Home financing remaining a key driver contributing to 56% of the overall increase in the loan book, followed by commercial and corporate lending.
   - Cash and balances with the Central Bank of Malta increased by €45.2 million to reach €131.1 million, also earning higher interest in the process.
   - Loans and advances to banks which contracted by €18.4 million to €54.5 million, counterbalancing the increase in balances with the Central Bank.

j) **Group liabilities reached €3.4 billion, expanding by 18.3% or €0.5 billion.** Key contributors were:
   - Customer deposits and amounts owed to banks which in a sharply competitive interest rate environment increased by €427.2 million and €30.3 million, respectively, to €3.1 billion and €80.7 million, respectively.
   - The fund-raising strategy embarked on during 2H 2023 aimed at raising Minimum Required Eligible Liabilities (MREL), including Tier 2 instruments under the Subordinated Bond issuance programme.

k) **Equity closed the year at €287.4 million**, up by 9.9% or €26.0 million over last year's closing of €261.5 million, mainly attributable to:
   - The profit for the period of €20.6 million.
   - Changes to the fair value on financial assets of €4.9 million, which also represent a partial recovery of the losses incurred in 2022.
   - Scrip shares for 2022 (final) and 2023 (interim) dividend, with €6.0 million being retained in equity.

l) **The Bank's CET1 ratio stood at 14.6%** (2022: 15.2%) **and the Capital Adequacy Ratio at 20.6%** (2022: 18.8%).

Group Loans & Deposits (€ million)



DIVIDENDS

The Directors are recommending a final gross dividend of €0.022 (net dividend of €0.015) per ordinary share to be paid to ordinary shareholders in the form of scrip. That is, each shareholder will have the option to receive the dividend in cash or as new ordinary shares at an attribution price to be determined and announced. Taken together with the interim gross dividend of €3.2 million (net dividend of €2.1 million) paid in October 2023 as scrip, the total gross dividend distribution for 2023 will be of €11.7 million (total net dividend of €7.6 million), or a total gross dividend per share of €0.031 (total net dividend per share of €0.020).

This final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

OUTLOOK

Against the many global crosswinds, the Maltese economy is expected to continue performing strongly in 2024, with GDP growth of 3.8% (2023 - 4.3%) moderating to 3.6% in 2025. Solid domestic demand, sustained by both private consumption and investment, is expected to be a main driver along with a positive net exports performance and strong tourism results. Annual inflation is expected to ease from 5.6% in 2023 to 3.0% in 2024, slightly higher than the EU average, due to recent increases in wages. The general government deficit is expected to moderate in 2024 and subsequent years, with the Debt/GDP ratio reaching 56.7% by 2026. Overall, risks are tilted to the upside, reflecting better-than-expected recent economic performance, while risks on the fiscal side tilt to the downside as spending on energy support measures persists.

APS Bank approaches this relatively challenging outlook on the back of very strong results for 2023, reinforced by healthy capital, liquidity and asset quality despite higher interest rates and inflation which increase the general cost of doing business. The last quarter of 2023 was also characterised by the successful MREL raising exercise which gives the Bank a strong foundation for further growth in 2024 albeit with a more cautious approach to credit underwriting given the tighter prevailing monetary conditions. Overall, the Bank's and Group's strategy continues to be guided by a curated business model that looks at further opportunities of growth in the home loan and commercial credit market, including expanding the international lending portfolio, retail investments and pensions business.

GOING CONCERN

The financial statements are prepared on a going concern basis. The Group prepared financial plans for the next three years addressing the Group's operating performance, risks, capital and liquidity.

As required by the Companies Act (Cap 386) and the Capital Markets Rule 5.62, the Directors having considered the financial performance and position of the Company and its future outlook deem that the Group is able to continue operating as a going concern for the foreseeable future.

STATEMENT OF RESPONSIBILITY

This Statement of Responsibility is required in terms of the Companies Act (Cap 386) and the Capital Markets Rule 5.55.2 and set out in the form required by Capital Markets Rules 5.67 to 5.69.

The Companies' Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and the Bank at end of each financial year and of its profit or loss for that financial year in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union (EU).

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time, the financial position of the Group and the Bank and which enable them to ensure that the financial statements comply with the Companies Act and the Banking Act. The Directors are also responsible for ensuring that:

- Appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgments and estimates;
- The financial statements are prepared on a going concern basis; and
- Account has been taken of income and charges relating to the accounting period, irrespective of the date of receipt or payment.

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

The Directors, through oversight of Management, are responsible to ensure that the Group establishes and maintains internal controls to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Additionally, the Directors are responsible for:
- The preparation and publication of the Annual Financial Report, including the consolidated financial statements and the relevant tagging requirements therein, as required by Capital Markets Rule 5.56A, in accordance with the requirements of the European Single Electronic Format Regulatory Technical Standard as specified in the Commission Delegated Regulation (EU) 2019/815 (the ESEF RTS);
- Designing, implementing, and maintaining internal controls relevant to the preparation of the Annual Financial Report that is free from material non-compliance with the requirements of the ESEF RTS, whether due to fraud or error; and
- Consequently, for ensuring the accurate transfer of the information in the Annual Financial Report into a single electronic reporting format.

DISCLOSURE IN TERMS OF THE SIXTH SCHEDULE TO THE COMPANIES' ACT

During the financial year ended 31 December 2023, no shares in the Bank were:
- Purchased by the Bank itself or acquired by it by forfeiture or surrender or otherwise;
- Acquired by another person in circumstances where the acquisition was the Bank's nominee, or by another with the Bank's financial assistance, the Bank itself having a beneficial interest; or
- Pledged or made subject to other privileges, to a hypothec or to any other charge in favour of the Bank.

STANDARD LICENCE CONDITIONS

a) In February 2023, the Bank paid an administrative penalty to the FIAU amounting to €228,706. The penalty was applied following an inspection which was carried out in 2020. The Bank had fully cooperated with the FIAU during the inspection and had taken immediate remedial action soon after the review was concluded. The Bank did not appeal this decision and settled the penalty once notification was received.

   There were no breaches of licence requirements nor any other regulatory sanctions against the Bank.

b) In accordance with Standard Licence Condition 7.28 and R1-2.1.3 of the Investment Services Guidelines issued by the MFSA, licence holders are required to disclose any regulatory breaches of the Standard Licence Conditions in their annual report.

   During the year under review, there were no such regulatory breaches nor were any regulatory sanctions imposed on the Group by the MFSA.

AUDITORS

Deloitte Audit Limited have signified their willingness to continue in office as auditors of the Group and a resolution proposing their reappointment will be tabled at the AGM.

The Directors' report was authorised for issue by the Board of Directors and was signed on its behalf by:

Martin Scicluna
Chairman

Noel Mizzi
Director

7 March 2024

Remuneration Report

REMUNERATION POLICY

The Remuneration Policy of APS Group aims to exercise a competent and independent judgement on its remuneration practices and its incentives created for managing risk, capital and liquidity, and ensure that they are in line with applicable legislation, directives, regulations and guidelines.

The approval of the Group's Remuneration Policy is the responsibility of the Board of Directors and covers all categories of staff, including Senior Management (Executives and Heads of Department), material risk takers and staff engaged in control functions. Remuneration of the Board of Directors and of the CEO is covered by the Directors' and CEO's Remuneration Policy approved by Ordinary Resolution at the 2023 Annual General Meeting.

The application of the principles of Directive 2013/36/EU, the EBA Guidelines on sound remuneration policies and Banking Rule 21 (BR21/2022) – Remuneration Policies and Practices, considers the nature and scale of the Group and the complexity of its activities. A Collective Agreement with the Malta Union of Bank Employees for the years 2023 – 2025 covers all staff members, excluding Senior Management. References in this Report to types and modes of remuneration apply to all staff, but where these refer to staff covered by the Collective Agreement it shall be construed accordingly.

The Group Remuneration Policy is reviewed on a regular basis and was last updated and approved in 2023 by the Board of Directors, following the recommendation of the Nominations and Remuneration Committee, to cover clawback provisions for variable remuneration of Identified Staff.

Fixed Remuneration

The base salary provides a predictable base level of income reflecting each staff member's level of responsibility, capabilities, skills and experience. Base salaries are reviewed annually, and increases are granted in line with performance and when a staff member assumes increased responsibilities or significantly deepens knowledge and expertise. Base salaries may also be reviewed when there is a material change in the remuneration levels of comparable roles in the respective market. Base salaries are set for a number of different levels within approved salary ranges. Fixed remuneration includes an occupational pension scheme for staff members with a fixed contribution in accordance with established eligibility criteria.

Variable Remuneration

Staff members may have a variable component to their remuneration in addition to their fixed remuneration. The variable portion is clearly connected to the work and performance of the staff member, the performance of their business unit and the overall performance of the Bank and its subsidiaries. The goals are based on factors that support the Group's long-term strategy and business objectives. Staff in Control Functions are adequately compensated in accordance with their own objectives and not directly tied to the results of any business unit. They are judged on their success in developing appropriate policies, developing effective risk management controls and procedures, monitoring risk and building control systems.

Bonuses related to individual performance are based on both quantitative and qualitative targets. Qualitative criteria consider (i) adherence to the applicable regulatory framework, (ii) treating customers fairly, and (iii) the on-going provision of a high-quality service to customers. Performance bonus promotes teamwork and encourages all staff members to perform to the best of their abilities, for their mutual benefit and the long-term sustainable success of the Group.

The Group ensures that bonuses are fair, transparent, easy to understand and based on the Bank's Business Plan and Annual Budgets. Any variable remuneration, be it monetary or non-monetary, outside the parameters of the Policy is referred to the Nominations and Remuneration Committee for approval. APS Group does not offer buy out contracts or share options. Schemes relating to early termination are established within the Collective Agreement.

Employee Share Incentive Plan

During the annual general meeting held on 28 April 2022, the shareholders approved the establishment of an executive share incentive plan for the period 2022 – 2026 (ESIP). By virtue of the ESIP, the Board of Directors may grant shares to the CEO, and other eligible employees, subject to the rules of the ESIP. The purpose of the ESIP is to ensure that the Bank can continue to properly incentivise its key employees with a view to aligning their interests to those of the Bank's shareholders. The implementation of the rules governing the ESIP was delegated by the Board of Directors to the Nominations and Remuneration Committee.

An eligible employee (including the CEO) may therefore be awarded share awards pursuant to the ESIP, subject to the attainment of stipulated performance criteria in a particular year. The ESIP contemplates loss of benefits to varying degrees depending on the circumstances, including to those eligible employees who do not remain in the employ of the Group. Share awards have a vesting period of three years.

Link between Pay and Performance

The variable portion of remuneration is linked to the level of profit earned by the Bank during the relative financial period and the achievement of corporate targets and other factors that support the Groups' long-term strategy and business objectives, namely achieving the Group's ROAE and profit target. The bonus pool allocated to the staff in the clerical, non-clerical and managerial grades is calculated as determined in the Collective Agreement and based on the profit achieved by the Bank. The bonus is distributed to employees according to the merit of performance achieved by the individual and reflecting the respective grade and level of responsibility. Annual bonus entitlements are also applicable to members of Senior Management in terms of their individual contracts.

Performance Management System

Key Performance Indicators (KPIs), by which employees' performance is measured, provide corporate departmental, unit and team/individual targets aligned with the strategic objectives and business plan of the Group. Performance management also takes into consideration leadership competencies required by the individual positions as well as the Group's corporate values. Performance targets are reviewed periodically to ensure that these are aligned to specific strategic and operational objectives set out by the Board of Directors, covering not only business generation, but also other areas of importance such as compliance with prevalent regulation and internal policies and procedures, onboarding and customer due diligence, non-performing borrowing, quality of service and others.

Identified Staff

Additional disclosures on the governance process related to remuneration have been made in this report. The target population defined as Identified Staff for the purposes of this disclosure represents 8% of total number of employees in the Group. Identified staff is determined in line with recommended EBA Regulatory Technical Standards[11] and includes:

- all members of the management body and senior management;
- staff members with managerial responsibility over the institution's control functions or material business units; and
- other employees who are members of Committees with collective authority to commit to risk exposures per transaction beyond 0.5% of CET1 Capital, and employees who, individually or as part of a committee take, approve or veto decisions on new products, material processes or material systems.

For the purposes of remuneration, Identified Staff have been split into business areas according to EBA guidelines[12]. The tables below (REM 1, REM 3 & REM 5) show total fixed and variable remuneration for Identified Staff during the financial year 2023 broken down by business area, Senior Management and members of staff whose actions have a material impact on the risk profile of the institution. All fixed and variable remuneration were paid in cash apart from the Occupational Pension Scheme and Share Awards.

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. No severance payments or sign-on payments were made and no payments of €1 million and over were made. Therefore, the REM2 table and the REM4 table are not required for this Remuneration Report.

Standard contracts for all Identified staff would generally be indefinite following a period of definite employment with notice periods and retirement from the Bank in line with local legislation.

The Tables below present remuneration disclosures in respect of the Bank's Remuneration Policy.

		Management Body Supervisory Function	Management Body Management Function	Other Senior Management	Other Identified Staff
Fixed Remuneration	**Number of identified staff**	**9**	**9**	**26**	**4**
	Total fixed remuneration of which:	**433,156**	**1,644,763**	**2,400,404**	**219,455**
	Cash based	433,156	1,605,133	2,301,500	213,882
	Other forms	-	39,630	98,904	5,573
Variable Remuneration	**Number of identified staff**	**9**	**9**	**26**	**4**
	Total variable remuneration of which:	**-**	**436,363**	**682,551**	**14,616**
	Cash based	-	322,903	408,511	13,810
	Share-linked instruments or equivalent non-cash instruments	-	113,460	274,040	806
Total remuneration		**433,156**	**2,081,126**	**3,082,955**	**234,071**

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
Management Body Management function	43,400	43,400	156,860
Other senior management	111,600	111,600	385,640
Other identified staff	1,984	1,984	2,790
Total amount	**156,984**	**156,984**	**545,290**

[11] EBA Final Draft Regulatory Technical Standards EBA/RTS/2020/05 dated 18 June 2020
[12] EBA Guidelines on the remuneration benchmarking exercise EBA/GL/2014/08 dated 16 July 2014

	MB Supervisory function	MB Management function	Total MB	Investment Banking	Retail Banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff	**9**	**9**	**18**	**2**	**3**	**5**	**13**	**7**	**4**	**52**
Of which:										
Other senior management				2	3	1	13	7	-	
Other identified staff				-	-	4	-	-	4	
Total remuneration of identified staff	**433,156**	**2,081,126**	**2,514,282**	**299,884**	**375,788**	**317,835**	**1,453,096**	**817,423**	**53,000**	**5,831,308**
Of which:										
Variable remuneration	-	436,363	436,363	62,282	84,266	44,762	321,431	184,426	-	
Fixed remuneration	433,156	1,644,763	2,077,919	237,602	291,522	273,073	1,131,665	632,997	53,000	

Notes to the table:

- Total fixed remuneration comprises benefits, specifically car allowances;
- Fixed occupational pension contribution is subject to eligibility criteria;
- Share awards are vested over three years, in line with the vesting periods declared at time of award;
- Variable remuneration for identified staff includes performance related bonuses and share awards; and
- Other Identified Staff includes ReAPS Directors.

The table below represents the annual change of remuneration, of the performance of the Bank, and of average remuneration on a full-time equivalent basis of employees of the Bank other than Directors.

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Wages and salaries	**25,726**	22,770	**25,042**	22,184
Social security costs	**1,493**	1,316	**1,493**	1,316
Total	**27,219**	24,086	**26,535**	23,500
Profit before tax	**30,241**	15,660	**27,805**	28,929

NOMINATIONS & REMUNERATION REPORT AS AT 31 DECEMBER 2023

1. TERMS OF REFERENCE AND MEMBERSHIP OF THE NOMINATIONS AND REMUNERATION COMMITTEE

The Nominations & Remuneration Committee (the Committee) has a two-pronged function: (i) ensuring that the Directors and senior management of the Bank have the appropriate mix of skills, qualifications, and experience necessary to fulfil their supervisory and management functions respectively; and (ii) overseeing the development and implementation of the remuneration and related policies of the Group and to exercise a competent and independent judgement on its remuneration practices.

The Committee is composed of three Non-Executive Directors. The members of the Committee are Martin Scicluna as Chairman, Laragh Cassar and Michael Pace Ross. None of the members participate in the discussion regarding their own nomination, remuneration or performance. A senior member within the Human Capital Department acts as Secretary to the Committee.

Further detail on the Terms of Reference of the Committee is found in the "Statement of Compliance with the Code of Principles of Good Corporate Governance" under Principle 4, on page 44.

2. MEETINGS

The Committee held 7 meetings during the period under review. The Chief Executive Officer, Chief People Officer and Company Secretary were invited to the meetings to contribute as necessary.

3. NOMINATIONS

In line with the requirement of the Capital Markets Rule 8.B.7, the work carried out by the Committee relating to Nominations throughout 2023 is being presented under the following main headings:

Board Composition

The second quarter of 2023 saw the retirement of two Directors, Franco Azzopardi and Alfred DeMarco. As part of ongoing succession planning, the Committee recommended the appointment of Noel Mizzi and Marisa Xuereb following a public call for nominations. Following the Bank's listing of its shares on the Malta Stock Exchange in mid-2022, this was the first time that two Directors were appointed from the public float. A Company Announcement was issued in January 2023 inviting shareholders holding 50,000 shares or more to submit nominations. Two nominations were received and following deliberation on their fitness and properness by the Nominations & Remuneration Committee, these two nominees were recommended for MFSA approval and appointment.

Mr Mizzi's vast experience in governance, accounting and auditing in the banking and financial services sector and Ms Xuereb's significant operations management, commercial and governance experience have been valued additions to the Bank's Board. Both Mr Mizzi and Ms Xuereb have brought with them key skills and competences gathered throughout their careers. Their respective bios may be found on page XII.

The Committee has overseen the recruitment and induction process for both Noel Mizzi and Marisa Xuereb, with Mr Mizzi also taking on the Chairmanship of the Audit Committee. Updated Letters of Appointment and ancillary Terms and Conditions as well as an updated Board Charter were recommended to the Board for approval and made applicable to all appointed Directors following the AGM.

Furthermore, a process is currently being undertaken by the Committee for the succession of Victor E. Agius, who is not seeking re-appointment at the forthcoming AGM.

Board Succession Planning

Throughout the year the Committee ensured that the Bank has, and will continue to have, a strong and effective Board in place, with all the necessary competencies, experience, and skills.

To this effect, the Committee maintains a Nominations Pool which contains a list of suitable individuals who can be considered for eventual Board appointments on an "as required" basis. The Bank issued a public call via a Company Announcement and social media channels to permit the Bank 'cast the net' wider and reach out to potential local and international nominees who believe that they have the necessary competences to join the Board. This has permitted the Committee evaluate the applications received and strengthen the Pool with a range of candidates having a suitable, competent and diverse background with respect to educational and professional competence, age and gender.

Equality, Diversity and Inclusion

The Bank's focus on equality, diversity and inclusion continues at all levels of the organisation, and was an area of focus at both Committee and Board level for 2023.

The Board's Diversity Policy Statement is based on four fundamental principles: (i) individual suitability based on high skills and competences in the ambit of diversity; (ii) collective suitability Diversity, Equity and Inclusion Policy supports the Bank in fostering, cultivating, and preserving a culture of diversity, equity and inclusion amongst all its staff members on the basis that all appointment are merited; (iii) zero tolerance to discrimination and bias; and (iv) long term social goals.

From this Policy Statement stems the Bank's Diversity, Equity and Inclusion Policy in fostering, cultivating, and preserving a culture of diversity, equity and inclusion amongst all its staff members.

The appointment of Noel Mizzi and Marisa Xuereb have decreased the Board's average age bringing it to 57, as well as increased the female gender on the Board to 22%.

4. REMUNERATION STATEMENT

4.1 Remuneration Policy – Senior Management

The Board of Directors (Board) determines the framework of the overall remuneration policy for Executives based on recommendations from the Nominations and Remuneration Committee. The Committee, on the recommendations of the Chief Executive Officer, then establishes the individual remuneration arrangements of the Group's Senior Management, namely the Executives and Heads of Departments in accordance with the Group Remuneration Policy. The overriding principle of the Remuneration Policy is that individual performance is evaluated according to both quantitative/financial and qualitative/competency measures.

The Committee considers that the current remuneration packages for Executives are based upon the appropriate market equivalents and are adequate for the responsibilities involved to enable the Group to attract, retain and motivate executives having the appropriate skills and qualities, in order to ensure the proper management of the organisation.

For the purposes of this Remuneration Statement, references to "Executives" shall mean the eight members of the Executive Committee. Executives are in full employment with the Bank on indefinite contracts. They enjoy health insurance arrangements, death in service benefits, an occupational pension scheme, as all Bank employees, and participate in the Executive Share Incentive Plan.

Apart from the Occupational Pension Scheme and ESIP, no discretionary pensions or other supplementary pension benefits were payable to the Executives in 2023. Insofar as early retirement schemes are concerned, the Executives are subject to the schemes which are set out and defined in the Collective Agreement (for Managerial and Clerical Grades) as may be applicable to employees from time to time.

Variable Remuneration of Executives

The total Variable Remuneration of Executives including share awards is proposed by the CEO, reviewed by the Nominations and Remuneration Committee, and confirmed by the Board. During 2023, the Executives and Heads of Department were awarded a performance bonus linked to the performance and achievement of their objectives; eligible employees were granted new awards and also vested awards granted in 2022. The objectives were based partly on financial targets (financial ratios) and partly on qualitative performance review.

Total emoluments received by Executives during the financial year ended 31 December 2023 are reported in the Remuneration Report.

4.2 Remuneration Policy – Directors and the Chief Executive Officer

The Remuneration Policy for Directors and the Chief Executive Officer was established by the Board and approved by the Shareholders at the 2023 Annual General Meeting, in line with the provisions under Chapter 12 of the Capital Markets Rules.

The aim of this Policy is to contribute to the business strategy, long-term interests, and sustainability of the Bank by ensuring that the Bank is able to attract and retain sufficiently qualified directors and a CEO who are crucial for the formulation and proper implementation of the Bank's strategic vision.

In order to avoid any conflict of interest, the Bank's remuneration is managed through well-defined processes ensuring no individual is involved in the decision-making process related to their own remuneration. In line with best practice, non-executive Directors' remuneration is reviewed on an annual basis by the Nominations and Remuneration Committee, which in turn makes any recommendations for consideration by the Board. The remuneration of the CEO, including any variable remuneration is approved by the Board of Directors, upon a recommendation of the Nominations and Remuneration Committee. In their recommendation to the Board, the Nominations and Remuneration Committee shall be guided exclusively by the best interests of the Bank.

Remuneration Policy – Chief Executive Officer

The remuneration of the CEO takes into account the Bank's need to attract, retain and motivate an individual who possesses the necessary experience, qualities and attributes for this key executive role within the Bank by offering terms of employment which are competitive within the market. The remuneration package offered to the CEO also considers the size and scope of the role, the experience of the individual, market realities, practices or standards for similar positions within regulated entities, group financial performance, salary levels and increases.

In setting the CEO's remuneration, the Nominations and Remuneration Committee is guided by the remuneration framework and reward policies and practices applicable to the rest of the Bank's employees. These policies and practices are relevant to today's labour market and reflect the added value of each position in line with expertise that supports the Bank's goals and which attracts and retains highly talented individuals in possession of the right skill sets, aptitude and knowledge to carry out complex and challenging roles. The Chief Executive Officer's remuneration is composed of fixed and variable remuneration.

The fixed (base) salary awarded to the CEO provides a predictable base level of income reflecting level of responsibility, capabilities, skills, experience and market conditions. The CEO's base salary is determined by the terms of the relevant employment contract. Fixed remuneration includes an occupational pension scheme through a fixed percentage contribution of the base salary.

Variable pay is clearly connected to the work and performance of the CEO, with objectives based on factors that support the Group's long-term strategy and business objectives. The variable component of the CEO's remuneration takes the form of (i) an annual performance bonus and (ii) share awards in terms of the ESIP.

The annual performance bonus is contingent on a performance assessment carried out by the Nominations and Remuneration Committee and approved by the Board of Directors. The assessment evaluates the extent to which the CEO would have reached pre-set objectives and behaviours set by the Board of Directors, including business growth in line with the Bank's strategic plan, engagement with other key stakeholders and regulators, corporate social responsibility, ESG objectives and ensuring adherence to risk management and compliance measures. All of these objectives, which form the basis of the Board's assessment of the CEO's entitlement to an annual performance bonus, are aligned with the Bank's business strategy and long-term interests, and therefore ensure that the CEO's performance, and remuneration, is linked to the Bank's long-term success and sustainability. Clawback provisions apply in line with the Group Remuneration Policy.

Total remuneration, including all benefits, awarded in 2023 and in 2022 are shown in the table below.

The CEO is employed on a five-year fixed-term contract expiring on the 31 December 2026. The performance assessment of the Chief Executive Officer involved the evaluation of the targets achieved against a number of pre-set objectives and behaviours, including business growth in line with the Bank's strategic plan, engagement with other key stakeholders and regulators, and ensuring adherence to risk management and compliance measures. The extent to which the Chief Executive Officer would have reached each objective is discussed and reviewed by the Board of Directors. These objectives are reviewed on a quarterly basis to ensure ongoing review and alignment with expected performance.

The CEO is entitled to benefits enjoyed by all employees of the Bank including health insurance, group life insurance, personal accident insurance, discounts on products or services and a mobile phone allowance. The CEO is also entitled to the use of a fuelled licenced insured and maintained company car and meeting expenses in respect of professional and club memberships, subscriptions and similar up to a maximum of Euro 4,000 per annum.

The CEO is not entitled to any form of payment on resignation or termination of employment apart from the entitlement at law governed by legal provisions applicable to the termination of definite employment contracts. Entitlement to a retirement gratuity is based on number of years' service, as is the case of all employees, and is equivalent to one time of the terminal monthly salary.

Remuneration Policy – Non-Executive Directors

The Board of Directors is composed in its entirety of Non-Executive Directors. The remuneration of the Directors does not include a variable component and none of the Directors, in their capacity as Directors of the Bank, are entitled to profit sharing, share awards or pension benefits. All Directors are non-employees and receive a fee for their services as Directors. Directors are entitled to be reimbursed all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board or any committee of the Board or general meetings of the Bank or in connection with the business of the Bank. Such expenses shall, subject always to all applicable laws and/or regulations, not be deemed to form part of the Directors' emoluments. Directors are entitled to avail themselves of the health insurance scheme offered by the Bank and to certain discounts on products and services of the Bank. This health insurance benefit, if availed of, continues to apply for the rest of the year after Directors' resignation from office and for the two calendar years that follow.

The Board proposes the maximum aggregate emoluments that may be paid to the directors of the Bank in any financial year for approval by the shareholders. The remuneration of the Chairman and Directors of the Bank for 2023 was approved by the shareholders at the Annual General Meeting. The remuneration consists of fixed fees for being appointed as Board of Director as well as for membership in Board Committees. It is set at a level which broadly reflects:

- market practices and rates of compensation at comparable regulated firms;
- the competencies and contribution required; and
- the extent of responsibilities and the number of board meetings and committee membership/s.

The Directors are appointed at every Annual General Meeting following their resignation and resubmitting themselves for re-election. There is no severance payments upon termination of their respective directorship. Directors are entitled to certain benefits after the termination of their directorship, including discounts on products and services offered by the Group.

Directors are obliged to avoid conflicts of interest and shall take reasonable steps to keep the Bank's matters confidential. Directors' emoluments are

	2023	2022
	€	€
Fixed Pay	**360,515**	360,000
Fringe Benefits (Car, Expenses and Pension Scheme)	**37,376**	33,336
Variable Pay (Performance Bonus and ESIP)	**96,200**	62,400
Aggregate	**494,091**	455,736
Number of Shares (share price on allotment day - €0.62c) – Awarded	**30,000**	**20,000**
Number of Shares (share price on allotment day - €0.62c) – Vested	**10,000**	nil

The amounts above represent the remuneration package of the CEO accruing for the financial year ending 31 December 2023.

designed to reflect the time committed by Directors to the Bank's affairs, including the different Board Committees of which Directors are members, and their responsibilities on such Committees and confirmed at the Annual General Meeting.

	2023	2022
	€	€
Board Fees		
Chairman	**75,000**	45,000
All other Directors	**203,000**	202,333
Board Committees Fees		
Chairman of the Board	**8,746**	5,250
All other Directors	**146,410**	165,417

The Bank's Directors' Fees are as follows:

	2023	2022
	€	€
Martin Scicluna	**83,720**	50,250
Franco Azzopardi	**17,688**	47,000
Victor E. Agius	**49,267**	51,000
Joseph C. Attard	**47,000**	49,000
Laragh Cassar	**47,000**	46,333
Alfred De Marco (retired AGM 2023)	**16,183**	43,000
Victor Gusman (retired 31 December 2022)	**-**	40,000
Michael Pace Ross	**39,000**	46,500
Juanito Camilleri	**47,000**	44,917
Noel Mizzi (appointed AGM 2023)	**25,570**	-
Joseph Rapa (appointed 1 January 2023)	**37,000**	-
Marisa Xuereb (appointed AGM 2023)	**23,699**	-
TOTAL	**433,127**	418,000

This Directors' Remuneration Report in terms of Chapter 12 of the Capital Markets Rules is being put forward to an advisory vote of the 2024 Annual General Meeting in accordance with the requirements of the Capital Markets Rule 12.26L.

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 auditors to ensure compliance with such requirements.

Corporate Governance Report

STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Board of Directors (Board or Directors) of APS Bank plc (Bank) is presenting this Statement of Compliance in conformity with the requirements of the Capital Markets Rules 5.94 et seq of the Malta Financial Services Authority (the MFSA) and the principles outlined in the "Code of Principles for Good Corporate Governance" (the Code), in Appendix 5.1 of the Capital Markets Rules.

Reference to the Bank also covers the subsidiary undertakings forming the APS Group as noted in the Directors' Report on page 2. The Board is committed to the well-being of the Bank by instilling robust corporate governance principles, sound management and general supervision of its affairs. The Board acknowledges that the Code recommends principles for the Board and the Bank's management to pursue objectives that are in the interest of the Bank and its shareholders and undertakes to comply fully with it to the extent that this is considered consistent with the size, nature, and operations of the Bank. As at the date of this Statement, the Board considers the Bank to be in compliance with the Code, save for the exceptions delineated on page 49.

COMPLIANCE WITH THE CODE

Principle 1: The Board

The Board plays a salient role in setting the strategy of the Bank by providing leadership, integrity and judgement, upholding the highest standards of corporate governance. In doing so, the Board establishes the required focus on the value-added deliverables, promoting the Bank's culture, values and ethics, aiming to safeguard the interests of the institution, shareholders, employees and customers alike.

As at the date of this Statement, the Board is composed of nine Non-Executive Directors, including the Chairman, as listed in the Directors' Report on page 3. There is a strong, value-adding Board, with diverse range of skills, experiences, background and competencies, ensuring effective and efficient decision making. The Board supports open and honest conversation to ensure that decisions taken are in the long-term interest of the Bank.

Furthermore, the Board delegates specific responsibilities to various Board and Management Committees, as illustrated by the governance structure chart on page 46. Supplementary information on delegated authorities and responsibilities is provided in Principle 4.

The Board is fully supported by a Company Secretary, whose role is separate and independent from other management bodies. All Directors have unrestricted access to the Company Secretary. The Company Secretary works closely with the Chairman to ensure effective functioning of the Board and appropriate information flows between the Board and its Committees. The Company Secretary also facilitates Board induction and Directors' professional development. The responsibilities of the Company Secretary also cover Corporate Governance and Investor Relations.

Principle 2: Chairman and CEO

The Bank's Organisational Structure incorporates the positions of a Chairman and a Chief Executive Officer, which are separate and distinct positions, occupied by different individuals, having clear division of responsibilities.

The Chairman is appointed from amongst the Directors by the largest shareholder, holding at least twenty-five per cent of the ordinary issued share capital of the Bank. The Chairman is responsible for leading the Board and setting its agenda for meetings, ensuring that the Directors receive precise, timely and objective information so that they can properly discharge their duties, while encouraging their active engagement at meetings and on issues of a complex or contentious nature.

The Chief Executive Officer is responsible for the running of the Bank's business and to lead the management team, establishing the required fora to communicate, review and agree on issues and actions of Group-wide significance, with the exception of those matters reserved for the Board or specifically delegated by the Board to its Committees. The Chief Executive Officer is also responsible for the recruitment and appointment of senior management, after consultation with the Nominations & Remuneration Committee.

To allow the respective responsibilities to be discharged effectively and yet ensure an effective flow of information, the Chairman and the Chief Executive Officer maintain regular dialogue outside the Boardroom.

Principle 3: Composition of the Board

The Bank's Articles of Association, with their detailed provisions, govern the appointment in office, and the retirement and/or resignations of Board Members. As per practice, Directors hold office from the close of the Annual General Meeting at which they are appointed until the end of the subsequent General Meeting, at which they become eligible for re-election. The Nominations and Remuneration Committee has the delegated authority to lead this process, ensuring at all times Board suitability.

All Directors hold office in a non-executive capacity and actively participate in Board Committees. All Directors are committed to high standards of conduct, ethics and governance practices.

Each Director is expected to be an active participant to ensure that the Board functions effectively as a whole. The Directors combine broad business and commercial experience, conveying independent and objective judgement, providing constructive challenge to the executives, ensuring diligent monitoring of internal control functions. All Directors have adequate knowledge on the key performance indicators and have the required understanding of the business risks involved.

The Board contains a mix of longer-serving Directors and more-recently appointed ones, ensuring good institutional memory with fresh insight, and bringing to the Board a broad range of skills, expertise and experience. This is considered to be a good formula that enables the Board to deal with current and emerging opportunities and issues and to appreciate effectively the business risk and key performance indicators affecting the Bank's ability to achieve its objectives. This is complemented with an ongoing evaluation of the skills, competences, knowledge, experience, tenure and independence to fulfil boardroom responsibilities. The element of diversity is top on the Agenda. A Diversity Policy Statement for the Board is in place through which a diversity policy governs the principles of diversity, equity and inclusion Bank-wide. Diversity is seen through a broader lens than just gender and age.

The Nominations and Remuneration Committee maintains a skills matrix with key skills, experiences and attributes that have been identified as particularly valuable for effective oversight of the Bank and execution of the strategy. The skills matrix is reviewed annually following the finalisation of the Board and Individual Annual Evaluation. When a Board vacancy arises, the skills of the outgoing Director, as provided in the Skills Matrix are evaluated, and the required individual and collective skills are sourced from a pool of candidates who have the capacity to hold the role of Director. In the last quarter of 2023, the Board issued a call for applicants who have the required skills to submit their interest for potential inclusion in the Nominations Pool, following assessment by the Nominations and Remuneration Committee. The call attracted applications from diverse backgrounds, geographies and skills and boosted the current list of names held in the Pool.

Board succession planning has been a key area of focus throughout this reporting year, given the retirement of Franco Azzopardi and Alfred DeMarco in May 2023, coupled with another Director not seeking re-election at the 2024 Annual General Meeting. A process is currently underway for a Non-Executive Director to be appointed in his stead. The process stemmed from an analysis of the skills and attributes required from the Board as a whole to support the business in line with its strategy and to meet future challenges. Further information on the Nominations and Remuneration Committee proceedings is found in the Nomination and Remuneration Committee Reports on pages 39 to 42.

The Board believes that each Director who is being put forward for re-appointment at the 2024 AGM brings considerable knowledge, wide-ranging skills and experience to the Board, makes an effective and valuable contribution and continues to demonstrate commitment to their role.

In accordance with the Code Provision 3.2, the independent non-executive Directors of the Bank as at 31 December 2023 were:

- Martin Scicluna (Chairman)
- Victor E. Agius
- Joseph C. Attard
- Laragh Cassar
- Juanito Camilleri
- Noel Mizzi
- Marisa Xuereb

In determining the independence or otherwise of its Directors, the Board has considered the principles emanating from the Code, the Joint EBA and ESMA "Guidelines on the Assessment of the Suitability of Members of the Management Body" (2021), as well as general principles of good practice.

The Board considers Michael Pace Ross, who holds the role of Administrative Secretary of the Archdiocese of Malta, and Joseph Rapa who is an advisor with the Diocese of Gozo, to be non-independent from the Bank. This notwithstanding, the Board does not consider that the roles of these Directors with the shareholders hinder them from maintaining independence of free judgement and character; as they demonstrably make their own objective, sound and independent decisions and judgements when performing their Board duties.

Principle 4: The Responsibilities of the Board

In its primary responsibility, in setting the 'tone at the top', the Board is responsible for understanding and for advising management on the processes through which governance occurs and is accountable for the results of those processes. Hence, the Board ensures effective execution of its functions through clear articulation of the Bank's purpose and strategy, exercising stewardship and oversight of the institution. In doing so, the Board works closely with the senior management team, led by the Chief Executive Officer, and together establish a balance between oversight and strategy execution.

The Board actively oversees the affairs of the Bank by formulating policy in alignment with relevant laws, regulations, and code of practice. The Board is responsible to approve major projects, budgets, capital expenditures and financing, and oversees the adequacy of its corporate governance, transformation, internal controls systems, and risk management, as well as people management.

The Board ensures that the Bank has appropriate policies and procedures in place to lead its employees in accordance with the highest standards of corporate conduct and to comply at all times with applicable laws, regulations, business and ethical standards.

Further information on the Board's responsibilities on internal controls and risk management is found on pages 49 to 51.

As detailed in Principle 1, the Board delegates its authority to various Board and Management Committees which operate under their respective Terms of Reference, setting out the Committee's mandate, scope and working procedure. Overleaf is an infographic on the Bank's governance framework.

Principle 5: Board Meetings

The Board meets regularly to discharge its duties effectively, typically monthly.

During the year under review, the Board met 12 times, with another 6 additional meetings held on an ad hoc basis. During 2023, the average rate of attendance was 89.8%.

All Directors are required to attend all meetings of the Board, the meetings of those Committees on which they serve, and the Annual General Meeting (AGM). All Directors are expected to devote sufficient time to the Bank's affairs to enable them to fulfil their duties as Directors, always exercising independent judgement.

Board meetings take place in person, with videoconferencing facilities in place to accommodate uninterrupted attendance, where necessary. Absences from meetings are pre-authorised and most of the time Directors appoint an alternate Director in their stead for that particular meeting.

The below table provides the attendance of Board members at Board meetings:

Board Attendance at Meetings as at 31 December 2023

Board Member	Attendance out of 18 meetings (including ad hoc meetings)
Martin Scicluna	17/18
Victor E. Agius	17/18
Joseph C. Attard	18/18
Franco Azzopardi	6/6**
Juanito Camilleri	15/18
Laragh Cassar	17/18
Alfred DeMarco	6/6**
Noel Mizzi	11/12*
Michael Pace Ross	13/18
Joseph Rapa	18/18
Marisa Xuereb	10/12*

*appointed to the Board on 16 May 2023
**retired from the Board on 16 May 2023

THE BOARD

The main role of the Board of Directors is to perform the duties of strategic planning and oversight.

THE BOARD COMMITTEES

The Board has the following seven Board Committees to which it delegates certain responsibilities.

Audit Committee	Risk Committee	Nominations and Remuneration Committee	Conduct Committee	Board Credit Committee	Environmental, Social and Governance Committee	Technology & Innovation Committee
Assists the Board in monitoring the integrity of the financial reporting process, including the audit of the annual accounts and review of any interim reporting, and ensuring an effective system of internal controls and the effectiveness of the Internal and External Auditors.	Has a wide mandate for risk oversight, including credit risk, market risk, reputational risk, operational risk, technology/cyber risk, concentration risk, liquidity risk as well as compliance and reputational matters, and reviews the Bank's risk management framework accordingly.	Keeps the Board composition under review and carries out the process for Board appointments and assists the Board on senior management appointment and succession planning Recommends the compensation framework of Board and senior executives.	Acts as first point of reference on Board governance policies and procedures, codes of conduct and conflicts of interest. Performs oversight on matters of ethics, brand, values, reputation, and culture keeping consumer (customers') protection primary.	Provides oversight of the Bank's credit risk strategies and objectives; which includes: a review of the quality and performance of the Bank's credit portfolio; the establishment of portfolio limits; the approval of loans at thresholds determined by the Bank's Credit Policy as approved by the Board; and, the appraisal and approval of credit limits in Treasury products.	Considers the material environmental, social & governance issues and policies relevant to the Bank's business activities and promotes initiatives to raise ESG performance. Oversees the implementation of social sustainability initiatives and commitments, including performance, challenges and opportunities, to ensure their effectiveness in delivering social impact.	Oversees management with regard to IT-related risks, security and business continuity plans. Provides strategic leadership through a steady flow of innovative ideas that will serve as a catalyst for innovation at the Bank as well as monitoring IT project implementation.

THE CHIEF EXECUTIVE OFFICER

The CEO is responsible for the development and implementation of the Group's strategy and overall commercial objectives. In ensuring that this role is carried out effectively, the Board has set-up the following Management Committees.

Executive Committee (EXCO)	Assets-Liabilities Committee	Management Credit Committee	Compliance Committee	Weekly Management Meeting
Acts as consultative body and advisor to the CEO on matters such as strategy, operations and business. Focuses on the four Ps, namely Performance, Products, Projects and People, and these four broad areas describe adequately the coverage of this Committee.	Generally responsible for the asset liability management (ALM) strategy, policy, surveying of market developments, including the Bank's Base Rate and funding strategy. Focuses on liquidity management and contingency planning, determines the liquidity strategy.	Receives and reviews credit applications and approves credit limits for customers and transactions, within the parameters set by the Board in terms of the credit policy and procedures. Refers and recommends to the BCC limit applications where these exceed its MCC limits.	Ensures that prescribed regulations, rules, policies, guidelines and procedures are being followed and also anticipated in advance. Acts as a decision point for business acceptance, on-boarding and dismissal of customers, in line with the Bank's on-boarding and exit policies. The Compliance Committee reports to the Risk Committee.	Reports into the EXCO, with which it also works very closely. The Meeting brings together the senior levels of management – Chiefs and Heads – in a weekly forum where all members share updates about their respective areas of responsibility, work plans as well as matters or items of significant interest.

An updated list of the Committee members is found on the Bank's website.

		BOARD COMMITTEES							MANAGEMENT COMMITTEES			
		Audit	Risk	ESG	NR	Conduct	BCC	TAIC	EXCO	Compliance	ALCO	MCC
DIRECTORS	Martin Scicluna				C							
	Victor E. Agius						C					
	Joseph C. Attard							C				
	Juanito Camilleri		C									
	Laragh Cassar					C						
	Noel Mizzi	C		C								
	Joseph Rapa											
	Michael Pace Ross											
	Marisa Xuereb											
MANAGEMENT	Marcel Cassar		NV			NV			C			C
	Giovanni Bartolotta		NV				NV			C		
	Raymond Bonnici											
	Anthony Buttigieg		NV				NV					
	Edward Calleja											
	Jonathan Caruana											
	Liana Debattista			NV								
	Noel McCarthy											
	Ronald Mizzi		NV									
HEADS	Cynthia Borg											
	Alexander Camilleri							NV				
	Gilbert Caruana							NV			NV	
	Daniel Cassar											
	Marvin Farrugia										C	NV
	Mario Gauci						NV					NV
	Kenneth Genovese											
	Gordon Gilford											
	Nives Grixti					NV	NV			NV		NV
	Zoltan Horvath							NV				
	Marco Micallef		NV				NV					NV
	Simon Micallef											
	Aaron Mifsud											
	Rodney Naudi		NV									
	Ronald Psaila							NV				
	Matthew Swain											
	Christine Tabone										NV	
	Dorianne Tabone											
	Gevit Duca			NV								
	David Galea										NV	
	Scott Lee Holloway					NV						
	Lana Sant									NV		

Audit
Audit Committee

Risk
Risk Committee

ESG
Environmental, Social and Governance Committee

NR
Nominations & Remuneration Committee

Conduct
Conduct Committee

BCC
Board Credit Committee

TAIC
Technology & Innovation Committee

EXCO
Executive Committee

Compliance
Compliance Committee

ALCO
Assets-Liabilities Committee

MCC
Management Credit Committee

Chair

Non-voting

Board agendas and packs are circulated in advance to permit Board Directors to prepare themselves for the discussions that take place during the meetings. Over a twelve-month period, Board Agendas cover the following topics, Create Long-Term Value, Responsibility Towards Stakeholders, Instil Values and Shape Culture, Scrutinise Performance, Exercise Accountability and Set Strategy. Structured reporting from the Committees, Subsidiaries and Associates are a regular agenda item of each Board Meeting. The CEO is invited to attend all Board meetings, and other senior management officials attend Board meetings as required, according to the nature of the discussion and their specific area of responsibility. This provides the Board with an opportunity to engage directly with senior management on key issues.

After each Board Meeting, minutes are drawn up by the Company Secretary, faithfully recording the attendance of Directors at said Meetings, conflicts raised, matters discussed, considerations made, decisions taken, and action points agreed upon. Minutes are kept of all the business transacted in the course of Committee meetings. All Directors have ready access to Committee papers and Minutes. Committee Chairs report on Committee business at the subsequent Board meetings, also through written briefs.

In 2023, in addition to its scheduled meetings, the Board also met with the Management Team in: a) July for the Annual Business Planning brainstorming days; and b) November for the Business Planning Wrap-up Workshop, looking into the Bank's main priorities for the updated 2024-2026 Plan and strategic initiatives for the same period.

Principle 6: Information and Professional Development

Directors have access to a wide range of briefing and training sessions and other professional development opportunities to help them keep abreast of the environment that the Bank operates in. Training discussions and updates are provided by professional advisors and external and internal subject-matter experts. These updates not only cover a range of pertinent strategic, legislative and regulatory issues but issues relating to the political and economic environment, sustainability and technological considerations. The Company Secretary also provides regular updates on corporate governance matters. Directors may also request individual in-depth briefings from time to time on areas of particular interest.

Directors are also invited to visit key operational facilities and branches of the Bank.

In 2023, the Directors attended two tailor-made programmes. The first bespoke session was on soft skills, relating to effective communication aspects in the boardroom. For the second programme, external professionals were engaged and delved into supervisory expectations on Board involvement in bank's strategies and market trends in retail banking, ESG landscape and reporting considerations and the EU supervisory, regulatory and legislative framework. Furthermore, the directors also attended the MBA/IFA The Non-Executive Directors' Training programme held over two days in June. The annual Business Plan & Budget Review Off-Site Workshops held in July and November, also served as a professional development opportunity for the Directors. Directors attended online seminars and conferences on an array of topics. Directors were kept abreast of other webinars that were being organised by local and international entities. A training and development log is maintained by the Human Capital Department.

Upon appointment, all Directors undertake a formal and tailored induction programme providing the required familiarisation with the Bank. In preparation for their appointment, Noel Mizzi and Marisa Xuereb were provided with an induction programme facilitated by the Company Secretary and tailored to their respective experience, background, Committee membership and requirements. This included a series of meetings with senior management, providing an overview of the Bank's main functions, namely strategy, finance, risk, people, technology, operations, and other internal control functions. The programme also provided sessions with the Risk and Board Credit Committee Secretaries for a familiarisation session on the Committee's Terms of Reference and proceedings, given that the newly-appointed Directors are sitting on these Committees.

Principle 7: Evaluation of the Board's Performance

On an annual basis, the Board of Directors, both individually and collectively take part in a Board Evaluation exercise that focuses on skills, competencies, and experiences in addition to softer attributes such as strategic thought, communication, external awareness, ability to forge relationships and other important attributes that make an effective board room.

In terms of good governance practices, the Board Evaluation for 2023 was conducted by an externally appointed advisor, and facilitated by the Company Secretariat. Outcomes are discussed in detail with the Chairman of the Board with appropriate action plans adopted, some of which will be implemented at the forthcoming AGM.

A Board Committees Evaluation exercise was held in the second half of 2023. This exercise covered the performance of Board and Management Committees to ensure efficient and effective meetings. The chair of each Committee was mandated to consider the outcomes of this exercise. The main areas of focus were on more deep-dives/training on new regulations and reporting obligations, induction programmes for new members of management on Committees and cross-functional Committee awareness.

Principle 8: Committees

As explained, the Board places significant reliance on its Committees, and therefore it remains crucial that there are effective linkages between Committees and the Board. There is constant attention to ensure there are no gaps or unnecessary duplications and continuous efforts are done to avoid this happening. References to Board and Management Committees is made throughout this report. The governance framework summarises this.

In January 2024, changes in some Board and Management Committee compositions took place to further diversify knowledge in Committee composition.

Further information on the Audit Committee and Risk Committee, is found in the Section below "Internal Control and Risk Management System". The function of the Nominations and Remuneration Committee is covered under Principle 4, when reviewing all the other Bank Committees, and in the Nominations & Remuneration Report, which also includes the Remuneration Statement in terms of Code Provision 8.A.4 and the Nominations Report in terms of Code Provision 8.B.7.

Principles 9 and 10: Relations with Shareholders and with the Market and Institutional Investors

The Board is aware that its actions and decisions impact the Bank's shareholders, other stakeholders and the wider community in which the Bank operates. The Board values the insight gained from stakeholder engagement and places significant importance on 'having an ear on the ground' and taking decisions in the interest of all stakeholders. The Board continues to listen to stakeholders which helps in the shaping of the Bank's strategy and decisions taken.

The table overleaf identifies the Bank's key stakeholders and how both the Bank and the Board engaged with them throughout 2023. The Board seeks to understand the needs and the key areas of interest of each stakeholder group and consider them during deliberations and as part of the decision-making process.

Key stakeholders	Reason for engagement and key priorities for 2023
Shareholders, Bondholders and Institutional Investors	The Board always placed engagement with shareholders foremost. The year 2023, marked the first anniversary from the Bank's listing of its entire holdings on the Official List of the Malta Stock Exchange. Meetings with major shareholders were organised by the Chairman, along with the CEO and Company Secretary. The Bank also celebrated resounding success in the issue of its first tranche of the €150,000,000 5.8% subordinated debt programme. As the progression of this issue took place, roadshows were conducted with a number of institutional investors. In line with regulatory obligations encompassing these meetings, the senior management team had the opportunity to generate interest in the Bank's performance and plans. The Board gets regular reviews of the Bank's share price movements, movements in the share register, engagements with investors. It also discusses shareholder issues and expectations as part of its decision-making. The Bank believes in the recognition of both bondholders' and shareholders' trust in the Bank and in 2023 launched an attractive Investor Offers & Benefits package. More information is available on (www.apsbank.com.mt/investor-offers-benefits/). The Board is keenly aware of stakeholder expectations in relation to future dividend payments. The two dividends paid out in 2023 were in the form of scrip. Further information on the 2023 dividend payments is found on page 35. The Bank's dividend policy prudently balances the dual objectives of appropriately rewarding risk capital held by the shareholders through dividends and retaining capital in order to maintain healthy solvency and liquidity ratios to support future growth. This has been achieved by the three consecutive scrip dividends paid out in the second half of 2022 and throughout 2023. The payments of any dividend will depend upon, among other factors, the Bank's capital requirements, the profits available for distribution for the relevant year, the Group's growth strategy, and its view on the prevailing market outlook, general economic conditions, and any regulatory restrictions that may be imposed by supervisory authorities. The dividend policy allows for an annual dividend pay-out not exceeding more than one half of the Bank's audited profits after tax for the year. Over the forthcoming three-year period (2024 – 2026) it is the Bank's intention to distribute one-third of its post-tax profits.
Business customers, potential new customers, financial advisers	The Bank engages with customers, potential new customers, and financial advisers through various channels to ensure strong relationships are maintained allowing its vision, business model and *modus operandi* to be communicated, with emphasis on strategy and delivery. Beyond customer communications and brand and marketing messaging, the Bank maintains a constant flow of information and updates through press releases, company announcements, and Market Briefing events held throughout the year. By constantly monitoring emerging trends, the Bank anticipates and responds to customers' needs by developing new products and identifying future revenue drivers. Alignment with the Bank's corporate culture is bolstered through the Board's constant oversight of the various Committees and active participation in other events. The Board is very vocal on the talents of the workforce and commends their efforts and successes. When opportune, the Board visits various branches and offices to observe the Bank's operations in action and reinforce their knowledge. The section "Communicating brand, purpose and corporate culture" covers the Culture Department's Brand and Marketing, Corporate Culture Change Management, Corporate Social Responsibility and Voice of the Customer contributions, and is found on page 3 to 5.
Employees	The strategic approach taken towards community engagement and corporate communications, equally applies to employee engagement and internal communications. In addition to the ongoing Corporate Culture Change Management activities, employees are also invited to various social gatherings organised by the Social Activities and Sports Committees. Opportunities to attend various Bank-sponsored CSR events are also regularly extended to employees. The section "Employee Matters" provides more details on the Bank's people strategy and is found on page 7.
Relevant information provided to stakeholders	**1. Annual Report and Financial reporting** The Bank's Annual Report is available to shareholders and the public at large. The Bank aims to make the Annual Report as accessible as possible. Copies are available on the Bank's website. A number of printed copies are available at Branches. Interested parties may also contact the Company Secretariat to obtain a copy. **2. Market Briefing** From time to time the Bank organises Market Briefing events as an important occasion to inform the market about important or material developments or to follow up on company announcements when considered necessary. These Market Briefings are notified to the public via a company announcement. They are held either virtually or hybrid. Questions from investors and analysts are received to ensure an open dialogue with the market. In 2023, four Market Briefings were held, three of which were in relation to the Bank's financial reports.

Key stakeholders	Reason for engagement and key priorities for 2023
Relevant information provided to stakeholders	**3. Company Announcements** As a listed entity, the Bank is required to issue Company Announcements, in terms of the Capital Markets Rules to bring useful, relevant and material facts to the attention of the market. **4. Press releases** The Bank issues Press Releases on a regular basis in order to inform its customers and other stakeholders about developments and news. The widespread use of social communication media has helped the Bank to increase the reach and speed of its communication. **5. Corporate Website** The Bank's website (www.apsbank.com.mt) is the platform through which interested parties may have access to Bank information. The website has been updated to render it more user-friendly. The section 'Investor Relations' section is consistently updated with biographies of the members of the Board and of Executive Management as well as Annual Reports, Company Announcements, regulatory reports and investor benefits.

Principle 11: Conflicts of Interest

Each Director is expected to act to the highest standards of ethical behaviour and fiduciary duties. Directors are aware of their obligation to avoid conflicts of interest and their responsibility to act in the wider interest of the Bank and its shareholders, irrespective of which shareholder nominated him/her to the Board.

The Board Charter contains specific sections dealing with conflicts of interest, starting with the general precept that Directors should take all reasonable steps to avoid such situations. However, from time to time, actual or potential conflicts of interest may arise in which case it needs to be ensured that these are managed properly by the Board and the interested Director, as also provided in the amended Conflicts of Interest Policy. Directors are required to inform the Board or Committee of any matter that may result or has already resulted in a conflict of interest. A record of such declaration is entered into the meeting's minute book and the said Director is precluded from voting on any resolution concerning a matter in respect of which they have declared a direct or indirect interest or asked to absent themselves when the conflicting matter is discussed.

Board Directors hold external directorships and other outside business interests and these are recognised as significant benefits that greater boardroom exposure provides for the Bank's Directors. However, Directors are expected to report the holding of new directorships and other roles to ensure that any potential or actual conflicts of interest are mitigated, additional appointments will not adversely impact their time commitment or their ability to continue to fulfil their role as Director.

Directors are informed and reminded of their obligations vis-a-vis dealing in the Bank's shares and bonds in line with prevailing legislation and in terms of the Capital Markets Rules. Clearance prior to dealing is obtained from the Chairman in line with the Bank's Personal Dealing Policy. These obligations are likewise applicable to further cohorts of the Bank's staff identified as insiders whereby strict protocols are adopted.

Principle 12: Corporate Social Responsibility

The Board of Directors ensures that sound principles of corporate social responsibility are adhered to and integrated into the core ethos of the Bank and embedded into its day-to-day culture and operations. For these reasons also, the Bank is a prominent supporter of various Corporate Social Responsibility (CSR) initiatives at both national and community level aimed at contributing to economic, societal, environmental, and cultural development.

Further details on the Banks' CSR outreach are disclosed separately on pages 3 to 5.

NON-COMPLIANCE WITH THE CODE

Principle 3 (Composition of the Board): The Board is currently composed of nine non-executive Directors including the Chairman. While the Code of Principles for Good Corporate Governance provides that the Board should be composed of executive and non-executive Directors, there are no executive Directors presently appointed to the Board. The Board believes that with the required diversity of knowledge, judgment, and experience, it can still adequately perform its functions (even without the appointment of any executive Directors) and collectively execute the four basic roles of corporate governance namely, accountability, monitoring, strategy formulation and policy development. In addition, the Chief Executive Officer is ordinarily invited to attend meetings of the Board of Directors to ensure that the Board is adequately supported from an executive management perspective. The Bank's Memorandum & Articles of Association includes a clause specifying that executive members are also eligible to be appointed Directors. Furthermore, with respect to the appointment of non-executive Directors, the Nominations and Remuneration Committee and Board are guided by the relative provisions of the Articles of Association, as well as the EBA and ESMA Guidelines on the assessment of the suitability of members of the management body.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM

Board responsibility

The Board, supported by the Risk Committee and Audit Committee, oversees the system of internal controls, corporate governance and risk management frameworks, ensuring they are in line with applicable rules, regulations and guidelines, and assumes responsibility for establishing the purpose and risk appetite of the Bank, setting its strategy, establishing its culture and determining the values to be observed in achieving that strategy. The Directors and senior management are committed to maintaining a robust control framework as the foundation for the delivery of effective risk management. The Directors acknowledge their responsibilities in relation to the Bank's risk management and internal control systems and for reviewing their effectiveness.

In establishing and reviewing the risk management and internal control systems on an ongoing basis, the Directors carry out a robust assessment of the most significant and emerging risks facing the Bank, including those that would threaten its business model, future performance, solvency or liquidity and reputation; the likelihood of a risk event occurring; and the costs of control. The process for identification, evaluation and management of the risk events faced by the Bank is integrated into the Bank's overall framework for risk governance. The risk identification, evaluation and management process also cover an assessment of whether the controls in place result in an acceptable level of residual risk. The Risk Appetite Statement and Risk Appetite Dashboard are presented to and reviewed and debated regularly by the Risk Committee and the Board, in the presence of the Chief Risk Officer, to ensure that the Board is satisfied with the overall risk profile, risk accountabilities and mitigating actions. Monthly and quarterly Dashboards provide a view of the Bank's overall risk profile, key risks and management actions, together with performance against risk appetite and an assessment of emerging risks which could affect the Bank's performance over the life of the operating profile and assists in the strategy that is set-up.

Control effectiveness review

The Bank's control effectiveness is carried out following the "three lines of defence" model with an aim to evaluate the effectiveness of the Bank's control framework in its widest sense, with regard to its material risks, and to ensure management actions are in place to address key gaps or weaknesses in the control framework. The second line of defence, manifesting itself in reporting to the Risk Committee, is responsible for the design and implementation of the risk management framework and for risk reporting to senior management and the Board. As a third line of defence, the Internal Audit function provides independent assurance to senior management and the Board that the Group's control framework and the risk management process are operating effectively. The Audit Committee receives reports from the Bank's statutory auditors, Deloitte (which would include details of any significant internal control matters that they identify), and it has discussions with the statutory auditors at least four times a year, to ensure that there are no unresolved issues of concern. It also regularly received audit reports on the Group's control framework from the Bank's Group Internal Auditor.

In terms of Capital Markets Rules 5.117, 5.118 and 5.118A, the Audit Committee is composed of three Non-Executive Directors. All three members of the Audit Committee are considered as independent of the Bank, since they are free from any business, family or other relationship with the Bank or its management that may create a conflict of interest such as to impair their judgement (see also Principle 3 above). Until 16 May 2023, the Committee was composed of the following four members, Franco Azzopardi (Chair), Joseph C. Attard, Juanito Camilleri and Alfred DeMarco, the latter considered as being non-independent. As from 16 May 2023, Noel Mizzi (Chair) joined the Audit Committee, and Messrs Azzopardi and DeMarco retired on 16 May 2023. The Committee members' bio may be found on pages XI to XII. Noel Mizzi is the member who the Board considers as competent in accounting. In view of the diverse skills and professional experience of each of the Audit Committee Members, the Bank considers the Audit Committee as a whole to have the adequate competence and meet the independence criteria as required by Capital Markets Rule 5.118.

Audit Committee:

Membership	2023 Attendance
Franco Azzopardi	3/3*
Alfred DeMarco	3/3*
Juanito Camilleri	7/7
Joseph C. Attard	7/7
Noel Mizzi	4/4**

** retired on 16 May 2023*
*** appointed on 16 May 2023*

Risk Committee:

Membership	2023 Attendance
Victor Agius	3/3*
Franco Azzopardi	3/3**
Michael Pace Ross	2/3*
Juanito Camilleri	9/9
Noel Mizzi	6/6***
Joseph Rapa	9/9

** rotation of Committee directors on 30 April 2023*
*** retired on 16 May 2203*
**** appointed on 16 May 2023*

The Bank's risk management and internal control systems are regularly reviewed by the Board and are consistent with applicable guidance issued by the competent authorities and compliant with the requirements of CRD V. More detail on the review of internal controls is found in the Pillar 3 Disclosures Report found on the Bank's website.

Infographic on next page summarises the Bank's internal control framework.

Capital Markets Rule 5.97.5

The information relating to the Shareholder register required by Capital Markets Rule is found in the Directors' Report.

General Meetings

General Meetings are the Bank's highest decision-making body, at which the shareholders exercise their voting rights. The proceedings are conducted in terms of the Bank's Articles of Association. A general meeting of the Bank is duly convened by providing twenty-one days prior notice to the shareholders.

Ordinary business is transacted at the Bank's Annual General Meeting, that considers the accounts, balance sheets and the reports of the Directors and the auditors, the appointment or election of Directors, the appointment of auditors and the fixing of the remuneration of Directors and the auditors. All other business is deemed to be 'special', whether transacted at the Annual General Meeting or at an Extraordinary General Meeting.

The Articles relating to 'General Meetings' stipulate that shareholders registered in the Shareholders' Register on the Record Date, have the right to attend, participate and vote at the General Meeting, and those owning not less than five percent (5%) of the voting issued share capital of the Bank may request the Bank to include items on the agenda of a General Meeting, and table draft resolutions for items included in the agenda of a General Meeting, insofar as they are received at least forty-six 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.

During the period under review, the Bank held its Annual General Meeting on 16 May. This was the first Annual General Meeting since the Bank listed its shares on the Malta Stock Exchange, which meeting was held in person. Apart from the standing Annual General Meeting Agenda Items, which also included a declaration of a final scrip dividend, the shareholders considered extraordinary resolutions relating to the Directors' authority to issue shares limitedly for the purpose of implementing a decision to pay a scrip dividend, and to affect a capitalisation of profits, and the Directors' authority to issue debt securities up to €150,000,000. All resolutions were carried. Shareholders were requested to cast their visiting preferences before the General Meeting. Shareholders were invited to submit any questions relating to the items on the Agenda prior to the meeting. The questions received were replied to during the Annual General Meeting and the questions and answers uploaded on the website after the event.

BOARD OF DIRECTORS		
1st line of Defence	**2nd Line of Defence**	**3rd Line of Defence**
Who is responsible:	**Who is responsible:**	**Who is responsible:**
Operational management/Employees Spearheaded by Internal Control Unit	Compliance/Risk oversight functions	Audit Committee Internal Audit
Activity/controls:	**Activity/controls:**	**Activity/controls:**
• Policies and procedures • Internal controls • Planning, budgeting, forecasting processes • Delegated authorities • Business workflows/ IT system controls • Personal objectives and incentives	• Operational/governance/ regulatory compliance • Compliance Committee/ Risk Committee • Controls compliance monitoring • Management/Board reporting and review of KPIs and financial performance • Corporate policies	• Approved Internal Audit plan • Internal Audit reporting line to Audit Committee • Regular Internal Audit updates to Audit Committee

This Statement was authorised for issue by the Board of Directors on 7 March 2024 and signed on its behalf by:

Martin Scicluna
Chairman

Noel Mizzi
Director

Statements of Profit or Loss

FOR THE YEAR ENDED 31 DECEMBER 2023		The Group		The Bank	
		2023	2022	**2023**	2022
	Note	**€000**	€000	**€000**	€000
Interest and similar income:					
On loans and advances, balances with					
the Central Bank of Malta and treasury bills	(3)	**98,664**	73,497	**98,664**	73,497
On debt and other fixed income instruments	(3)	**7,020**	6,362	**5,499**	4,942
Total interest and similar income	(3)	**105,684**	79,859	**104,163**	78,439
Interest expense	(4)	**(32,096)**	(14,766)	**(32,096)**	(14,766)
Net interest income		**73,588**	65,093	**72,067**	63,673
Fee and commission income		**10,820**	9,115	**9,850**	8,197
Fee and commission expense		**(2,515)**	(2,253)	**(2,505)**	(2,253)
Net fee and commission income	(5)	**8,305**	6,862	**7,345**	5,944
Dividend income	(6)	**-**	131	**1,252**	1,477
Net gains on foreign exchange	(7)	**154**	1,300	**701**	860
Net gains from derecognition of financial assets at amortised cost	(8)	**-**	984	**-**	984
Net gains/(losses) on financial instruments	(8)	**3,148**	(10,263)	**1,037**	1,076
Other operating income		**271**	541	**271**	541
Operating income before net impairments		**85,466**	64,648	**82,673**	74,555
Net (impairment losses)/reversal of impairment losses	(11)	**(3,497)**	254	**(3,497)**	254
Net operating income		**81,969**	64,902	**79,176**	74,809
Employee compensation and benefits	(9)	**(28,625)**	(26,096)	**(27,941)**	(25,510)
Other administrative expenses	(10)	**(18,504)**	(16,140)	**(17,929)**	(15,577)
Depreciation of property and equipment	(27)	**(1,871)**	(1,911)	**(1,871)**	(1,911)
Amortisation of intangible assets	(28)	**(3,016)**	(2,264)	**(3,016)**	(2,264)
Depreciation of right-of-use assets	(29)	**(614)**	(618)	**(614)**	(618)
Operating expenses		**(52,630)**	(47,029)	**(51,371)**	(45,880)
Net operating profit before associates' results		**29,339**	17,873	**27,805**	28,929
Share of results of associates, net of tax	(25)	**902**	(2,213)	**-**	-
Profit before tax		**30,241**	15,660	**27,805**	28,929
Income tax expense	(12)	**(9,667)**	(9,893)	**(9,598)**	(9,773)
Profit for the year		**20,574**	5,767	**18,207**	19,156
Profit for the year attributable to:					
Equity holders of the parent		**19,799**	8,003	**18,207**	19,156
Non-controlling interest		**775**	(2,236)	**-**	-
		20,574	5,767	**18,207**	19,156
Basic and diluted earnings per share	(13)	**5.2c**	2.5c	**4.8c**	5.9c

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2023	**The Group**		**The Bank**	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Profit for the year	**20,574**	5,767	**18,207**	19,156
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value on debt instruments measured at fair value through other comprehensive income (FVTOCI)	**6,678**	(28,893)	**6,678**	(28,893)
Fair value (losses)/gains reclassified to profit or loss on disposal of debt instruments measured at FVTOCI	**(1,099)**	5,354	**(1,099)**	5,354
Deferred income tax relating to the components of other comprehensive income (OCI)	**(655)**	1,186	**(655)**	1,186
Other comprehensive income/(loss) for the year, net of tax	**4,924**	(22,353)	**4,924**	(22,353)
Total comprehensive income/(loss) for the year, net of tax	**25,498**	(16,586)	**23,131**	(3,197)
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	**24,723**	(14,350)	**23,131**	(3,197)
Non-controlling interest	**775**	(2,236)	**-**	-
	25,498	(16,586)	**23,131**	(3,197)

Statements of Financial Position

AS AT 31 DECEMBER 2023

	Note	The Group 2023 €000	The Group 2022 €000	The Bank 2023 €000	The Bank 2022 €000
ASSETS					
Cash and balances with Central Bank of Malta	(15)	**131,071**	85,887	**131,071**	85,887
Loans and advances to banks	(16)	**54,499**	72,870	**53,951**	71,023
Financial assets at fair value through profit or loss	(17)	**46,484**	41,046	**-**	-
Non-current assets held for sale	(18)	**1,738**	1,733	**1,738**	1,733
Syndicated loans	(19)	**184,172**	135,210	**184,172**	135,210
Loans and advances to customers	(20)	**2,694,229**	2,224,694	**2,694,229**	2,224,694
Derivative financial instruments	(21)	**536**	738	**536**	738
Other debt and fixed income instruments	(22)	**442,032**	459,601	**442,032**	459,601
Equity and other non-fixed income instruments	(23)	**6,960**	303	**6,960**	303
Investment in subsidiaries	(24)	**-**	-	**40,251**	40,251
Investment in associates	(25)	**14,784**	13,667	**14,563**	14,063
Investment properties	(26)	**6,714**	6,593	**6,714**	6,593
Property and equipment	(27)	**39,824**	39,252	**39,824**	39,252
Intangible assets	(28)	**17,523**	14,545	**17,523**	14,545
Right-of-use assets	(29)	**4,386**	5,040	**4,386**	5,040
Other receivables	(30)	**12,813**	8,016	**12,180**	8,202
Current tax assets		**195**	-	**-**	-
Deferred tax assets	(31)	**3,154**	2,957	**3,154**	2,957
TOTAL ASSETS		**3,661,114**	3,112,152	**3,653,284**	3,110,092
LIABILITIES					
Derivative financial instruments	(21)	**536**	738	**536**	738
Amounts owed to banks	(32)	**80,685**	50,387	**80,685**	50,387
Amounts owed to customers	(33)	**3,137,839**	2,710,633	**3,139,214**	2,712,804
Lease liabilities	(29)	**4,585**	5,246	**4,585**	5,246
Accruals	(34)	**22,842**	13,621	**22,787**	13,561
Debt securities in issue	(35)	**104,173**	54,642	**104,173**	54,642
Other liabilities	(36)	**20,385**	13,121	**20,339**	13,080
Current tax liabilities		**2,641**	2,306	**2,641**	2,306
TOTAL LIABILITIES		**3,373,686**	2,850,694	**3,374,960**	2,852,764
EQUITY					
Share capital	(37)	**94,451**	91,729	**94,451**	91,729
Share premium	(37)	**51,907**	48,410	**51,907**	48,410
Revaluation reserve	(38)	**7,905**	2,981	**7,905**	2,981
Retained earnings	(39)	**118,508**	107,209	**123,768**	114,061
Other reserves		**293**	147	**293**	147
Attributable to equity holders of the parent		**273,064**	250,476	**278,324**	257,328
Non-controlling interest	(40)	**14,364**	10,982	**-**	-
TOTAL EQUITY		**287,428**	261,458	**278,324**	257,328
TOTAL LIABILITIES AND EQUITY		**3,661,114**	3,112,152	**3,653,284**	3,110,092
MEMORANDUM ITEMS					
Contingent liabilities	(41)	**30,638**	21,911	**30,638**	21,911
Commitments	(42)	**1,099,547**	878,787	**1,099,547**	878,787

The financial statements on pages 52 to 134 were authorised for issue by the Board of Directors on 7 March 2024 and were signed by:

Martin Scicluna
Chairman

Noel Mizzi
Director

Marcel Cassar
Chief Executive Officer

Ronald Mizzi
Chief Financial Officer

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to the equity holders of the parent							
The Group	**Share Capital €000**	**Share Premium €000**	**Revaluation Reserve €000**	**Retained Earnings €000**	**Other Reserves €000**	**Total €000**	**Non-Controlling Interest €000**	**Total Equity €000**
FINANCIAL YEAR ENDED 31 December 2023								
Balance at 1 January 2023	**91,729**	**48,410**	**2,981**	**107,209**	**147**	**250,476**	**10,982**	**261,458**
Profit for the year	-	-	-	19,799	-	19,799	775	20,574
Other comprehensive income	-	-	4,924	-	-	4,924	-	4,924
Total comprehensive income	**-**	**-**	**4,924**	**19,799**	**-**	**24,723**	**775**	**25,498**
Allotment of shares upon vesting of share awards (Note 37)	79	115	-	-	(194)	-	-	-
Share incentive plan - Value of employee services	-	-	-	-	340	340	-	340
Dividends to equity holders (Note 14)	2,643	3,382	-	(8,500)	-	(2,475)	(227)	(2,702)
Net share capital issued by subsidiary company	-	-	-	-	-	-	2,834	2,834
Total transactions with owners	**2,722**	**3,497**	**-**	**(8,500)**	**146**	**(2,135)**	**2,607**	**472**
Balance at 31 December 2023	**94,451**	**51,907**	**7,905**	**118,508**	**293**	**273,064**	**14,364**	**287,428**
FINANCIAL YEAR ENDED 31 December 2022								
Balance at 1 January 2022	**62,429**	**10,453**	**25,334**	**103,974**	**-**	**202,190**	**18,632**	**220,822**
Profit for the year	-	-	-	8,003	-	8,003	(2,236)	5,767
Other comprehensive loss	-	-	(22,353)	-	-	(22,353)	-	(22,353)
Total comprehensive (loss)/income	**-**	**-**	**(22,353)**	**8,003**	**-**	**(14,350)**	**(2,236)**	**(16,586)**
Issue of shares, net of issue costs	27,500	37,957	-	-	-	65,457	-	65,457
Other movements	-	-	-	32	-	32	-	32
Share incentive plan - Value of employee services	-	-	-	-	147	147	-	147
Dividends to equity holders (Note 14)	1,800	-	-	(4,800)	-	(3,000)	(309)	(3,309)
Net share capital issued by subsidiary company	-	-	-	-	-	-	1,104	1,104
Loss of control of subsidiary company	-	-	-	-	-	-	(6,209)	(6,209)
Total transactions with owners	**29,300**	**37,957**	**-**	**(4,768)**	**147**	**62,636**	**(5,414)**	**57,222**
Balance at 31 December 2022	**91,729**	**48,410**	**2,981**	**107,209**	**147**	**250,476**	**10,982**	**261,458**

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2023

The Bank	Share Capital €000	Share Premium €000	Revaluation Reserve €000	Retained Earnings €000	Other Reserves €000	Total Equity €000
FINANCIAL YEAR ENDED 31 December 2023						
Balance at 1 January 2023	**91,729**	**48,410**	**2,981**	**114,061**	**147**	**257,328**
Profit for the year	-	-	-	18,207	-	18,207
Other comprehensive income	-	-	4,924	-	-	4,924
Total comprehensive income	**-**	**-**	**4,924**	**18,207**	**-**	**23,131**
Allotment of shares upon vesting of share awards (Note 37)	79	115	-	-	(194)	-
Share incentive plan - Value of employee services	-	-	-	-	340	340
Dividends to equity holders (Note 14)	2,643	3,382	-	(8,500)	-	(2,475)
Total transactions with owners	**2,722**	**3,497**	**-**	**(8,500)**	**146**	**(2,135)**
Balance at 31 December 2023	**94,451**	**51,907**	**7,905**	**123,768**	**293**	**278,324**
FINANCIAL YEAR ENDED 31 DECEMBER 2022						
Balance at 1 January 2022	**62,429**	**10,453**	**25,334**	**99,673**	**-**	**197,889**
Profit for the year	-	-	-	19,156	-	19,156
Other comprehensive loss	-	-	(22,353)	-	-	(22,353)
Total comprehensive (loss)/income	**-**	**-**	**(22,353)**	**19,156**	**-**	**(3,197)**
Issue of shares, net of issue costs	27,500	37,957	-	-	-	65,457
Other movements	-	-	-	32	-	32
Share incentive plan - Value of employee services	-	-	-	-	147	147
Dividends to equity holders (Note 14)	1,800	-	-	(4,800)	-	(3,000)
Total transactions with owners	**29,300**	**37,957**	**-**	**(4,768)**	**147**	**62,636**
Balance at 31 December 2022	**91,729**	**48,410**	**2,981**	**114,061**	**147**	**257,328**

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023		The Group		The Bank	
		2023	2022	**2023**	2022
	Note	**€000**	€000	**€000**	€000
OPERATING ACTIVITIES					
Interest and commission receipts		**110,550**	85,782	**108,167**	83,280
Interest and commission payments		**(35,021)**	(15,185)	**(34,500)**	(14,647)
Cash paid to employees and suppliers		**(39,651)**	(43,516)	**(38,915)**	(42,897)
Operating profit before changes in operating assets and liabilities		**35,878**	27,081	**34,752**	25,736
(Increase)/decrease in operating assets					
Loans and advances to customers/syndicated loans		**(521,542)**	(295,504)	**(521,542)**	(295,504)
Loans and advances to banks		**(500)**	(707)	**(500)**	-
Reserve deposit with Central Bank of Malta		**(4,219)**	(2,880)	**(4,219)**	(2,880)
Cheques in course of collection		**-**	2,881	**-**	2,881
Other assets		**22**	214	**-**	-
Increase/(decrease) in operating liabilities					
Amounts owed to customers		**427,095**	278,875	**426,299**	279,731
Amounts owed to banks		**(1,549)**	(1,549)	**(1,549)**	(1,549)
Other liabilities		**6,917**	3,445	**7,666**	2,814
Cash (used in)/from operating activities before tax		**(57,898)**	11,856	**(59,093)**	11,229
Income tax paid		**(10,347)**	(8,021)	**(10,087)**	(7,712)
Net cash flows (used in)/from operating activities		**(68,245)**	3,835	**(69,180)**	3,517
INVESTING ACTIVITIES					
Dividends received		**286**	403	**1,252**	1,477
Interest income from debt securities		**7,015**	7,328	**7,015**	7,328
Purchase of financial assets measured at amortised cost		**(14,168)**	(222,644)	**(14,168)**	(222,644)
Proceeds on maturity of financial assets measured at amortised cost		**5,064**	5,987	**5,064**	5,987
Purchase of debt instruments measured at FVTOCI		**(8,629)**	(7,291)	**(8,629)**	(7,291)
Proceeds on disposal of debt instruments measured at FVTOCI		**38,958**	67,053	**38,958**	67,053
Purchase of financial assets at FVTPL		**(46,678)**	(98,742)	**-**	-
Proceeds on disposal of financial assets at FVTPL		**42,804**	99,653	**-**	-
Proceeds on disposal of investments in associates		**-**	9,589	**-**	9,589
Purchase of equity and other non-fixed income instruments		**(5,718)**	-	**(5,718)**	-
Additional investment in associate		**(500)**	(500)	**(500)**	(500)
Purchase of property, equipment and intangible assets		**(8,861)**	(5,431)	**(8,861)**	(5,431)
Net cash flows from/(used in) investing activities		**9,573**	(144,595)	**14,413**	(144,432)
FINANCING ACTIVITIES					
Dividends paid		**(2,703)**	(3,170)	**(2,475)**	(3,000)
Amounts received on creation of shares in subsidiaries		**3,459**	1,027	**-**	-
Proceeds from issue of new shares, net of issue costs		**-**	65,457	**-**	65,457
Proceeds from issue of debt securities in issue		**49,486**	-	**49,486**	-
Amounts paid on redemption of units in subsidiaries		**(625)**	(630)	**-**	-
Cash payment for the principal portion of lease liability		**(722)**	(761)	**(722)**	(761)
Net cash flows from financing activities		**48,895**	61,923	**46,289**	61,696
Net decrease in cash and cash equivalents		**(9,777)**	(78,837)	**(8,478)**	(79,219)
Cash and cash equivalents at 1 January		**92,264**	171,101	**90,417**	169,636
Cash and cash equivalents at 31 December	(43)	**82,487**	92,264	**81,939**	90,417

Notes to the Financial Statements

1. REPORTING ENTITY

APS Group comprises APS Bank plc, ReAPS Asset Management Limited and APS Diversified Bond Fund (sub-fund of APS Funds SICAV plc, in which the Bank holds 99.99% of the founder shares). The Group also has a significant investment in its associates IVALIFE Insurance Limited and in the following sub-funds of APS Funds SICAV plc - APS Income Fund, APS Ethical Fund and APS Global Equity Fund.

APS Bank plc is incorporated and domiciled in Malta as a public limited company under the Companies Act (Cap. 386 of the Laws of Malta). It is licensed by the MFSA to carry out the business of banking and investment services in terms of the Banking Act (Cap. 371 of the Laws of Malta) and the Investment Services Act (Cap. 370 of the Laws of Malta). The Bank is also enrolled in the Tied Insurance Intermediaries List in terms of the Insurance Intermediaries Act (Cap. 487 of the Laws of Malta).

The registered office of APS Bank plc is APS Centre, Tower Street, Birkirkara, BKR 4012 with corporate registration number C2192.

The principal activities of the Group are described in the Directors' report on page 2.

2. MATERIAL ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated and separate financial statements have been prepared on a historical cost basis, except for derivative financial instruments, certain financial assets and investment property, which have been measured at fair value and land and buildings classified in the statements of financial position as property and equipment, which have been measured at their revalued amounts. Assets held for realisation are measured at fair value less costs to sell if lower than their cost. The consolidated and separate financial statements are presented in Euro (€), and all values are rounded to the nearest thousand (€000) except when otherwise indicated.

The Group and the Bank present their statements of financial position in order of liquidity.

Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and comply with the provisions of the Banking Act, Cap. 371 and the Companies Act, Cap. 386 of the Laws of Malta.

Basis of consolidation

The consolidated financial statements comprise the financial statements of APS Bank plc and its subsidiaries, which together are referred to as the 'Group'. Subsidiaries are fully consolidated from the date on which the Group achieves control and continue to be consolidated until the date that such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, a majority of voting rights results in control to the extent that such substantive rights provide the investor with the current ability to direct the relevant activities of the investee. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.2 INTERNATIONAL FINANCIAL REPORTING STANDARDS EFFECTIVE IN THE CURRENT YEAR AND THOSE IN ISSUE BUT NOT YET EFFECTIVE

Standards, interpretations and amendments to published standards, which are effective in the current year

The following amendments are effective in the current year:

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Material accounting policy information is now required to be disclosed instead of significant accounting policies. The amendments explain how an entity can identify material accounting policy information and give examples of when accounting policy information is likely to be material. Accounting policy information may be material due to its nature and is material if users of an entity's financial statements would need it to understand other material information in financial statements.

  In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

  With effect from these financial statements for the year ended 31 December 2023, the Group has consequently limited its disclosure of accounting policies to that information that is material.

- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

  The amendment results in the recognition of deferred tax balances for all temporary differences related to leases and decommissioning obligations and entities must recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. As a result of the application of this amendment, the Group has recognized the following amounts in its financial statements:

- At 1 January 2022: deferred tax assets of €1,767,915 and deferred tax liabilities of €1,871,799;
- At 31 December 2022: deferred tax assets of €1,763,901 and deferred tax liabilities of €1,836,155.

There was no impact on the Group's recognized income for the year ended 31 December 2022, and on the Group's equity as at 1 January and 31 December 2022 as a result of the amendment to IAS 12.

In addition, the Group also adopted the following standards and amendments to standards and determined that they did not have a material effect on the financial statements of the Group.

- IFRS 17 Insurance Contracts and the amendments to IFRS 4 – Extension of the Temporary Exemption from applying IFRS 9.
- Amendments to IAS 8 – Definition of Accounting Estimates.
- Amendments to IAS 12 – Income Taxes. International Tax Reform – Pillar Two Model Rules.

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

Up to the date of approval of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which have not been adopted early.

The following standards, interpretations and amendments have been issued by the IASB and may have an impact on the Group:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (effective for financial years on or after 1 January 2024 by virtue of the October 2022 Amendments) and Non-Current Liabilities with Covenants. The amendments affect only the presentation of liabilities in the statements of financial position and not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The amendments:

a) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability, and covenants that need to be complied with after the reporting period should not affect that classification;
b) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
c) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services; and
d) introduce additional presentation and disclosure requirements for liabilities that are subject to covenants.

The changes resulting from the above amendment are in the process of being assessed by the Group to determine their applicability and potential effect on the financial statements of the Group and the Bank.

The following amendments have also been issued, and the Group determined that they will not have a material effect on its financial statements:

- Amendments to IAS 7 – Statements of Cash Flows and IFRS 7 – Financial Instruments Disclosures: Supplier Finance Arrangements (effective for financial periods beginning on or after 1 January 2024).
- Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback (effective for financial periods beginning on or after 1 January 2024).
- Amendments to IAS 21 – The Effects of Change in Foreign Exchange Rates - lack of exchangeability (effective for financial periods beginning on or after 1 January 2025).

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' (EIR) is the rate that exactly discounts estimated future cash payments or receipts, excluding expected credit losses (ECLs), through the expected life of the financial instrument, or where appropriate, a shorter period, to that instrument's gross carrying amount on initial recognition.

The calculation of the EIR includes transaction costs and fees and points paid or received that are an integral part of the EIR.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fees and commissions that are earned from services provided to customers are accrued for over that period. These fees include commission income, custody and other management and advisory fees. Other fee and commission income is recognised on completion of underlying transactions in the relevant period.

Dividend income

Dividend income from investments is recognised when the right to receive income is established, which is generally when shareholders approve the dividend.

Net gains on financial instruments

Net gains on financial instruments include realised gains and losses on disposal of financial instruments and unrealised gains and losses on financial assets at fair value through profit or loss (FVTPL). Realised gains and losses on disposal of financial assets at FVTPL represent the difference between an instrument's cost and disposal amount and are recognised on the trade date of transaction. Unrealised gains and losses on financial assets at FVTPL represent changes in fair value of financial instruments during the year and up to the reporting date. Net gains presented in the income statement on financial instruments also include the reclassification of cumulative fair value movements from OCI to profit or loss on the derecognition of debt instruments at FVTOCI.

Foreign currency translation

The consolidated financial statements are presented in Euro, which is the functional currency of the Bank and its subsidiaries. Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of recognition.

Net gains or losses resulting from foreign exchange on financial assets and financial liabilities are recognised in Note 7.

Share incentive plan

During the year under review and the preceding year, the Group entered into equity-settled share-based payment transactions which were awarded to eligible employees as an addition to their remuneration. These share-based payments are recognised on a straight-line basis and charged under employee expenses with a corresponding increase in the related equity reserves. The Group is accounting for the equity-settled share-based payments under IFRS 2.

As the standard requires, the fair value of the shares was measured at the market price of the Group's shares, adjusted for market performance conditions. In order to assess and measure the cost of these share based payments, the Group used the Black-Scholes valuation model as the tool to determine the share fair value. Through using this option pricing model, the Group took into account the spot price at grant date, vesting time, applicable strike price, volatility percentage, the expected dividend yield and the risk-free interest rate for the term of the options.

Every award of shares under a plan is subject to the attainment of the objectives set out in the Remuneration Policy. It shall be a discretion of the Board to determine whether an eligible employee has attained satisfactory performance or otherwise. The Bank retains flexibility to have awards vesting on a number of years. Upon each anniversary in accordance of the vesting schedule, the portion of the share awards which vests in the hands of the eligible employee for that year, shall become unconditionally due to the eligible employee unless such eligible employee expresses a desire to postpone such vesting by means of notice to the Bank not later than 30 days prior to the vesting anniversary. The Bank has no obligation to allot the Shares before vesting date. If employment is terminated before the vesting date, the awards will forfeit unless termination is for a permissible cause relating to instances when termination is the result of retirement, serious illness, injury or incapacitation, or any other situation which the Board deems justifiable. All cases of permissible causes shall be communicated in writing by the Board to the Eligible Employee.

Share Awards do not entitle eligible employees to any voting, dividend, transfer or other rights, attaching to the Bank's shares until such shares are vested and the eligible employee is listed in the register of members of the Bank. Any vested shares rank pari passu with all other issued shares. Except for the transmission of rights on death, share awards granted to eligible employees under a plan are not transferable and can only be exercised by the eligible employee to whom they were originally issued.

Financial assets and liabilities

Financial assets

Classification and subsequent measurement

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

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); or
- Amortised cost.

Consequently, all recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value. Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the hybrid contract is classified and subsequently measured in its entirety at either amortised cost or fair value.

Classification and subsequent measurement of financial assets depend on:

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

Business model assessment

The business model reflects how the Group manages its financial assets in order to achieve a particular business objective. That is, whether the Group's objective is solely to hold assets to collect the contractual cash flows from assets or both to collect the contractual cash flows and to sell the assets. If neither of these is applicable i.e. financial assets are held for trading purposes or financial assets are managed and their performance is evaluated on a fair value basis, then the financial assets that meet the solely payment of principal and interest (SPPI) criterion are classified as part of 'other' business model and measured at FVTPL.

The Bank's business model does not depend on management's intentions for an individual instrument therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis. Factors considered by the Group in determining the business model for a group of assets include;

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

Solely payment of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and to sell, the Group assesses whether the financial instruments' cash flows represent SPPI (the SPPI test). In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group will consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms; and
- features that modify consideration for the time value of money - e.g. periodic reset of interest rates.

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset fails the SPPI test.

Financial assets with embedded derivatives are considered in their entirety, when determining whether their cash flows are SPPI. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes.

All of the Group's retail loans and certain fixed-rate corporate loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if:

- a financial asset is acquired or originated at a premium or discount to its contractual par amount;
- the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination); and

- the fair value of the prepayment feature is insignificant on initial recognition.

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

Debt instruments

Amortised cost

Debt financial assets which are held within a business model whose objective is to hold assets for collection of contractual cash flows where those cash flows give rise on specified dates to cash flows that are SPPI, and that are not designated at FVTPL, are measured at amortised cost.

Appropriate allowances for ECLs are recognised in profit or loss in accordance with the Bank's accounting policy on ECLs.

Interest income from debt financial assets is included in 'Interest and similar income' using the EIR method. Financial assets classified in this category are principally as follows – Cash and bank balances, loans and advances to banks and customers, certain debt and fixed income instruments and syndicated loans.

Fair value through other comprehensive income (FVTOCI)

Debt financial assets that are held within a business model whose objective is achieved by both collection of contractual cash flows and sale of the assets, where those cash flows give rise on specified dates to cash flows that are SPPI, and that are not designated at FVTPL, are measured at FVTOCI.

Appropriate allowances for ECLs are recognised in profit or loss in accordance with the Bank's accounting policy on ECLs. Any movements in OCI are presented in the financial instruments at FVTOCI revaluation reserve (Note 38). When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net (losses)/gains on financial instruments'. Interest income from these financial assets is included in 'Interest and similar income' using the EIR method. Certain debt and other fixed income instruments are being classified in this category.

Fair value through profit or loss (FVTPL)

Debt financial assets that are not classified as measured at amortised cost or FVTOCI are measured at FVTPL. Certain debt and other fixed income instruments are being classified in this category.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as FVTPL if in doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Group did not designate any of its debt financial assets in terms of this requirement.

A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented in the profit or loss statements within 'Net (losses)/gains on financial instruments' in the period in which it arises. Interest income from these financial assets is included in 'Interest and similar income' using the EIR method. Foreign exchange movements are recognised in Net gains on foreign exchange under Note 7.

Equity instruments

The Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVTOCI unless the instrument is held for trading. The Group's policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns.

Gains and losses on equity investments at FVTPL are included in the 'Net (losses)/gains on financial instruments' line in the statements of profit or loss.

Impairment of financial assets

IFRS 9 is based on a forward-looking 'ECL' model. This requires considerable judgement over how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

The Group assesses on a forward-looking basis the ECL associated with;

- debt financial assets carried at amortised cost and FVTOCI, comprising mainly debt and other fixed income securities, loans and advances to customers and banks, syndicated loans and balances with CBM; and
- irrevocable loan commitments and financial guarantee contracts issued.

The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

The Group recognises loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- financial assets, including debt investment securities that are determined to have low credit risk at the reporting date. The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the definition of 'investment-grade'; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

The credit risk note provides more detail of how the ECL allowance is measured. Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component.

Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether this modification results in derecognition. A modification results in derecognition when the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

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

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

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

Collateral valuation

The Bank uses collateral to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, guarantees and real estate. The fair value is generally assessed at a minimum at inception date. However, some collateral, for example cash or securities, is valued monthly. To the extent possible, the Group uses active market data for valuing collateral. Non-financial collateral, such as real estate, is valued based on data provided by external valuers to the extent that the underlying loans continue to be recognised.

Financial liabilities

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Amounts owed to banks and to customers and debt securities in issue

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Amounts owed to banks, Amounts owed to customers and Debt securities in issue are subsequently measured at amortised cost using the EIR method.

Modification of financial liabilities

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amounts is recognised in the statements of profit or loss.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid between the borrower and the lender net of any fees received and discounted using the original EIR, is at least 10% different from the discounted present value of the cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Derivative financial instruments

Derivatives embedded in hybrid contracts that contain financial asset hosts are not separated; instead, the hybrid contract is classified and subsequently measured in its entirety at either amortised cost or fair value. Derivatives embedded in hybrid contracts that contain financial liability hosts are treated as separate derivatives and measured at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself measured at FVTPL.

Financial guarantee contracts and loan commitments

Financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of:

i. the amortised premium and;
ii. the amount of the loss allowance determined in accordance with IFRS 9 arising as a result of the financial guarantee.

Any increase in the liability relating to financial guarantees is taken to the statements of profit or loss.

Loan commitments provided by the Group are considered for loss allowance determined in accordance with IFRS 9. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

Contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the ECLs on the undrawn commitment component from those on the loan component, the ECLs on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, the ECLs are recognised as a provision.

Equity

Ordinary shares issued by the company are classified as equity instruments.

Share premium reserve account represents the excess price for issued shares above their nominal value. The reserve cannot be used for dividend distribution.

Property and equipment

The Group and the Bank account for subsequent measurement of land and buildings under the revaluation model.

Any movements in OCI that arise from revaluation of property and equipment are presented within the land and buildings revaluation reserve (Note 38).

Depreciation on property and equipment is calculated using the straight-line method to write off the cost or revalued amount of each asset to its residual value over its estimated useful economic life. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The annual rates used for this purpose are:

	%
Building	1.0
Computer equipment	25.0
Other	5.0 – 20.0

Land is not depreciated by the Group.

Property and equipment are derecognised upon disposal or when no future economic benefits are expected from its use. The asset's residual value, useful life and method is reviewed, and adjusted if appropriate, at each financial year end.

Right of use assets, that would be presented within property and equipment if they were owned, are presented separately in the statements of financial position and their accounting policy is included below.

Intangible assets

Intangible assets comprise computer software.

Amortisation is calculated using the straight-line method to write down the cost of computer software to its residual value over its estimated useful life of 4 – 8 years. The amortisation period and the amortisation method for an intangible asset is reviewed at least at each financial year end.

Impairment of non-financial assets and investments in subsidiaries and associates

The Group assesses at each reporting date whether there is an indication that an asset may be impaired.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less any accumulated impairment losses in the separate financial statements of the Bank.

Investment in associates

The Group

The Group's investment in its associates is accounted for using the ''equity method''.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Bank

The investment in associates is stated in the separate financial statements of the Bank at cost less any accumulated impairment losses.

Income from the investments is recognised only to the extent of the distributions received by the Bank.

Dividends payable on ordinary shares

Dividends payable on ordinary shares are recognised in the period in which they are declared.

Retirement benefit costs

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

Other liabilities

Liabilities for other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents also comprise:

- Cash in hand and deposits repayable on call or short notice or with a contractual period to maturity of less than three months, with any bank or financial institution;
- Short-term highly liquid investments which are readily convertible into known amounts of cash without notice, subject to an insignificant risk of changes in value and with a contractual period of maturity of less than three months; and
- Advances to/from banks repayable within three months from the date of the advance.

Leases

The Group acts both as a lessor and as a lessee.

The Group as a lessee

The Group has elected to apply the recognition exemptions for low value assets and to recognise the lease payments as an expense on a straight-line basis over the lease term.

The Group determines that the following leases qualify as leases of low-value assets on the basis of the Group's accounting policy for such items:

a) Leases of IT equipment; and
b) Leases of water dispensers.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Section entitled 'Impairment of non-financial assets and investments in subsidiaries and associates'.

The Group presents lease liabilities and right-of-use assets that are not investment property separately from other assets and liabilities in the statements of financial position. The Group presents interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. In the statements of cash flows, cash payments for the principal portion of the lease liability are presented within financing activities and cash payments for the interest portion of the lease liability are presented within operating activities. Short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of the lease liability are presented within operating activities.

Fair value measurement

The Group measures certain financial instruments and certain non-financial assets at fair value at each reporting date as disclosed in the Basis of Preparation.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets and liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

External valuers are involved for valuation of non-financial assets. Selection criteria of valuer include market knowledge, reputation, independence and whether professional standards are maintained.

Significant accounting judgements, estimates and assumptions

In the process of applying its accounting policies, the Group is required to make judgements, estimates and assumptions that affect the amounts recognised or disclosed in the financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Accounting for investments in which the Group controls less than 20%

Management has made the following judgements and estimates which have the most significant effect on amounts recognised in the consolidated financial statements:

As of 31 December 2023, the Group directly held 9.91% (2022: 9.07%) interest in APS Income Fund, and 2.90% (2022: 2.90%) interest in APS Ethical Fund.

The Group assessed whether it has significant influence over the investees and concluded that significant influence can be clearly established upon considering the following factors:

- Representation in the board of directors;
- Participation in policy-making processes;
- Material transaction between the investee and the Bank; and
- Provision of technical information and management services.

Therefore, the Group continues to account for the investment in APS Income Fund and APS Ethical Fund as associates (Note 25).

Accounting for investments in which the Group controls less than 50%

During 2022, the Group lost control over the APS Global Equity Fund through a dilution in its investment. As of 31 December 2023, the Group directly held 39.45% (2022: 43.51%) (Note 25).

The Group assessed whether it still holds control or has significant influence over the investee and concluded that control is lost upon considering the following factors:

- The Group does not have the ability to direct the relevant activities of the fund;
- Each fund has its own prospectus which can be affected by the majority shareholders; and
- Group does not have the ability to affect the variable returns of the fund.

Fair value of investment properties

The Group and the Bank carry their investment properties at fair value, with changes in fair value being recognised in the statements of profit or loss. The last valuation performed by an independent valuation specialist was as at end of December 2021. During the year under review and the preceding year, no valuations took place given that the properties did not gain a material increase in value as a result of the upward trajectory in fair value since the last valuation date. The valuation specialist determines the most appropriate methodology (market or/and income approach) depending on the nature of the property (Note 26).

Fair value of land and buildings included within property and equipment

Land and buildings owned by the Group are carried at fair value, with changes in fair value being recognised in the OCI. The last valuation performed by an independent valuation specialist was as at end of December 2021. The valuation specialist determines the most appropriate methodology (market/income approach) depending on the nature of the property (Note 27). During the year under review and the preceding year no valuations took place given that the properties' carrying amount and fair value do not differ materially.

Impairment losses on loans and advances

The Group and the Bank review their loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statements of profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The critical judgements and estimates are explained in Note 47.2 Credit Risk.

Impairment of debt and other fixed income securities.

The Group reviews its debt investments measured at FVTOCI and its debt investments measured at amortised cost at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances (Note 11).

3. INTEREST AND SIMILAR INCOME

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
On loans and advances to banks	**5,197**	396	**5,197**	396
On loans and advances to customers	**93,467**	73,101	**93,467**	73,101
	98,664	73,497	**98,664**	73,497
On debt securities:				
Measured at amortised cost	**4,232**	3,061	**4,232**	3,061
Amortisation on premiums and discounts on debt securities measured at amortised cost	**(335)**	(763)	**(335)**	(763)
Measured at FVTPL	**1,521**	1,420	**-**	-
Measured at FVTOCI	**2,686**	4,163	**2,686**	4,163
Amortisation on premiums and discounts on other debt securities	**(1,084)**	(1,519)	**(1,084)**	(1,519)
	7,020	6,362	**5,499**	4,942
	105,684	79,859	**104,163**	78,439

4. INTEREST EXPENSE

	The Group / The Bank	
	2023	2022
	€000	€000
On amounts owed to banks	**4,633**	1,268
On amounts owed to customers	**25,185**	11,591
On lease liabilities	**101**	119
On debt securities in issue	**2,177**	1,788
	32,096	14,766

5. NET FEE AND COMMISSION INCOME

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
On loans and advances and other general banking activities	**5,764**	5,141	**5,764**	5,141
On insurance, investments and similar activities	**3,925**	3,247	**2,955**	2,329
Other activities	**1,131**	727	**1,131**	727
	10,820	9,115	**9,850**	8,197
Fee and commission expense	**(2,515)**	(2,253)	**(2,505)**	(2,253)
	8,305	6,862	**7,345**	5,944

6. DIVIDEND INCOME

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
From equity shares held in local and foreign entities and collective investment schemes	**-**	131	**1,252**	1,477

7. NET GAINS ON FOREIGN EXCHANGE

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Net unrealised/realised gains on foreign exchange	**154**	1,300	**701**	860

8. NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Realised gains on disposal of financial assets at amortised cost	**-**	984	**-**	984
Realised gains/(losses) on disposal of financial assets at FVTOCI	**1,036**	(317)	**1,037**	1,076
Unrealised net fair value movements on financial assets at FVTPL	**3,826**	(3,680)	**-**	-
Fair value losses on financial assets at FVTPL	**(1,714)**	(6,266)	**-**	-
	3,148	(10,263)	**1,037**	1,076
Net gains/(losses)	**3,148**	(9,279)	**1,037**	2,060

During 2022, the Group disposed of an insignificant amount of financial assets held at amortised cost, realising previously unrecognised gains. The sale of these assets is very infrequent and the Bank's business model for managing financial assets at amortised cost had not changed as a result of the disposals.

9. EMPLOYEE COMPENSATION AND BENEFITS

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Wages and salaries (short-term):				
- key management personnel other than Directors	**5,640**	5,474	**5,640**	5,474
- other staff	**20,086**	17,296	**20,086**	17,296
- wages recharged to subsidiary at cost	**-**	-	**(684)**	(586)
Social security contributions	**1,493**	1,316	**1,493**	1,316
Share based payments	**191**	147	**191**	147
Other staff costs	**1,215**	1,863	**1,215**	1,863
	28,625	26,096	**27,941**	25,510

9. EMPLOYEE COMPENSATION AND BENEFITS (CONTINUED)

The average number of persons employed during the year was as follows:

	The Group		The Bank	
	2023	2022	**2023**	2022
Senior Management	**35**	35	**35**	35
Managerial	**180**	152	**180**	152
Senior officers and officers	**366**	352	**366**	352
Others	**8**	9	**8**	9
	589	548	**589**	548

Executive Share Incentive Plan Awards

As at 31 December 2023, the Group's share incentive plan award had two tranches with outstanding share awards. Under tranche 1, a total of 637,800 share awards were granted with a grant date of 12 August 2022. In the second tranche, the Group granted 713,200 share awards with a grant date of 17 August 2023.

The tables below summarize outstanding share awards at the end of the year with the respective vesting period:

Grant Year	**Vesting Date**	**2023**	2022
2022	30 June 2023	**-**	318,900
		-	318,900
2022	30 June 2024	**155,700**	159,450
2023	30 June 2024	**356,600**	-
		512,300	159,450
2022	30 June 2025	**155,700**	159,450
2023	30 June 2025	**178,300**	-
		334,000	159,450
2023	30 June 2026	**178,300**	-
		178,300	-
Total outstanding share awards		**1,024,600**	637,800

Share-based payment awards granted on 12 August 2022, had a staged vesting period of three years, ending June 2025. The estimated fair value of each share award granted is of €0.65 cents and was measured by applying the Black-Scholes valuation model. The model components inputs were the share price at grant date of €0.65 cents, no strike price, expected dividend yield of 3.3% and a contractual life of 3 years. After the vesting period, share awards are allotted to eligible employees for no consideration.

Similar to the share-based payment awards granted in 2022, another tranche was granted on 17 August 2023, with a staged vesting period of three years, ending June 2026. The estimated fair value of each share award granted is of €0.62 cents and was measured by applying the Black-Scholes valuation model. The model components inputs were the share price at grant date of €0.62 cents, no strike price, compounded risk-free interest rate of 3.9%, annualized volatility rate of 24.0% and a contractual life of 3 years. After the vesting period, share awards are allotted to eligible employees for no consideration. Accordingly, all movements in the number of options, as well as options outstanding at the end of the reporting period, had an exercise price of nil.

Both plans have no vesting conditions attached to the awards other than service conditions, and hence such awards become due as soon as the vesting term ends. If employment is terminated before any vesting date, the unvested awards will be forfeited unless it is a permissible cause relating to instances when termination is the result of retirement, serious illness, injury or incapacitation, or any other situation which the Board deems justifiable. All cases of permissible causes shall be communicated in writing by the Board to the eligible employee. During the year under review 7,500 share awards were forfeited due to termination of employment of an eligible employee.

At year-end, the total expense arising from these share incentive plan awards amounted to €191K (2022: €147K) and the weighted average remaining contractual life is of 1.17 years. Furthermore, 50% of the first share incentive plan award amounting to 318,900 were vested and allotted during the financial year. During the year ended 2022, no shares were vested and allotted, thus all awards granted remained non-vested.

9. EMPLOYEE COMPENSATION AND BENEFITS (CONTINUED)

A summary of share incentive awards granted is being set out below:

	The Group / The Bank	
	2023	2022
	€000	€000
As at 1 January	**637,800**	-
Granted	**713,200**	637,800
Vested	**(318,900)**	-
Forfeited	**(7,500)**	-
As at 31 December	**1,024,600**	637,800

10. OTHER ADMINISTRATIVE EXPENSES

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Remuneration payable to the statutory auditors for:				
- the audit of financial statements	**189**	179	**173**	165
- tax advisory services	**7**	7	**5**	5
- other non-audit services	**50**	65	**48**	61
Directors' emoluments	**433**	418	**433**	418
Insurance	**522**	430	**521**	426
Professional fees	**1,890**	1,778	**1,779**	1,684
Regulatory fees	**3,554**	3,464	**3,548**	3,458
Repairs and maintenance	**5,429**	4,822	**5,386**	4,782
Telecommunications	**897**	740	**881**	726
Office operating expenses	**3,464**	2,454	**3,410**	2,406
Other administrative expenses	**2,069**	1,783	**1,745**	1,446
	18,504	16,140	**17,929**	15,577

Additional disclosures on Directors' emoluments are made on page 42 of the Remuneration Report. The above administrative expenses are inclusive of the applicable non-recoverable VAT under the Maltese legislation.

11. NET (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES

	The Group / The Bank	
	2023	2022
	€000	€000
Charge for the year:		
- collective impairment	**(1,584)**	(773)
- individual impairment	**(6,741)**	(1,216)
- bad debts written off	**(606)**	(191)
	(8,931)	(2,180)
Reversal of write-downs:		
- collective impairment	**1,239**	1,101
- individual impairment	**4,195**	1,333
	5,434	2,434
Net (impairment losses)/reversal of impairment losses	**(3,497)**	254

11. NET (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES (CONTINUED)

	The Group / The Bank	
	2023	2022
	€000	€000
Cash and balances with Central Bank of Malta		
- Stage 1	**-**	10
Loans and advances to banks:		
- Stage 1	**24**	(44)
Loans and advances to customers:		
- Stage 1	**(370)**	(54)
- Stage 2	**(32)**	282
- Stage 3	**94**	(74)
	(308)	154
Syndicated loans:		
- Stage 1	**2,526**	278
- Stage 2	**93**	(64)
- Stage 3	**(5,356)**	-
	(2,737)	214
Debt securities at amortised cost:		
- Stage 1	**44**	(141)
- Stage 2	**(40)**	-
	4	(141)
Debt securities at FVTOCI:		
- Stage 1	**(280)**	72
- Stage 2	**331**	(11)
- Stage 3	**(331)**	-
	(280)	61
Fair value loss on equity and other non-fixed income instruments	**(200)**	-
Net (impairment losses)/reversal of impairment losses	**(3,497)**	254

12. INCOME TAX EXPENSE

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Current income tax	**10,510**	9,413	**10,441**	9,293
Deferred income tax	**(843)**	480	**(843)**	480
Income tax expense	**9,667**	9,893	**9,598**	9,773

12. INCOME TAX EXPENSE (CONTINUED)

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate in Malta of 35% (2022: 35%) for the years ended 31 December 2023 and 2022 is as follows:

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Profit before tax	**30,241**	15,660	**27,805**	28,929
Theoretical tax expense at 35%	**10,584**	5,481	**9,731**	10,125
Tax effect of:				
- Non-taxable sale of investments	**(1,146)**	4,254	**(362)**	(510)
- Income taxed at lower rates of tax	**(438)**	(517)	**(438)**	(517)
- Depreciation not recovered by way of capital allowance	**338**	169	**338**	169
- Other disallowed expenses	**580**	715	**580**	715
- Other differences	**(251)**	(209)	**(251)**	(209)
Income tax expense	**9,667**	9,893	**9,598**	9,773

13. EARNINGS PER SHARE

	The Group		The Bank	
	2023	2022	**2023**	2022
	cents per share	cents per share	**cents per share**	cents per share
Basic earnings per share	**5.2**	2.5	**4.8**	5.9

The basic earnings per share was calculated on profit attributable to shareholders of the Group; €19.8 million (2022: €8.0 million) and profit attributable to the Bank €18.2 million (2022: €19.2 million) divided by the weighted average number of ordinary shares outstanding during the year amounting to 377.8 million (2022: 324.9 million).

	The Group		The Bank	
	2023	2022	**2023**	2022
	cents per share	cents per share	**cents per share**	cents per share
Diluted earnings per share	**5.2**	2.5	**4.8**	5.9

The diluted earnings per share was calculated on profit attributable to shareholders of the Group; €19.8 million (2022: €8.0 million) and profit attributable to the Bank €18.2 million (2022: €19.2 million) divided by the weighted average number of ordinary shares outstanding during the year, together with the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares, amounting to 378.8 million (2022: 325.5 million).

14. DIVIDENDS

	The Bank	
	2023	2022
	€000	€000
Dividends paid on ordinary shares:		
Final gross of income tax for 2022:		
2.68 €cents per share (2021: 1.85 €cents per share)	**9,846**	4,615
Final net of income tax for 2022:		
1.74 €cents per share (2021: 1.20 €cents per share)	**6,400**	3,000
Interim gross of income tax for 2023:		
0.86 €cents per share (2022: 0.75 €cents per share)	**3,231**	2,769
Interim net of income tax for 2023:		
0.56 €cents per share (2022: 0.50 €cents per share)	**2,100**	1,800

Following the publication of the interim results for 2022, the Group paid an interim gross dividend amounting to €2.8 million (net dividend of €1.8 million) payable through the issuance of new ordinary shares (Note 37).

Following the year end results for 2022, the Group paid a final dividend of €9.8 million (net dividend of €6.4 million). Equity holders were given the option of a scrip dividend and share capital was accordingly increased by €2.5 million and share premium by €3.2 million. Following the publication of the interim results for 2023, the Group paid an interim gross dividend amounting to €3.2 million (net dividend of €2.1 million) with the option of a scrip dividend. Share capital was further increased by €0.2 million and share premium by €0.2 million (Note 37).

During the year Group subsidiaries paid dividends amounting to €1,193,000 (2022: €1,457,000) to their shareholders, including the Bank.

Details of the recommended final dividend for 2023 can be found on page 35 in the Directors' report.

15. CASH AND BALANCES WITH CENTRAL BANK OF MALTA

	The Group / The Bank	
	2023	2022
	€000	€000
Cash in hand (Note 43)	**13,027**	13,499
Balances with Central Bank of Malta (excluding reserve deposit) (Note 43)	**91,448**	50,011
Reserve deposit with Central Bank of Malta	**26,598**	22,379
Gross cash and bank balances	**131,073**	85,889
Less: allowance for impairment losses	**(2)**	(2)
Net cash and bank balances	**131,071**	85,887

Reserve deposits with Central Bank of Malta are mandatory and are not available for use in the Group's day-to-day operations. During the current and the prior year, the Bank has been compliant with the reserve deposit requirement.

Included in balances with Central Bank of Malta is an amount of €2,506,000 (2022: same) pledged in favour of the MFSA's Depositors' Compensation Scheme.

16. LOANS AND ADVANCES TO BANKS

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Repayable on call and at short notice (Note 43)	**54,050**	72,945	**53,502**	71,098
Over one year	**500**	-	**500**	-
Gross loans and advances to banks (i)	**54,550**	72,945	**54,002**	71,098
Less: allowance for impairment losses (ii)	**(51)**	(75)	**(51)**	(75)
Net loans and advances to banks	**54,499**	72,870	**53,951**	71,023

i. Gross loans and advances to customers analysed by currency

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
- Euro	**28,797**	38,846	**28,249**	36,999
- Other	**25,753**	34,099	**25,753**	34,099
	54,550	72,945	**54,002**	71,098

ii. Impairment allowance for loans and advances to banks

	The Group / The Bank	
	2023	2022
	€000	€000
At 1 January	**75**	31
(Reversal)/charge for the year:	**(24)**	44
At 31 December	**51**	75

The impairment allowance on loans and advances to banks are recognised on a collective basis.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2023	2022
	€000	€000
Fixed income instruments and collective investment schemes	**46,484**	41,046
Analysed by currency:		
- Euro	**27,379**	22,522
- Other	**19,105**	18,524
	46,484	41,046
Listing Status:		
- Listed on Malta Stock Exchange	**1,624**	2,023
- Listed elsewhere	**44,860**	39,023
	46,484	41,046

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	The Group	
	2023	2022
	€000	€000
Carrying amount		
At 1 January	**41,046**	61,846
Disposals	**(42,804)**	98,742
Acquisitions	**46,678**	(99,655)
Movement in fair value/foreign exchange	**1,564**	(9,038)
Derecognition of subsidiary	**-**	(10,849)
At 31 December	**46,484**	41,046

18. NON-CURRENT ASSETS HELD FOR SALE

	The Group / The Bank	
	2023	2022
	€000	€000
As at 1 January	**1,733**	-
Property reclassified from investment properties (Note 26)	**-**	1,733
Improvements to property	**5**	-
	1,738	1,733

During 2022 the Group has put for sale one of its properties previously recognised as investment property which continued to be measured at fair value.

Given that the asset is available for immediate sale, there is an active program to locate a buyer and it is highly probable that the sale will take place within 12 months, the property has kept its classification as non-current asset held for sale.

19. SYNDICATED LOANS

	The Group / The Bank	
	2023	2022
	€000	€000
Repayable within one year	**40,375**	44,401
Over one year	**147,311**	91,585
Gross syndicated loans (i)	**187,686**	135,986
Less: allowance for impairment losses (ii)	**(3,514)**	(776)
Net syndicated loans	**184,172**	135,210

i. Gross syndicated loans analysed by currency

	The Group / The Bank	
	2023	2022
	€000	€000
- Euro	**135,127**	93,897
- Other	**52,559**	42,089
	187,686	135,986

19. SYNDICATED LOANS (CONTINUED)

ii. Impairment allowance for syndicated loans

	The Group / The Bank	
	2023	2022
	€000	€000
At 1 January	**776**	990
- Collective	**64**	(214)
- Individual	**2,674**	-
At 31 December	**3,514**	776

Concentration of syndicated loans
The following table shows the risk concentration by industry for syndicated loans, gross of provisions:

	The Group / The Bank	
	2023	2022
	€000	€000
Agriculture	**12,095**	4,757
Manufacturing	**71,131**	48,368
Financial intermediation	**48,478**	43,236
Real estate, renting and business	**25,949**	21,000
Health and social work	**15,533**	18,625
Other industries	**14,500**	-
Gross syndicated loans	**187,686**	135,986

20. LOANS AND ADVANCES TO CUSTOMERS

	The Group / The Bank	
	2023	2022
	€000	€000
Repayable on call and at short notice	**113,990**	80,512
Term loans and advances	**2,598,923**	2,163,164
Gross loans and advances to customers (i)	**2,712,913**	2,243,676
Less: allowance for impairment losses (ii)	**(18,684)**	(18,982)
Net loans and advances to customers	**2,694,229**	2,224,694

i. Gross loans and advances to customers analysed by currency

	The Group / The Bank	
	2023	2022
	€000	€000
- Euro	**2,680,302**	2,235,635
- Other	**32,611**	8,041
	2,712,913	2,243,676

20. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

ii. Impairment allowance for loans and advances to customers

	The Group / The Bank	
	2023	2022
	€000	€000
At 1 January	**18,982**	19,327
Charge/(reversal) for the year:		
- Collective	**402**	(228)
- Individual	**(700)**	(117)
At 31 December	**18,684**	18,982
- Collective impairment losses	**1,703**	1,301
- Individual impairment losses	**16,981**	17,681
	18,684	18,982

Concentration of loans and advances to customers
The following table shows the risk concentration by industry for loans and advances to customers, gross of provisions:

	The Group / The Bank	
	2023	2022
	€000	€000
Fishing	**36,582**	6,001
Manufacturing	**29,177**	22,523
Construction	**107,636**	92,041
Wholesale and retail trade	**58,590**	50,722
Hotels and restaurants, excluding related construction activities	**126,227**	130,139
Transport, storage and communication	**65,938**	38,187
Financial intermediation	**127,129**	76,885
Real estate, renting and business	**209,566**	180,984
Professional, Scientific and technical	**27,415**	13,191
Administrative and Support services	**14,231**	7,769
Health and social work	**12,043**	12,354
Households and individuals	**1,875,759**	1,581,739
Other industries	**22,620**	31,141
	2,712,913	2,243,676

21. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group / The Bank	
	2023	2022
	€000	€000
Derivative assets, designated as at fair value through profit or loss, not designated as hedges	**536**	738
Derivative liabilities, designated as at fair value through profit or loss, not designated as hedges	**536**	738

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial liabilities comprise customer deposits on which the return varies with the performance of reference equity and commodity indices; the Group and the Bank manage the resulting market risks through purchased warrants that are presented as derivative financial assets. Although the warrants provide economic hedges, hedge accounting under IFRS 9 has not been applied.

The table below shows the fair values of derivative financial instruments recorded as assets and liabilities together with their notional amount. The notional amount represents the basis upon which changes in the value of derivatives are measured. Notional amount indicates the volume of outstanding transactions as at the year end.

	The Group / The Bank					
	Notional	**Assets**	**Liabilities**	Notional	Assets	Liabilities
	2023	**2023**	**2023**	2022	2022	2022
	€000	**€000**	**€000**	€000	€000	€000
Over the counter derivatives:						
Equity/commodity-index warrants purchased	**31,600**	**536**	**-**	31,600	738	-
Equity/commodity-index warrants written	**(31,600)**	**-**	**536**	(31,600)	-	738
	-	**536**	**536**	-	738	738

The Group's exposure under the derivative contracts is closely monitored as part of the overall management of market risk.

22. OTHER DEBT AND FIXED INCOME INSTRUMENTS

	The Group / The Bank	
	2023	2022
	€000	€000
At amortised cost	**326,723**	317,877
Fair value through other comprehensive income	**115,508**	141,927
Gross other debt and fixed income instruments (i)	**442,231**	459,804
Less: allowance for impairment losses (ii)	**(199)**	(203)
Net other debt and fixed income instruments	**442,032**	459,601

i. Gross other debt and fixed income instruments

	The Group / The Bank	
	2023	2022
At amortised cost	**€000**	€000
Issued by public bodies:		
- Local government	**43,275**	43,419
- Foreign government	**215,302**	218,095
	258,577	261,514
Issued by other issuers:		
- Foreign other	**68,146**	56,363
Total	**326,723**	317,877

22. OTHER DEBT AND FIXED INCOME INSTRUMENTS (CONTINUED)

	The Group / The Bank	
	2023	2022
Fair value through other comprehensive income	**€000**	€000
Issued by public bodies:		
- Local government	**46,166**	63,798
- Foreign government	**51,889**	56,837
	98,055	120,635
Issued by other issuers:		
- Foreign banks	**9,859**	5,562
- Foreign other	**7,550**	15,687
- Local other	**44**	43
	17,453	21,292
Total	**115,508**	141,927
Total gross other debt and fixed income instruments	**442,231**	459,804

Analysed by currency:		
- Euro	**409,055**	423,327
- Other	**33,176**	36,477
	442,231	459,804
Unamortised premiums included within the gross other debt and fixed income instrument	**4,280**	6,651

Listing status:		
- Listed on Malta Stock Exchange	**89,485**	107,261
- Listed elsewhere	**352,510**	352,243
- Unlisted	**236**	300
	442,231	459,804

	The Group / The Bank	
	2023	2022
Carrying amount– Gross of impairment allowances	**€000**	€000
At amortised cost		
At 1 January	**317,877**	101,000
Redemptions and disposals	**(5,064)**	(5,003)
Acquisitions	**14,193**	222,644
Amortisation	**(328)**	(764)
Exchange adjustments	**45**	-
At 31 December	**326,723**	317,877

22. OTHER DEBT AND FIXED INCOME INSTRUMENTS (CONTINUED)

	The Group / The Bank	
	2023	2022
Carrying amount – Gross of impairment allowances	**€000**	€000
Fair value through other comprehensive income		
At 1 January	**141,927**	227,103
Redemptions and disposals	**(37,587)**	(67,209)
Acquisitions	**5,730**	4,117
Amortisation	**(1,188)**	(1,596)
Increase/(decrease) in fair value	**4,173**	(23,635)
Exchange adjustments	**2,453**	3,147
At 31 December	**115,508**	141,927
Total	**442,231**	459,804

ii. Impairment allowance for debt and other fixed income instruments

	The Group / The Bank	
	2023	2022
	€000	€000
At 1 January	**203**	62
Collective (reversal)/charge for the year	**(4)**	141
At 31 December	**199**	203

The balance on impairment allowance for other debt and fixed income instruments as at end of December 2023 and 2022 is all in respect of collective impairment losses.

Eligible debt instruments with a nominal value of €202,600,000 (2022: €225,800,000) have been pledged against the provision of credit lines by the Central Bank of Malta, under the usual terms and conditions applying to such agreements. Debt instruments with a nominal value of €3,850,000 (2022: the same) have been pledged in favour of the MFSA's Depositors' Compensation Scheme.

23. EQUITY AND OTHER NON-FIXED INCOME INSTRUMENTS

	The Group / The Bank	
	2023	2022
	€000	€000
Equity and other non-fixed income instruments at FVTOCI	**7,160**	303
Less: Fair value loss on equity and other non-fixed income instruments	**(200)**	-
	6,960	303
Analysed by currency:		
- Euro	**7,090**	228
- Other	**70**	75
	7,160	303
Listing status:		
- Listed on Malta Stock Exchange	**6,862**	303
- Unlisted	**298**	-
	7,160	303

23. EQUITY AND OTHER NON-FIXED INCOME INSTRUMENTS (CONTINUED)

	The Group / The Bank	
	2023	2022
	€000	€000
Carrying amount		
At 1 January	**303**	307
Acquisitions	**5,718**	-
Fair value movement	**1,139**	(4)
At 31 December	**7,160**	303

These equity investments are not held for trading. As part of the Group's business model, investments recognised at FVTOCI do not form part of its core business. No equity instruments measured at FVTOCI were derocognised during 2023 (2022: nil).

24. INVESTMENT IN SUBSIDIARIES

	2023	2022
The Bank	**€000**	€000
Cost		
At 1 January	**40,251**	45,251
Derecognition of a subsidiary to an associate (Note 25)	**-**	(5,000)
At 31 December	**40,251**	40,251

The investment in subsidiaries are made up as follows:

		Equity interest				Cost	
		2023		2022		**2023**	2022
Name	**Principle place of business and country of incorporation**	**Parent % holding**	**NCI % holding**	Parent % holding	NCI % holding	**€000**	€000
APS Funds SICAV plc 1,199 founder shares at €1.00 (2022: 1,199 founder shares at €1.00)	**Malta**	**99.99***	**0.01**	99.99*	0.01	**1**	1
APS Diversified Bond Fund 40,000,000 investor shares at €1.00 (2022: 40,000,000 investor shares at €1.00)	**Malta**	**70.14**	**29.86**	74.99	25.01	**40,000**	40,000
ReAPS Asset Management Limited 250,000 ordinary shares at €1.00 (2022: 250,000 ordinary shares at €1.00)	**Malta**	**100.00**	**-**	100.00	-	**250**	250
						40,251	40,251

*The 99.99% equity interest pertains solely to the Bank's share in the total founder shares of APS Funds SICAV plc.

APS Diversified Bond Fund is held at cost in the Bank's separate financial statements. As at end of December 2022, the fund was carried at an amount in excess than its fair value. This was mainly due to the interest rate environment as well as inflationary pressures which negatively impacted the market prices. The shortfall was recovered in the investment's market values during 2023.

24. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	APS Diversified Bond Fund 2023 €000	APS Diversified Bond Fund 2022 €000	ReAPS Asset Management Limited 2023 €000	ReAPS Asset Management Limited 2022 €000
Current assets	**47,610**	43,370	**2,055**	2,604
Current liabilities	**(99)**	(93)	**(436)**	(1,107)
Net assets value	**47,511**	43,277	**1,619**	1,497
Income/(loss)	**3,085**	(7,565)	**1,775**	1,785
Expenses	**(488)**	(498)	**(1,587)**	(1,478)
Profit/(loss) before tax	**2,597**	(8,063)	**188**	307
Tax	**(3)**	(13)	**(66)**	(107)
Profit/(loss) after tax	**2,594**	(8,076)	**122**	200
Dividends paid to non-controlling interest	**227**	232	**-**	-

Dividends paid to non-controlling interest of APS Global Equity Fund until the date the Group lost control in 2022 amounted to €77K.

Following the loss of control of the APS Global Equity Fund in 2022, the Group derecognised retained earnings amounting to €480K. Total assets derecognised amounted to €11,729K whereas total liabilities amounted to €41K. Derecognition of Non-controlling interest upon loss of control amounted to €6,209K.

25. INVESTMENT IN ASSOCIATES

The Bank's investment in associates is as follows:

Name	Principle place of business and country of incorporation	Equity interest 2023 %	Equity interest 2022 %	Cost 2023 €000	Cost 2022 €000
APS Income Fund 56,880 investor shares at €100.01 (2022: 56,880 investor shares at €100.01)	**Malta**	**9.91**	9.07	**5,688**	5,688
APS Ethical Fund 1,000,000 investor shares at €1.00 (2022: 1,000,000 investor shares at €1.00)	**Malta**	**2.90**	2.90	**1,000**	1,000
APS Global Equity Fund 5,000,000 investor shares at €1.00 (2022: 5,000,000 investor shares at €1.00)	**Malta**	**39.45**	43.51	**5,000**	5,000
IVALIFE Insurance Limited 2,875,000 ordinary shares at €1.00 (2022: 2,375,000 ordinary shares at €1.00)	**Malta**	**25.00**	25.00	**2,875**	2,375
				14,563	14,063

APS Ethical Fund and APS Global Equity Fund are held at cost in the Bank's separate financial statements. As at end of December 2022, the funds were carried at an amount in excess than their fair value. This was mainly due to the interest rate environment as well as inflationary pressures which negatively impacted the market prices. The shortfall was recovered in the investments' market values during 2023.

25. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table illustrates summarised financial information of the Group's investment in associates:

	APS Income Fund		APS Ethical Fund		APS Global Equity Fund		IVALIFE Insurance Limited	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	€000	€000	**€000**	€000	**€000**	€000	**€000**	€000
Current assets	**63,050**	69,785	**36,239**	34,353	**14,219**	11,177	**14,736**	4,525
Non-current assets	**-**	-	**-**	-	**-**	-	**3,780**	14,717
Current liabilities	**(268)**	(227)	**(109)**	(104)	**(51)**	(41)	**(658)**	(1,156)
Non-current liabilities	**-**	-	**-**	-	**-**	-	**(11,385)**	(11,818)
Net assets value (NAV)	**62,782**	69,558	**36,130**	34,249	**14,168**	11,136	**6,473**	6,268
Split into:								
Accumulator shares	**16,104**	17,890	**15,401**	14,620	**5,629**	3,587	**-**	-
Distributor shares	**46,678**	51,668	**20,729**	19,629	**8,539**	7,549	**-**	-
	62,782	69,558	**36,130**	34,249	**14,168**	11,136	**-**	-
Group's share of:								
- Distributor shares' NAV	**6,222**	6,311	**1,048**	992	**5,589**	4,845	**-**	-
- NAV	**-**	-	**-**	-	**-**	-	**1,618**	1,567
Income/(loss)	**1,793**	(6,679)	**3,277**	(5,990)	**2,283**	(1,842)	**2,958**	912
Expenses	**(737)**	(812)	**(527)**	(505)	**(222)**	(188)	**(3,343)**	(3,422)
Profit/(loss) before tax	**1,056**	(7,491)	**2,750**	(6,495)	**2,061**	(2,030)	**(385)**	(2,510)
Tax	**(281)**	(262)	**(46)**	(80)	**(54)**	(37)	**-**	879
Profit/(loss) after tax	**775**	(7,753)	**2,704**	(6,575)	**2,007**	(2,067)	**(385)**	(1,631)
Group's share of profit/(loss) for the year	**87**	(705)	**76**	(389)	**835**	(711)	**(96)**	(408)
Dividends paid to the Group	**167**	216	**24**	32	**94**	62	**-**	-

The following table illustrates the movements in the carrying amount of the Group's investment in associates:

	2023	2022
	€000	€000
Carrying amount of the investment at 1 January	**13,667**	19,803
Share of associate's results, net of tax	**902**	(2,213)
Investment in associate	**500**	500
Dividend distribution	**(285)**	(310)
Part disposal of investment in associates	**-**	(9,589)
Retained interest following derecognition of subsidiary (Note 24)	**-**	5,476
Carrying amount of the investment at 31 December	**14,784**	13,667

The associates had no contingent liabilities or capital commitments as at 31 December 2023 (2022: nil).

25. INVESTMENT IN ASSOCIATES (CONTINUED)

APS Income Fund, APS Ethical Fund and APS Global Equity Fund

The APS Income Fund, APS Ethical Fund and APS Global Equity Fund are sub-funds of APS Funds SICAV plc. The SICAV is recognised under the laws of Malta as a multi-fund public limited liability company with variable share capital pursuant to the Companies Act. The Company and its sub-funds are authorised in terms of the Investment Services Act (Cap. 370, Laws of Malta) as an open-ended collective investment scheme qualifying as a Maltese UCITS, and licensed and regulated by the MFSA.

During 2022, the Group lost control over the APS Global Equity Fund through a dilution in its investment and as at year end the percentage holding was of 43.5%. In this respect the fund has been classified as an associate given that the Group still holds significant influence. During 2022, the Group disposed of a portion in its investment in associates, APS Income Fund and APS Ethical Income Fund. The proceeds from disposal of the investments amounted to €9.6 million.

As at end of December 2023, the Group held 9.9% (2022: 9.1%) and 2.9% (2022: 2.9%) in APS Income Fund and APS Ethical Income Fund respectively. The Group still holds significant influence in these investments and thus, have been treated as associates as at end of December 2023 (2022: same).

The fair value of the investments in APS Income Fund (Class D), APS Ethical Fund (Class B) and APS Global Equity Fund (Class D) as at 31 December 2023 amounted to €12,858,828 (2022: €12,148,492). The fair value of the investment in IVALIFE Insurance Limited as at 31 December 2023 amounted to €1,618,356 (2022: €1,566,806).

APS Global Equity Fund

The APS Global Equity Fund represents a Level 2 investment in the fair value hierarchy:

	APS Global Equity Fund	
	2023	2022
	€	€
Accumulator	**1.1747**	0.9999
Distributor	**1.1179**	0.9690

APS Income Fund

The following are the quoted market prices of the APS Income Fund as at end of December 2023 and December 2022 and represent Level 1 investments in the fair value hierarchy:

	APS Income Fund	
	2023	2022
	€	€
Accumulator	**174.3754**	172.1394
Distributor	**109.3922**	110.9545

APS Ethical Fund

The APS Ethical Fund represents a Level 2 investment in the fair value hierarchy:

	APS Ethical Fund	
	2023	2022
	€	€
Accumulator Class A	**1.4258**	1.31910
Distributor Class B	**1.0471**	0.9924
Accumulator Class C	**1.4168**	1.31170
Distributor Class D	**1.0429**	0.9890

IVALIFE Insurance Limited

During the financial year ended 31 December 2023, the Group made a further investment of €500,000 (Dec-22: €500,000) in IVALIFE Insurance Limited (IVALIFE).

The Group is deemed to have a significant influence in the company and is measuring its investment as an associate.

26. INVESTMENT PROPERTIES

The Group's investment properties consist of commercial and residential properties in Malta. These properties consist of a mix of vacant offices and repossessed properties. As at 31 December 2023 and 2022 the fair values of investment properties held by the Group were as follows:

	The Group / The Bank	
	2023	2022
	€000	€000
As at 1 January	**6,593**	6,053
Reclassification from property and equipment to investment property, net of depreciation	**-**	2,100
Improvements to property	**121**	59
Fair value movement	**-**	114
Reclassification from investment property to non-current assets held for sale (Note 18)	**-**	(1,733)
As at 31 December	**6,714**	6,593

The Group accounts for its investment properties at fair value in line with IAS 40. Gains or losses arising from changes in the fair value of the immovable properties are included in the statements of profit or loss in the period in which it arises.

During the year under review the Group did not repossess or sell any investment properties. During year ended 2022, the Group reclassified one of its investment properties to non-current assets held for sale. The fair value of the property was deemed to be € 1,733K. During 2022 the Group also reclassified one of its properties from property, plant and equipment to Investment property.

Leased Investment Property

The Group leased out one of the investment properties to third parties.

The agreement, which was signed in 2021, is for a period of 15 years expiring in 2036. The initial term may be extended by the mutual written agreement of both parties by an additional 5 years.

The unguaranteed residual value of the property does not represent a significant risk for the Group, as it relates to property which is situated in a location with a constant increase in value over the past years. The Group did not identify any indications that the situation will change.

In this respect the Group recorded the amount of €177K (2022: €177K) as rental income on this said property. Direct operating expenses incurred during the year were mainly professional fees and insurance cover which costs are deemed to be minimal. No other rental income was received from the other properties.

The lease is classified as an operating lease under IFRS 16.

At the end of the reporting period, the respective lessees had outstanding undiscounted lease payments for operating leases, which fall due as follows:

	The Group / The Bank	
	2023	2022
	€000	€000
Within one year	**177**	177
Within two years	**177**	177
Within three years	**177**	177
Within four years	**177**	177
Within five years	**177**	177
Over five years	**1,370**	1,549
	2,255	2,434

Fair value movements are recognised as "Other operating income" in the statements of profit or loss.

27. PROPERTY AND EQUIPMENT

The Group / The Bank	Land and Buildings €000	Computer Equipment €000	Other €000	Total €000
Cost or valuation				
At 1 January 2022	29,831	10,588	22,185	62,604
Additions	212	1,163	837	2,212
Reclassification to investment property	(2,100)	-	-	(2,100)
At 31 December 2022	27,943	11,751	23,022	62,716
Additions	1,272	772	399	2,443
Disposals	-	-	(21)	(21)
Reclassifications	831	-	(831)	-
At 31 December 2023	**30,046**	**12,523**	**22,569**	**65,138**
Depreciation				
At 1 January 2022	672	7,644	13,290	21,606
Charge for the year	116	942	853	1,911
Prior year adjustments	(53)	-	-	(53)
At 31 December 2022	735	8,586	14,143	23,464
Charge for the year	233	983	655	1,871
Disposals	-	-	(21)	(21)
At 31 December 2023	**968**	**9,569**	**14,777**	**25,314**
Net Book Value				
At 31 December 2023	**29,078**	**2,954**	**7,792**	**39,824**
At 31 December 2022	27,208	3,165	8,879	39,252
At 1 January 2022	29,159	2,944	8,895	40,998

	2023 €000	2022 €000
Future capital expenditure:		
- Authorised by the Directors and contracted	**2,164**	757
- Authorised by the Directors but not yet contracted	**3,637**	2,475
	5,801	3,232

The carrying amount of land and buildings at 31 December 2023 that would have been recognised had these been carried under the cost model is €12,391K (2022: €10,218K) for both the Group and the Bank.

28. INTANGIBLE ASSETS

	The Group	The Bank
	Computer software	Computer software
	€000	€000
Cost		
At 1 January 2022	27,062	27,058
Additions	5,063	5,063
At 31 December 2022	32,125	32,121
Additions	5,994	5,994
At 31 December 2023	**38,119**	**38,115**
Amortisation		
At 1 January 2022	15,316	15,312
Charge for the year	2,264	2,264
At 31 December 2022	17,580	17,576
Charge for the year	3,016	3,016
At 31 December 2023	**20,596**	**20,592**
Net book value		
At 31 December 2023	**17,523**	**17,523**
At 31 December 2022	14,545	14,545
At 1 January 2022	11,746	11,746

	The Group / The Bank	
	2023	2022
	€000	€000
Future capital expenditure:		
- Authorised by the Directors and contracted	**360**	7,835
- Authorised by the Directors but not yet contracted	**1,242**	6,661
	1,602	14,496

29. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases properties, warehouses, office spaces, vehicles and spaces for the utilisation of parking.

Rental contracts are typically made for fixed periods with the lease term varying from 4 years to 20 years, with some of the lease agreements containing an extension option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Extension and Termination Options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group`s operations. The majority of extension and termination options held are exercisable only after an express written consent by both parties after expiration of the contract. Where lessor consent is also required, the Group does not have enforceable rights over the periods covered by the extension options, and these optional periods are excluded from the lease term.

If the Group has the unilateral right to exercise extension options, the periods covered by the extension options are only included in the lease term if the Group has economic compulsion to exercise the option; those periods are excluded from the lease term where the Group could replace the assets without significant cost or business disruption.

29. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Purchase options

The majority of the Group's leased vehicles have a term which varies between 5 to 7 years. The Group has the option to purchase these vehicles, however there is no intention to exercise the option when the lease term expires.

The statements of financial position show the following amounts relating to leases:

	The Group / The Bank	
	2023	2022
	€000	€000
Right-of-use-assets		
Property	**4,144**	4,717
Equipment	**11**	15
Vehicles	**231**	308
	4,386	5,040
Lease liabilities		
Current	**602**	630
Non-Current	**3,983**	4,616
	4,585	5,246

There were no new lease additions during the year ended 31 December 2023. Total increase in the right -of-use assets amounted to €0.3K and was in relation to lease payments that are linked to the RPI index. Additions to the right-of-use assets during the year ended 31 December 2022 were €866K. Derecognised leases for which the term has expired in 2023 amounted to €40K (2022: €260K). Total cash outflows in relation to leases during the year amounted to €829K (2022: €921K).

The statements of profit or loss shows the following amounts relating to leases:

	The Group / The Bank	
	2023	2022
	€000	€000
Depreciation charge on right-of-use assets		
Property	**533**	544
Equipment	**4**	4
Vehicles	**77**	70
	614	618
Other expenses recognised in profit or loss		
Interest expense (included in interest expense)	**101**	119
Expenses relating to leases of low-value assets (included in other administrative expenses)	**111**	23
	212	142

Variable Lease payments

During the year ended 31 December 2022, the Group recognised a new lease subject to variable lease payments measured at the rate as specified in the lease agreement whereby the rent is increased on an annual basis or as otherwise indicated in the contract. There were no new lease agreements subject to variable lease payments during the year ended 31 December 2023.

Leases not yet commenced to which the lessee is committed

As at end of December 2023, there were no leases not yet commenced, to which the Group is committed (2022: same).

Residual Guarantees

During the current financial year, there were no leases with residual value guarantees.

Restrictions or covenants

The Group is restricted from assigning, letting or subletting of the premises to third parties. However, there are cases where the lessee may be able to do so with prior written consent of the lessor and which approval shall remain in the absolute discretion of the lessor.

Restrictions are also imposed in cases of motor vehicles where the lessee is expressly prohibited from lending, leasing, hiring or in any other manner transferring control or use of the vehicle to third parties whether gratuitously or against payment or in any other manner, whether directly or indirectly, using the vehicle for hire and reward purposes.

29. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The Group is expressly precluded from permitting the utilisation of the properties or any part thereof for any other purpose than that stipulated in the contract.

The following table shows the movement on the Lease liabilities:

	The Group / The Bank	
	2023	2022
	€000	€000
At 1 January	**5,246**	5,348
Additions	**-**	933
Disposals	**(40)**	(326)
Interest expense	**101**	119
Lease liability Payments	**(722)**	(828)
At 31 December	**4,585**	5,246

30. OTHER RECEIVABLES

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Accrued income	**9,232**	6,576	**9,232**	6,576
Prepayments and other receivables	**3,581**	1,440	**2,595**	600
Amounts due from subsidiaries	**-**	-	**353**	1,026
	12,813	8,016	**12,180**	8,202

Amounts due from subsidiaries represent accrued income that is unsecured, do not bear interest, and will fall due for payment within three months.

31. DEFERRED TAX ASSETS

Deferred income tax at 31 December relates to the following:

	The Group / The Bank	
	2023	2022
	€000	€000
Fair value movements on investment securities	**63**	709
Fair value movements on investment properties	**(178)**	(178)
Impairment allowance for loans and advances to banks and customers	**7,857**	6,942
Impairment allowance for investment securities	**13**	7
Excess of capital allowances over depreciation	**(2,085)**	(2,009)
Deferred tax assets on temporary differences on lease liabilities	**1,605**	1,836
Deferred tax liabilities on temporary differences on right-of-use assets	**(1,535)**	(1,764)
Revaluation of land and buildings	**(2,586)**	(2,586)
	3,154	2,957

Deferred tax arising on the fair value movements on land and buildings classified in the statements of financial position within property and equipment and on investment securities, amounting to €645K was debited (2022: €1,186K credited) directly in OCI. For details on other movements refer to Note 12.

32. AMOUNTS OWED TO BANKS

	The Group / The Bank	
	2023	2022
	€000	€000
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less but not repayable on demand (Note 43)	**76,038**	44,191
- over 3 months but less than 1 year	**-**	6,196
- over 1 year	**4,647**	-
	80,685	50,387
Analysed by currency:		
- Euro	**4,661**	6,210
- Other	**76,024**	44,177
	80,685	50,387

33. AMOUNTS OWED TO CUSTOMERS

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Term deposits	**1,242,051**	902,252	**1,242,051**	902,252
Repayable on demand	**1,895,788**	1,808,381	**1,897,163**	1,810,552
	3,137,839	2,710,633	**3,139,214**	2,712,804
Analysed by currency:				
- Euro	**3,067,002**	2,631,933	**3,068,377**	2,634,104
- Other	**70,837**	78,700	**70,837**	78,700
	3,137,839	2,710,633	**3,139,214**	2,712,804

34. ACCRUALS

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Accrued interest payable	**12,309**	4,471	**12,309**	4,471
Other accruals	**10,533**	9,150	**10,478**	9,090
	22,842	13,621	**22,787**	13,561

35. DEBT SECURITIES IN ISSUE

	The Group / The Bank	
	2023	2022
	€000	€000
At 1 January	**54,642**	54,597
New debt securities issued	**50,000**	-
Unamortised expenses	**(522)**	-
Amortisation of issuance costs	**53**	45
At 31 December	**104,173**	54,642

35. DEBT SECURITIES IN ISSUE (CONTINUED)

During 2020, the Bank issued unsecured subordinated bonds which are to mature in 2030. The bonds may be early redeemed by the Bank on specific dates, subject to MFSA approval and subject to the Bank providing at least 30 days' written notice. The earliest redemption date is 19 November 2025. The bonds are classified as a financial liability at amortised cost and are denominated in Euro.

	Nominal amount	Coupon rate (p.a.)	Issue date	Maturity date	Status
2020 bond issue	EUR 55m	3.25%	19 November 2020	19 November 2030	Unsecured Subordinated

During 2023, the Bank launched an unsecured subordinated bond programme of up to €150,000,000. The bonds may be early redeemed by the Bank on specific dates, subject to MFSA approval and subject to the Bank providing at least 30 days' written notice. The earliest redemption date is 1 December 2028. The bonds are classified as a financial liability at amortised cost and are denominated in Euro.

	Nominal amount	Coupon rate (p.a.)	Issue date	Maturity date	Status
2023 bond issue	EUR 50m	5.80%	1 December 2023	1 December 2033	Unsecured Subordinated

36. OTHER LIABILITIES

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Bills payable	**14,897**	9,679	**14,897**	9,679
Other liabilities	**5,488**	3,442	**5,442**	3,401
	20,385	13,121	**20,339**	13,080

37. SHARE CAPITAL AND SHARE PREMIUM

	The Group / The Bank	
	2023	2022
	€000	€000
Authorised 500,000,000 ordinary shares at €0.25 each (2022: 500,000,000 ordinary shares of €0.25 each)	**125,000**	125,000
Issued and fully paid 377,803,569 ordinary shares of €0.25 each (2022: 366,917,168 ordinary shares of €0.25 each)	**94,451**	91,729

	The Group / The Bank					
	Share Capital	Share Capital	**Share Premium**	Share Premium	**Number of Shares**	Number of shares
	2023	2022	**2023**	2022	**2023**	2022
	€000	€000	**€000**	€000	**'000**	'000
At 1 January	**91,729**	62,429	**48,410**	10,453	**366,917**	249,716
Issue of new shares	**-**	27,500	**-**	37,957	**-**	110,000
Scrip dividend (Note 14)	**2,643**	1,800	**3,382**	-	**10,568**	7,201
Executive Share incentive plan (Note 9)	**79**	-	**115**	-	**319**	-
At 31 December	**94,451**	91,729	**51,907**	48,410	**377,804**	366,917

Further information on the Bank's Shareholders is disclosed in the Directors' Report.

The share premium is not available for distribution.

38. REVALUATION RESERVE

The Group and the Bank apply the revaluation model for the subsequent measurement of land and buildings classified in the statements of financial position within property and equipment.

	The Group / The Bank	
	2023	2022
	€000	€000
Revaluation reserve on:		
Financial instruments at FVTOCI	**(7,161)**	(12,085)
Land and buildings	**15,066**	15,066
	7,905	2,981

The following table shows the movement in the revaluation reserve attributable to the land and buildings and financial instruments measured at FVTOCI:

	The Group / The Bank			
	Land and buildings		Financial instruments at FVTOCI	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
At 1 January	**15,066**	15,066	**(12,085)**	10,268
Revaluation adjustment, gross of tax	**-**	-	**5,579**	(23,539)
Deferred tax thereon	**-**	-	**(655)**	1,186
At 31 December	**15,066**	15,066	**(7,161)**	(12,085)

The revaluation reserve is not available for distribution.

39. RETAINED EARNINGS

Retained earnings represent retained profits which are available for distribution to Shareholders subject to qualification as realised profits in accordance with the requirements of the Companies Act, Cap. 386 of the Laws of Malta.

Retained earnings for the year ended 2022 were inclusive of €2,904K set aside for General Banking Risk under Banking Rule BR/09/2013. This amount has been reversed as at end of December 2023 given that this requirement was repealed.

40. NON-CONTROLLING INTEREST

The following is a reconciliation of the Non-controlling interest:

	APS Diversified Bond Fund		APS Global Equity Fund		Total	
	2023	2022	**2023**	2022	**2023**	2022
	€000	€000	**€000**	€000	**€000**	€000
At 1 January	**10,982**	12,837	**-**	5,795	**10,982**	18,632
Creation of shares	**3,463**	1,028	**-**	707	**3,463**	1,735
Redemption of shares	**(629)**	(631)	**-**	-	**(629)**	(631)
Dividends paid	**(227)**	(232)	**-**	(77)	**(227)**	(309)
Profit/(loss) after tax	**775**	(2,020)	**-**	(216)	**775**	(2,236)
Derecognition of subsidiary	**-**	-	**-**	(6,209)	**-**	(6,209)
At 31 December	**14,364**	10,982	**-**	-	**14,364**	10,982

41. CONTINGENT LIABILITIES

	The Group / The Bank	
	2023	2022
	€000	€000
Guarantees	**28,940**	20,610
Other contingent liabilities	**1,698**	1,301
	30,638	21,911

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit and guarantees. Outflows in respect of these guarantees are possible, given that, whether or not a payment will be required is not within the Bank's control. Such guarantees are collateralised either by cash or by property.

The commitments primarily have one year expiry date to be withdrawn.

42. COMMITMENTS

	The Group / The Bank	
	2023	2022
	€000	€000
Undrawn formal standby facilities, credit facilities and other commitments to lend	**1,099,547**	878,787

Capital commitments, if any, are disclosed in Notes 27 and 28.

43. CASH AND CASH EQUIVALENTS

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Cash in hand (Note 15)	**13,027**	13,499	**13,027**	13,499
Balances with Central Bank of Malta (excluding reserve deposit) (Note 15)	**91,448**	50,011	**91,448**	50,011
Loans and advances to banks (repayable within 3 months) (Note 16)	**54,050**	72,945	**53,502**	71,098
Amounts owed to banks (3 months or less) (Note 32)	**(76,038)**	(44,191)	**(76,038)**	(44,191)
Cash and cash equivalents included in the statements of cash flows	**82,487**	92,264	**81,939**	90,417

44. OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. Operating results of all operating segments are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group has four reportable segments, as reported below. In identifying segments, Management follows the Group's service lines which make up its main products and services.

- **Retail:** offers a broad range of products and services to meet the personal banking of individual customers. This includes home loans, personal loans, overdraft facilities and deposits products.
- **Commercial:** offers banking products to meet the needs of commercial customers. This includes all lending facilities falling under the suite of the commercial products as well as deposit products.
- **Investment services:** provides a range of products and services to meet the investment need of clients including a broad range of investment and insurance products, as well as the pension plan product and discretionary investment services.
- **Liquidity management and structured loans:** includes the management of the financial investments portfolio, correspondent bank relationships and the trade finance and syndicated loan portfolios.

Each of these operating segments is managed separately as each requires a different client approach and expertise. As for intersegment transactions, Retail is being compensated for unutilised deposits which are being used by other segments as follows; Commercial amounting to €9,203K (2022: €2,367K) and Liquidity Management and Structured Loans amounting to €11,844K (2022: €3,981K). The compensation rate is based on the price charged to unrelated customers in a stand-alone sale of identical services. The total amount of the intersegment transactions amount to €21,047K (2022: €6,348K).

44. OPERATING SEGMENTS (CONTINUED)

In addition, several costs, assets, and liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment but rather included within the below table under the unallocated items. This primarily applies to the following items which are not included in the tables hereunder:

- Salaries pertaining to staff contributing to other cost centres;
- Recurrent costs of maintenance agreements for software and hardware support, attributed to other cost centres;
- Depreciation charge of fixed assets attributed to other cost centres;
- Property and Equipment; and
- Other assets and liabilities which include tax liability, accruals and accrued income.

All revenues, investment properties, property and equipment, intangible assets and right-of-use assets are attributed to Malta. The information in this note is based on internal management reports that are reviewed by the Group's Executive Committee.

	Retail		Commercial		Investment Services		Liquidity Management and Structured Loans		Total Reportable Segments	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
The Group	**€000**	€000	**€000**	€000	**€000**	€000	**€000**	€000	**€000**	€000
Interest and similar income from external customers	**46,247**	40,588	**33,857**	24,500	**-**	-	**22,925**	12,266	**103,029**	77,354
Interest expense	**(25,659)**	(12,114)	**(676)**	(603)	**-**	-	**(5,686)**	(1,960)	**(32,021)**	(14,677)
Intersegment transactions	**21,047**	6,348	**(9,203)**	(2,367)	**-**	-	**(11,844)**	(3,981)	**-**	-
Net fee and commission income and other income	**1,043**	1,362	**3,924**	3,273	**2,466**	1,790	**1,447**	1,892	**8,880**	8,317
Net gains/(losses) on financial instruments	**-**	-	**-**	-	**-**	-	**3,148**	(8,870)	**3,148**	(8,870)
Operating income before net impairments	**42,678**	36,184	**27,902**	24,803	**2,466**	1,790	**9,990**	(653)	**83,036**	62,124
Impairment (losses)/gains	**(305)**	(110)	**602**	454	**-**	-	**(3,189)**	101	**(2,892)**	445
Net operating income	**42,373**	36,074	**28,504**	25,257	**2,466**	1,790	**6,801**	(552)	**80,144**	62,569
Personnel expenses	**(4,477)**	(3,806)	**(1,728)**	(1,487)	**(2,361)**	(2,128)	**(582)**	(516)	**(9,148)**	(7,937)
Other administrative and operating expenses	**(597)**	(521)	**(59)**	(58)	**(626)**	(532)	**(290)**	(260)	**(1,572)**	(1,371)
Operating expenses	**(5,074)**	(4,327)	**(1,787)**	(1,545)	**(2,987)**	(2,660)	**(872)**	(776)	**(10,720)**	(9,308)
Net operating profit before associates' results	**37,299**	31,747	**26,717**	23,712	**(521)**	(870)	**5,929**	(1,328)	**69,424**	53,261
Share of results from associates	**-**	-	**-**	-	**-**	-	**902**	(2,213)	**902**	(2,213)
Profit/(loss) before tax as per segments	**37,299**	31,747	**26,717**	23,712	**(521)**	(870)	**6,831**	(3,541)	**70,326**	51,048
Less: Unallocated items	**-**	-	**-**	-	**-**	-	**-**	-	**(40,085)**	(35,388)
Profit/(loss) before tax as per statements of profit or loss	**37,299**	31,747	**26,717**	23,712	**(521)**	(870)	**6,831**	(3,541)	**30,241**	15,660

44. OPERATING SEGMENTS (CONTINUED)

	Retail		Commercial		Investment Services		Liquidity Management and Structured Loans		Total Reportable Segments	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	€000	€000	**€000**	€000	**€000**	€000	**€000**	€000	**€000**	€000
Total assets as per segments	**1,826,826**	1,523,605	**867,404**	701,089	**-**	-	**880,537**	809,322	**3,574,767**	3,034,016
Add: Unallocated items									**86,347**	78,136
Total assets as per statements of financial position									**3,661,114**	3,112,152
Investment in associates	**-**	-	**-**	-	**-**	-	**14,784**	13,667	**14,784**	13,667
Total liabilities as per segments	**2,964,831**	2,522,220	**173,008**	188,413	**-**	-	**185,394**	105,767	**3,323,233**	2,816,400
Add: Unallocated items									**50,453**	34,294
Total liabilities as per statements of financial position									**3,373,686**	2,850,694

	2023	2022
	€000	€000
Profit before tax		
As per reportable segments	**70,326**	51,048
Unallocated items:		
Interest receivable	**2,581**	2,413
Net fee and commission income and other income	**(150)**	124
Personnel expenses	**(19,911)**	(18,574)
Professional fees	**(1,707)**	(1,559)
Repairs and maintenance	**(5,386)**	(4,740)
Telecommunications	**(881)**	(713)
Other administrative expenses	**(8,525)**	(7,371)
Depreciation and amortisation	**(5,501)**	(4,777)
Write-offs	**(605)**	(191)
As per statements of profit or loss	**30,241**	15,660

44. OPERATING SEGMENTS (CONTINUED)

	2023	2022
	€000	€000
Total assets		
As per reportable segments	**3,574,767**	3,034,016
Unallocated items:		
Investment properties	**6,714**	6,593
Non-current assets held for sale	**1,738**	1,733
Property and equipment	**39,824**	39,252
Intangible assets	**17,523**	14,545
Right-of use assets	**4,386**	5,040
Deferred tax assets	**3,154**	2,957
Income tax	**195**	-
Other receivables	**12,813**	8,016
As per statements of financial position	**3,661,114**	3,112,152

	2023	2022
	€000	€000
Total liabilities		
As per reportable segments	**3,323,233**	2,816,400
Unallocated items:		
Current tax	**2,641**	2,306
Lease liabilities	**4,585**	5,246
Other liabilities	**20,385**	13,121
Accruals	**22,842**	13,621
As per statements of financial position	**3,373,686**	2,850,694

45. RELATED PARTY DISCLOSURES

The Group's structure

The consolidated financial statements of the Group include the financial statements of APS Bank plc and its subsidiaries and associates, as disclosed in Notes 24 and 25 respectively. During the course of its normal banking business, the Bank conducts business on commercial terms with its subsidiaries, associates, shareholders, key management personnel and other related parties.

The registered office of APS Funds SICAV plc, APS Ethical Fund, APS Income Fund, APS Diversified Bond Fund, APS Global Equity Fund and ReAPS Asset Management Limited is APS Centre, Tower Street, Birkirkara, BKR 4012. The registered office of IVALIFE Insurance Limited is Centris Business Gateway II, Level 1D, Triq is-Salib tal-Imriehel, Central Business District, Birkirkara, CBD 3020.

Information on the Bank's Shareholders is disclosed in the Directors' Report.

45. RELATED PARTY DISCLOSURES (CONTINUED)

Related party transactions

The following tables provide the total amount of transactions, which have been entered into by the Group and the Bank with the shareholders, key management personnel, subsidiaries, associates and other related parties for the year under review:

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Interest and similar income:				
Shareholders	**2**	15	**2**	15
Key management personnel	**40**	36	**40**	36
Entities of the same Group	**227**	244	**227**	244
Other related parties	**33**	58	**33**	58
Fee and commission income:				
ReAPS Asset Management Limited	**-**	-	**511**	539
APS Income Fund	**486**	576	**-**	-
APS Ethical Fund	**346**	360	**-**	-
APS Global Equity Fund	**128**	110	**-**	-
IVALIFE Insurance Limited	**49**	37	**-**	-
Shareholders	**205**	211	**-**	-
Other related parties	**142**	147	**-**	-
Interest expense:				
APS Income Fund	**-**	7	**-**	7
Shareholders	**48**	136	**48**	136
Key management personnel	**16**	15	**16**	15
Entities of the same Group	**9**	17	**9**	17
Other related parties	**11**	8	**11**	8
Personnel expenses:				
Key management personnel	**4,974**	4,938	**4,974**	4,938
General administrative expenses:				
Shareholders	**86**	221	**86**	221

	The Group		The Bank	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Amounts due (to)/from related parties				
ReAPS Asset Management Limited	**-**	-	**(1,022)**	(1,145)
APS Income Fund	**86**	(738)	**(29)**	(870)
APS Ethical Fund	**89**	86	**-**	-
APS Global Equity Fund	**35**	28	**-**	-
IVALIFE Insurance Limited	**15**	15	**-**	-
Other related parties	**42**	40	**-**	-

45. RELATED PARTY DISCLOSURES (CONTINUED)

Related party transactions (continued)

Related party transactions in respect of Shareholders and key management personnel are included in the below tables.

a) Compensation of key management personnel of the Group/Bank

The amounts disclosed in Note 9 and 10 are recognised as an expense during the reporting year and are paid to key management personnel of the Group. These include short-term employee benefits as well as a share incentive plan (2022: same).

b) Outstanding balances with Directors

	2023	2022
	€000	€000
Loans and advances	903	762
Commitments	551	551

Facilities granted to Bank Directors are made in the ordinary course of business on substantially the same terms as for comparable transactions with individuals of a similar standing, or where applicable, other employees.

c) Outstanding balances with Key Management Personnel

	2023	2022
	€000	€000
Loans and advances	8,154	7,919
Commitments	512	1,507

Facilities granted to Key Management Personnel are made in the ordinary course of business on the same terms with other employees.

d) Balances with other related parties

	Balances as at 31.12.2023	Interest income 2023	Balances as at 31.12.2022	Interest income 2022
	€000	€000	€000	€000
Amounts due from other related parties:				
Shareholders and entities with common directorship	8,124	230	7,954	252

	Balances as at 31.12.2023	Interest expense 2023	Balances as at 31.12.2022	Interest expense 2022
	€000	€000	€000	€000
Amounts due to other related parties:				
Shareholders	6,577	48	12,436	136
Bank Directors	983	-	1,617	-
Other key management personnel	2,048	16	2,173	15
Other related parties	3,212	15	2,952	8

There are no deposits held as collateral for loan commitments and overdraft facilities granted to related parties (2022: same). Also, included in Amounts owed to customers are term deposits of €5,051,274 (2022: €10,947,032), which bear interest at the prevailing Bank rates. Furthermore, the amounts due from other related parties include secured facilities of €8,122,871 (2022: €7,953,687) and €919 (2022: Nil) unsecured facilities.

For the year ended 31 December 2023, the Bank did not recognise a loss allowance on receivables from related parties (2022: €3,030).

No guarantees were received by related parties as at end of December 2023 (2022: Nil). Special guarantees given to related parties amount to €224,366 (2022: €121,121).

46. FAIR VALUES

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 level within which the fair value measurement is categorised is determined based on the lowest level of input that is significant to fair value measurement.

The reporting of fair values is intended to guide users as to the amount, timing and certainty of cash flows.

Fair value measurement hierarchy of the Group's and Bank's assets and liabilities is as follows:

	Fair value measurement hierarchy			
	Level 1	Level 2	Level 3	Total
The Group	€000	€000	€000	€000
Assets as at 31 December 2023				
Property and Equipment (Note 27)				
- Land and buildings	-	-	29,078	29,078
Investment properties (Note 26)				
- Residential property	-	-	495	495
- Commercial property	-	-	6,219	6,219
Non-current assets held for sale (Note 18)	-	-	1,738	1,738
Derivative assets not designated as hedges (Note 21)	-	536	-	536
Financial assets at FVTPL (Note 17)				
- Fixed income instruments and collective investment schemes	-	46,484	-	46,484
Financial assets at FVTOCI				
- Other debt and fixed income instruments (Note 22)	114,985	-	523	115,508
- Equity and other non-fixed income instruments (Note 23)	6,862	-	98	6,960
Total	**121,847**	**47,020**	**38,151**	**207,018**
Liabilities as at 31 December 2023				
Derivative liabilities not designated as hedges (Note 21)	-	536	-	536
Total	**-**	**536**	**-**	**536**

	Fair value measurement hierarchy			
	Level 1	Level 2	Level 3	Total
The Group	€000	€000	€000	€000
Assets as at 31 December 2022				
Property and Equipment (Note 27)				
- Land and buildings	-	-	27,208	27,208
Investment properties (Note 26)				
- Residential property	-	-	495	495
- Commercial property	-	-	6,098	6,098
Non-current assets held for sale (Note 18)	-	-	1,733	1,733
Derivative assets not designated as hedges (Note 21)	-	738	-	738
Financial assets at FVTPL (Note 17)				
- Fixed income instruments and collective investment schemes	-	41,046	-	41,046
Financial assets at FVTOCI				
- Other debt and fixed income instruments (Note 22)	141,927	-	-	141,927
- Equity and other non-fixed income instruments (Note 23)	-	-	303	303
Total	**141,927**	**41,784**	**35,837**	**219,548**
Liabilities as at 31 December 2022				
Derivative liabilities not designated as hedges (Note 21)	-	738	-	738
Total	**-**	**738**	**-**	**738**

46. FAIR VALUES (CONTINUED)

The Bank	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
	Fair value measurement hierarchy			
Assets as at 31 December 2023				
Property and equipment (Note 27)				
- Land and buildings	-	-	29,078	29,078
Investment properties (Note 26)				
- Residential property	-	-	495	495
- Commercial property	-	-	6,219	6,219
Non-current assets held for sale (Note 18)	-	-	1,738	1,738
Derivative assets not designated as hedges (Note 21)	-	536	-	536
Financial assets at FVTOCI				
- Other debt and fixed income instruments (Note 22)	114,985	-	523	115,508
- Equity and other non-fixed income instruments (Note 23)	6,862	-	98	6,960
Total	**121,847**	**536**	**38,151**	**160,534**
Liabilities as at 31 December 2023				
Derivative liabilities not designated as hedges (Note 21)	-	536	-	536
Total	**-**	**536**	**-**	**536**

The Bank	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
	Fair value measurement hierarchy			
Assets as at 31 December 2022				
Property and equipment (Note 27)				
- Land and buildings	-	-	27,208	27,208
Investment properties (Note 26)				
- Residential property	-	-	495	495
- Commercial property	-	-	6,098	6,098
Non-current assets held for sale (Note 18)	-	-	1,733	1,733
Derivative assets not designated as hedges (Note 21)	-	738	-	738
Financial assets at FVTOCI				
- Other debt and fixed income instruments (Note 22)	141,927	-	-	141,927
- Equity and other non-fixed income instruments (Note 23)	-	-	303	303
Total	**141,927**	**738**	**35,837**	**178,502**
Liabilities as at 31 December 2022				
Derivative liabilities not designated as hedges (Note 21)	-	738	-	738
Total	**-**	**738**	**-**	**738**

There were no reclassifications made within the fair value hierarchy and there were no changes in valuation techniques used by the Group during the year, except as disclosed below.

Investment properties

The last valuation performed by an independent valuation specialist was as at end of December 2021. The valuation specialist determines the most appropriate methodology (market or/and income approach) depending on the nature of the property.

During the year under review and the preceding year, no valuations took place given that the property prices maintained an upward trajectory. No valuation adjustments were recognised given that the fair value movement was not material.

46. FAIR VALUES (CONTINUED)

Investment properties (continued)

There were no fair value movements on investment properties during the year under review (2022: same) except for one of the properties which was reclassified to non-current assets held for sale during 2022 (Note 18). An independent architect was engaged to provide the valuation of the specific property prior to effecting the reclassification, with the fair value movement amounting to €114,000. Investment properties are being used in their highest and best use.

Significant increases/(decreases) in estimated market rates per square meter in isolation would result in a significantly higher/(lower) fair value of the properties. Significant increases/(decreases) in the discount rate in isolation would result in a (decrease)/increase in the estimated property values.

As at the end of 31 December 2023 (2022: nil) the Group has no restrictions on the realisation of investment properties in Note 26.

The fair value movement in relation to 2022 is all attributable to assets held at year end and no fair value movement was recognised in respect of assets disposed during the year.

	Residential properties		Commercial properties	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
At 1 January	**495**	495	**6,098**	5,558
Improvements	**-**	-	**121**	59
Reclassification from property and equipment, net of depreciation	**-**	-	**-**	2,100
Reclassification from Investment properties to non-current assets held for sale, net of depreciation	**-**	-	**-**	(1,733)
Fair value movement	**-**	-	**-**	114
At 31 December	**495**	495	**6,219**	6,098

Non-current assets held for sale

During 2022, the Group reclassified one of its properties from investment property to non-current assets held for sale. The property was still classified as non-current asset held for sale as at end of December 2023.

The property is available for immediate sale, there is an active program to locate a buyer and the sale is highly probable that it will take place within 12 months.

Property and equipment – Land and buildings

The last valuation performed by an independent valuation specialist was as at end of December 2021. The valuation specialist determines the most appropriate methodology (market or/and income approach) depending on the nature of the property.

For financial year ended December 2023 and December 2022, in line with the Bank's revaluation policy, a desktop assessment was carried out and determined that the fair value of the properties is not significantly different than the carrying amount and thus, no external valuations have been carried out.

No valuations have taken place during the year under review. The properties are being used at their highest and best use.

Other financial instruments

Cash balances, balances with the CBM and loans and advances to banks which are repayable on call and at short notice are highly liquid assets. The Directors regard the amounts shown in the statements of financial position for these items as reflecting their fair value, as these assets will be realised for cash in the immediate future. The fair value of the placements with other banks not repayable at short notice is not materially different from their carrying amount since these carry an arm's length rate of interest which is reflective of conditions at year end. The fair value was determined using a Level 2 discounted cash flow valuation technique using relevant interest rates as the major inputs.

At the reporting date, debt securities classified at amortised cost amounted to €326.7 million (2022: €317.9 million). Their market value amounted to €316.9 million (2022: €301.01 million) (Level 1), whilst their nominal value amounted to €326.2 million (2022: €316.7 million). For other details refer to Note 22.

Loans and advances to customers are stated at the amounts contractually due less provision to reflect the expected recoverable amounts. Their carrying amount is not deemed to differ materially from their fair value as these are re-priced to take into consideration changes in both the Bank's base rate and credit margins. Their fair value measurement is a Level 2 input.

At the reporting date, syndicated loans and trade finance classified at amortised cost amounted to €184.2 million (2022: €135.2 million). Their market value amounted to €187.0 million (2022: €134.3 million) (Level 2), whilst their nominal value amounted to €174.7 million (2022: €135.7 million). For other details refer to Note 19.

46. FAIR VALUES (CONTINUED)

Other financial instruments (continued)

Amounts owed to banks and customers include deposit liabilities. Of this category of liability, 80% (2022: 87%) have contractual re-pricing within one year, whilst 20% (2022: 13%) re-prices between one year and over. For demand deposits and term deposits within one-year, fair value is taken to be the amount payable on demand at the reporting date (Level 2). For term deposits after one-year with a carrying amount of €653.4 million (2022: €367.8 million), fair value is €661.6 million (2022: €367.8 million). All term deposits at different maturities were revalued to reflect the current interest rates. Their fair value measurement is a Level 2 input.

Debt securities in issue have a carrying amount of €104.2 million (2022: €54.6 million) at 31 December 2023. The market value, based on quoted prices in an active market (Level 1), amounted to €107.3 million at 31 December 2023 (2022: €52.1 million).

The reconciliation of Level 3 fair value measurements of financial instruments is disclosed below.

	2023	2022
	€000	€000
At 1 January	**303**	307
Fair value movement	**(200)**	-
Exchange rate movement	**(5)**	(4)
At 31 December	**98**	303

47. RISK MANAGEMENT

47.1 Risk management framework

The Board of Directors (hereafter referred to as the Board) has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Committee. The Risk Committee proposes the risk appetite statement for approval by the Board and ensures implementation of the Group's risk management and compliance strategy, systems and policies. The Group's Risk Appetite Statement articulates the types and level of risk that the Group is willing to take in the pursuit of the strategic objectives. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's risk governance framework ensures oversight of, and accountability for, the effective management of risk. Responsibility for risk lies at all levels within the Group through a three lines of defence model. Business units, as the first line of defence, are responsible for identifying, assessing and mitigating the risks to which the Group is exposed in the respective operational function. The management of the various forms of risk is then coordinated and monitored by the Risk and Compliance functions. The Internal Audit Department, as the third line of defence, provides independent assurance to the Board on the adequacy of the risk management framework.

47.2 Credit risk

Credit Risk is the possibility that a borrower or counterparty fails to meet its obligations in accordance with (or performing according to) agreed terms, causing a financial loss, including losses resulting from a reduction in portfolio value arising from actual or perceived deterioration in credit quality. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

To meet the financial needs of customers, the Group and the Bank enter into various commitments and contingent liabilities, as disclosed below. Even though these obligations are not recognised on the statements of financial position (being, off-balance sheet items), they are subject to credit risk and are, therefore, part of the overall risk of the Group and the Bank.

	The Group / The Bank	
	Not later than one year	
	2023	2022
	€000	€000
Loan commitments	**1,099,547**	878,787
Guarantees, acceptance and other financial facilities	**30,638**	21,911
	1,130,185	900,698

The Group is also exposed to credit risk arising from investments in debt securities and other financial instruments through its trading[13] and investment activities including non-equity portfolio assets and derivatives as well as settlement balances with market counterparties, reverse repurchase agreements and balances with CBM.

The Group has a detailed Credit Risk Policy, which lays down the principles for the management of credit risk. The Group manages and controls its exposure to credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and connected entities, as well as by geographical and industry concentrations.

[13] As at end December 2023, the Bank did not have a Trading Book

47.2 Credit risk (continued)

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

The Group applies an automated proprietary credit rating system to differentiate the degree of credit risk inherent in advances extended to its customers. Internal ratings are used to grade loans and advances with a view to assess the repayment ability of the borrower and to assist in the monitoring and control of credit risk. The credit rating process also provides a basis for the recognition of any under-performing or non-performing credit facilities and for the assessment of expected credit losses in line with IFRS9 regulations. Further information on the credit risk grading system is included in Note 47.2.1.1 ('Credit Risk Grading').

47.2.1 Credit Risk Measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

47.2.1.1 Credit Risk Grading

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Group uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are a primary input into the determination of the term structure of Probability of Default (PD) for exposures.

The Group use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as the level of collateral for retail exposures and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as information from the Central Credit Register. In addition, the models enable management overlay by the responsible person, to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The following are additional considerations for each type of portfolio held by the Group:

Retail

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness, such as unemployment and previous delinquency history, is also incorporated into the internal credit rating system.

Commercial

For commercial business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating.

Debt securities

For debt securities in the treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The Probability of Defaults (PDs) associated with each grade are determined based on historical realised default rates, as published by an external credit rating agency.

Syndicated loans

Similar to debt securities, syndicated loans are rated using external rating agency credit grades. Again, these credit grades are frequently reviewed and monitored for immediate update where necessary.

The Group's internal gradings for loans and advances comprise of nine (9) rating levels including three (3) default classes, whilst the remaining rating levels represent exposures not in default. Each rating category is assigned a stage under IFRS 9, where the PDs differ according to which stage, the rating category falls under.

For debt securities and syndicated loans, PDs are obtained from market data provided by a third party. PDs are assigned to the instruments, according to their external credit rating, region and sector. The risk of default increases exponentially at each higher credit risk rating. This means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

47.2.2 ECL Measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group;
- If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Note 47.2.2.1 describes how the Group determines when a SICR has occurred;
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Note 47.2.2.2 describes how the Group defines credit-impairment and default;
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECLs that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECLs on a lifetime basis. Please refer to Note 47.2.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL; and

47.2 Credit risk (continued)

47.2.2 ECL Measurement (continued)

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. Note 47.2.2.4 includes an explanation of how the Group has incorporated this in its ECL models;

Further disclosure is also provided in Note 47.2.2.5 on how the Group determines appropriate groupings when ECL is measured on a collective basis.

47.2.2.1 Significant increase in Credit Risk (SICR)

The following diagram summarises the impairment requirements under IFRS 9:

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
Initial Recognition	Significant increase in credit risk since initial recognition	Credit-impaired assets
12-month ECL	Lifetime ECL	Lifetime ECL

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed in the following notes.

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The main judgements are made by the Group in identifying whether a significant increase in credit risk has occurred for an exposure are as follows:

- For loans and advances to customers, the Group's internal credit risk grades are used to assess whether there has been a significant increase in credit risk, performed by comparing the internal credit risk grades as at reporting date with the internal credit risk grades on initial recognition;
- For the loans and advances to banks and balances with CBM, the Group applies low credit risk simplification to all its exposures, thus to the extent that these investments are considered to be low credit risk, they are not subject to the significant increase in credit risk assessment;
- The investment and syndicated loans' portfolios are divided into two separate sub portfolios; investment grade and sub-investment grade. The low credit risk simplification is applied for investment grade exposures, thus not subject to significant increase in credit risk assessment. For the sub-investment grade exposures, a one-notch downgrade in their respective external credit rating is considered as a significant increase in credit risk; and
- In assessing whether there has been a SICR since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument, together with its internal grading/credit rating on initial recognition. For certain revolving facilities (e.g. overdrafts), the date when the facility was first entered into, could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment, as discussed in Note 2.3 Modification of loans.

Determining whether credit risk has increased significantly

The Group has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Group's internal credit risk management process.

The criteria for determining whether credit risk has increased significantly varies by portfolio and includes a backstop based on delinquency.

Quantitative Criteria:

For financial instruments other than the Group's investment portfolio, the Group presumptively considers that a SICR occurs when the borrower is more than 30 days past due on its contractual payments. The Group determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In assessing whether a financial instrument has experienced a SICR, the Group also considers non-payments on connected accounts of the same issuer to the Group, which exceed 30 days.

Qualitative Criteria:

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a SICR based on particular qualitative indicators that it considers indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

If the borrower meets one or more of the following criteria, the internal grading of the credit facility falls due to a SICR i.e. transition to Stage 2:

- Excesses over an overdraft limit become fairly frequent and/or exceed the 30 days past due (latter automated in the core banking system);
- A pattern of cheques returned unpaid;
- Review of borrowing accounts overdue;
- Trading losses that indicate a negative financial trend leading to an unsound financial position;

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.2 ECL Measurement (continued)

47.2.2.1 Significant increase in Credit Risk (SICR) (continued)

Qualitative Criteria (continued)

- A significant downgrade from a superior credit rating;
- Significant decrease in collateral value which is expected to increase risk of default (for bullet repayment loans only, such as commercial property-for-resale and/or residential Bridge Loans repayable from sale of the same collateral); and
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans and/or non-collection of debtors/amounts due.

The assessment of SICR incorporates forward-looking information and is performed on a regular basis.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The average time between the identification of a significant increase in credit risk and default appears reasonable; and
- Exposures are not generally transferred directly from 12-month ECL measurement (Stage 1) to credit-impaired (Stage 3).

47.2.2.2 Definition of Default and credit impaired

Under IFRS 9, the Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- with respect to loans and advances to customers, the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered past due once the customer has either exceeded a sanctioned limit or has been advised of a limit that is smaller than the current balance outstanding; or
- with regards to investments' portfolio and syndicated loans' portfolio, a payment by the counterparty or issuer is more than 30 days past due.

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

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

At each reporting date, the Group assesses whether financial assets carried at amortised cost, debt financial assets carried at FVTOCI, loan commitments and financial guarantees are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

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

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

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit impaired.

ECLs are the discounted product of the PD, Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- PD estimates are estimates at a certain date, which, for loans and advances to customers, loan commitments and financial guarantees, are calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. They are adjusted to reflect forward-looking information as described below. Market data, obtained from a third party service provider, is used for the PD of investment portfolio, balances with CBM and loans and advances to banks.
- EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is the gross carrying amount at default. For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which is estimated based on historical observations and forward-looking forecasts. For some financial assets, the Group determines EAD by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.2 ECL Measurement (continued)

47.2.2.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

- LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims, adjusted by the cure rates, against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are calibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the EIR as the discounting factor.

ECLs are a probability-weighted estimate of credit losses and are measured as follows:
- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn irrevocable loan commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For retail overdrafts and certain corporate revolving facilities that include both a loan and an undrawn commitment component, the Group measures ECLs over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are risk managed on an individual basis; these facilities are however collectively assessed for IFRS 9 purposes. Although the Group can cancel these facilities with immediate effect, this contractual right is not enforced in the normal day-to-day management, but rather only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECLs. These include a reduction in limits and cancellation of the facility.

47.2.2.4 Forward Looking Information

Under IFRS 9, the Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. The assessment of SICR and the calculation of ECL, both incorporate forward-looking information. The Group performs a historical analysis and identifies the key economic variables affecting credit risk and ECLs for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD may vary by financial instrument. The Group performs expert judgement in this process.

A third party provider has been engaged to provide, on a regular basis, the forecasted macro-economic scenarios covering a ten-year time horizon. The 'base line' scenario represents the most-likely outcome and is the same scenario considered by the Group for the purposes of strategic planning and budgeting. Apart from the 'base line' scenario, the Group considers two other macro-economic scenarios, which represent more optimistic and more pessimistic outcomes.

As with any macro-economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of uncertainty and therefore, the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

The Group has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has analysed relationships between macro-economic variables and credit risk and credit losses. These key drivers include inflation rates, unemployment rates and GDP forecasts.

The following table illustrates the macro-economic indicators incorporated in the IFRS 9 model, for each macro-economic scenario:

		Scenarios					
		2023			2022		
	Macro-Economic Variables	**Baseline**	**Upside**	**Downside**	Baseline	Upside	Downside
INDICATORS	GDP Growth (%)	**3.34**	**3.51**	**2.88**	3.25	3.95	1.83
	Inflation rates (%)	**2.50**	**2.53**	**2.21**	2.68	2.71	2.39
	Unemployment rates (%)	**3.51**	**3.49**	**3.57**	3.96	3.94	4.02

This above data is reviewed and updated on a quarterly basis, nevertheless, for the ECL calculation as at the reporting date, the latest macro-economic data available was incorporated within the IFRS 9 model.

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.2 ECL Measurement (continued)

47.2.2.5 Grouping shared risk characteristics

For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. The characteristics and any supplementary data used to determine groupings are outlined below;

- Product type (e.g. residential/buy to let mortgage, credit cards);
- Credit risk grades; and
- Industry – taking into consideration external information.

The groupings selected by the Group are subject to regular review to ensure that exposures within a particular group remain appropriately homogenous. During the period, the Group has performed a modification within the segmentation of the loans and advances to customers' portfolio, as there were no sufficient historical data for particular segments to produce accurate results and at present, the groups are classified as follows;

- Loans and advances to customers;
  a) Mortgages;
  b) Personal;
  c) Commercial;
- Loans and advances to banks;
- Debt instruments; and
- Syndicated loans.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

47.2.3 Credit Risk Exposure

47.2.3.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

With respect to financial instruments which expose the Group to credit risk, the maximum exposure equals the carrying amount of these instruments, except for loan commitments and financial guarantees.

Credit risks exposures relating to the statements of financial position assets and off-balance sheet items are as follows:

	The Group		The Bank	
	Maximum exposure		Maximum exposure	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Cash and balances with Central Bank of Malta (excluding cash in hand) (net)	**118,044**	72,388	**118,044**	72,388
Loans and advances to banks (net)	**54,499**	72,870	**53,951**	71,023
Financial assets at FVTPL	**46,484**	41,046	**-**	-
Syndicated loans (net)	**184,172**	135,210	**184,172**	135,210
Loans and advances to customers (net)	**1,907,513**	1,632,294	**1,907,513**	1,632,294
Loans and advances to corporate entities (net)	**786,716**	592,400	**786,716**	592,400
Derivative financial instruments	**536**	738	**536**	738
Other debt and fixed income instruments (net)	**442,032**	459,601	**442,032**	459,601
Other receivables	**12,813**	8,014	**12,180**	8,202
As at 31 December	**3,552,809**	3,014,561	**3,505,144**	2,971,856
Credit risk exposures relating to off-balance sheet items are as follows:				
Financial guarantees and other contingent liabilities	**30,638**	21,911	**30,638**	21,911
Commitments	**1,099,547**	878,787	**1,099,547**	878,787
As at 31 December	**1,130,185**	900,698	**1,130,185**	900,698

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.3 Credit Risk Exposure (continued)

47.2.3.2 Concentration of risk

The Group	Financial Institutions	Manufacturing	Real Estate	Wholesale and Retail Trade	Public Sector	Other Industries	Individuals	Total
Concentrations of risk	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Cash and balances with Central Bank of Malta (excluding cash in hand) (gross)	118,046	-	-	-	-	-	-	118,046
Loans and advances to banks (gross)	54,550	-	-	-	-	-	-	54,550
Financial assets at FVTPL	10,808	1,198	-	-	21,442	13,036	-	46,484
Syndicated loans (gross)	33,768	71,131	18,000	4,000	-	60,786	-	187,685
Loans and advances to customers (gross)	1,735	29,177	304,338	58,590	39,115	407,099	1,872,859	2,712,913
Derivative financial instruments	536	-	-	-	-	-	-	536
Other debt and fixed income instruments (gross)	66,799	7,512	785	8,155	356,401	2,579	-	442,231
Other receivables	-	-	-	-	-	12,812	-	12,812
As at 31 December 2023	**286,242**	**109,018**	**323,123**	**70,745**	**416,958**	**496,312**	**1,872,859**	**3,575,257**
Financial guarantees and other contingent liabilities	748	998	8,470	1,634	-	14,486	4,302	30,638
Commitments	63,623	21,267	260,627	32,639	4,808	70,905	645,678	1,099,547
As at 31 December 2023	**64,371**	**22,265**	**269,097**	**34,273**	**4,808**	**85,391**	**649,980**	**1,130,185**

The Group	Financial Institutions	Manufacturing	Real Estate	Wholesale and Retail Trade	Public Sector	Other Industries	Individuals	Total
Concentrations of risk	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Cash and balances with Central Bank of Malta (excluding cash in hand) (gross)	72,390	-	-	-	-	-	-	72,390
Loans and advances to banks (gross)	72,945	-	-	-	-	-	-	72,945
Financial assets at FVTPL	7,430	2,301	-	-	17,804	13,511	-	41,046
Syndicated loans (gross)	43,235	48,417	18,000	-	-	26,334	-	135,986
Loans and advances to customers (gross)	3,018	22,525	269,592	50,722	21,132	294,919	1,581,768	2,243,676
Derivative financial instruments	738	-	-	-	-	-	-	738
Other debt and fixed income instruments (gross)	56,037	9,325	761	9,259	381,855	2,567	-	459,804
Other receivables	-	-	-	-	-	8,014	-	8,014
As at 31 December 2022	**255,793**	**82,568**	**288,353**	**59,981**	**420,791**	**345,345**	**1,581,768**	**3,034,599**
Financial guarantees and other contingent liabilities	770	316	4,210	1,651	-	14,400	564	21,911
Commitments	16,418	17,283	161,316	24,969	1,920	123,836	533,045	878,787
As at 31 December 2022	**17,188**	**17,599**	**165,526**	**26,620**	**1,920**	**138,236**	**533,609**	**900,698**

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.3 Credit Risk Exposure (continued)

47.2.3.2 Concentration of risk (continued)

The Bank Concentrations of risk	Financial Institutions €000	Manufacturing €000	Real Estate €000	Wholesale and Retail Trade €000	Public Sector €000	Other Industries €000	Individuals €000	Total €000
Cash and balances with Central Bank of Malta (excluding cash in hand) (gross)	118,046	-	-	-	-	-	-	118,046
Loans and advances to banks (gross)	54,002	-	-	-	-	-	-	54,002
Syndicated loans (gross)	33,768	71,131	18,000	4,000	-	60,786	-	187,685
Loans and advances to customers (gross)	1,735	29,177	304,338	58,590	39,115	407,099	1,872,859	2,712,913
Derivative financial instruments	536	-	-	-	-	-	-	536
Other debt and fixed income instruments (gross)	66,799	7,512	785	8,155	356,401	2,579	-	442,231
Other receivables	-	-	-	-	-	12,179	-	12,179
As at 31 December 2023	**274,886**	**107,820**	**323,123**	**70,745**	**395,516**	**482,643**	**1,872,859**	**3,527,592**
Financial guarantees and other contingent liabilities	748	998	8,470	1,634	-	14,486	4,302	30,638
Commitments	63,623	21,267	260,627	32,639	4,808	70,905	645,678	1,099,547
As at 31 December 2023	**64,371**	**22,265**	**269,097**	**34,273**	**4,808**	**85,391**	**649,980**	**1,130,185**

The Bank Concentrations of risk	Financial Institutions €000	Manufacturing €000	Real Estate €000	Wholesale and Retail Trade €000	Public Sector €000	Other Industries €000	Individuals €000	Total €000
Cash and balances with Central Bank of Malta (excluding cash in hand) (gross)	72,390	-	-	-	-	-	-	72,390
Loans and advances to banks (gross)	71,098	-	-	-	-	-	-	71,098
Syndicated loans (gross)	43,235	48,417	18,000	-	-	26,334	-	135,986
Loans and advances to customers (gross)	3,018	22,525	269,592	50,722	21,132	294,919	1,581,768	2,243,676
Derivative financial instruments	738	-	-	-	-	-	-	738
Other debt and fixed income instruments (gross)	56,037	9,325	761	9,259	381,855	2,567	-	459,804
Other receivables	-	-	-	-	-	8,202	-	8,202
As at 31 December 2022	**246,516**	**80,267**	**288,353**	**59,981**	**402,987**	**332,022**	**1,581,768**	**2,991,894**
Financial guarantees and other contingent liabilities	770	316	4,210	1,651	-	14,400	564	21,911
Commitments	16,418	17,283	161,316	24,969	1,920	123,836	533,045	878,787
As at 31 December 2022	**17,188**	**17,599**	**165,526**	**26,620**	**1,920**	**138,236**	**533,609**	**900,698**

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.3 Credit Risk Exposure (continued)

47.2.3.3 Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. Of the total loans and advances to customers, 87.26% (2022: 88.22%) were collateralised.

The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Cash and securities;
- Government guarantees;
- Mortgages over residential properties, with the substantial majority being situated in Malta;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities, equities and insurance policies.

Longer-term finance and lending to corporate entities are generally secured, however, revolving personal credit facilities are, generally, unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities are generally unsecured, with the exception of covered bonds, which are mainly secured by residential mortgages.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use. During 2023, no new properties have been repossessed (same in 2022).

The Group also makes use of master netting agreements with counter parties. As at 31 December 2023 and 31 December 2022 there were no financial assets or liabilities arising from these agreements.

A portion of the Group's financial assets originated by the mortgage business has sufficiently low LTV ratios, which results in no loss allowance being recognised in accordance with the Group's ECL model. The carrying amount of such financial assets is €1,657 million as at 31 December 2023 (2022 - €1,354 million).

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below.

The Group / The Bank 31 December 2023	**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets	**€000**	**€000**	**€000**	**€000**
Loans to individuals:				
- Overdraft	2,042	1,635	407	324
- Term loans	2,293	538	1,755	1,659
- Home loans	8,620	2,333	6,287	6,210
Loans to corporate entities:				
- Large corporate entities	10,000	2,682	7,318	-
- Small and medium-sized enterprise (SMEs)	32,910	7,297	25,613	26,661
- Other	9,570	5,179	4,391	3,860
Total credit-impaired assets	**65,435**	**19,664**	**45,771**	**38,714**

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.3 Credit Risk Exposure (continued)

47.2.3.3 Collateral and other credit enhancements (continued)

The Group / The Bank 31 December 2022 Credit-impaired assets	Gross exposure €000	Impairment allowance €000	Carrying amount €000	Fair value of collateral held €000
Loans to individuals:				
- Overdraft	2,009	1,686	323	213
- Term loans	3,144	731	2,413	2,451
- Home loans	9,392	2,341	7,051	6,955
Loans to corporate entities:				
- Small and medium-sized enterprises (SMEs)	65,879	12,923	52,956	53,358
Total credit-impaired assets	**80,424**	**17,681**	**62,743**	**62,977**

The Group / The Bank

The following table shows the distribution of LTV ratios for the Group's home loans and term loans credit-impaired portfolio:

	Credit-impaired (Gross carrying amount)	
	2023	2022
Home loans portfolio - LTV distribution	**€000**	€000
Lower than 50%	**1,896**	2,174
50 to 60%	**1,519**	1,280
60 to 70%	**693**	974
70 to 80%	**1,638**	2,445
80 to 90%	**2,244**	1,310
90 to 100%	**-**	551
Higher than 100%	**630**	658
Total	**8,620**	9,392

47.2.3.4 Credit quality

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVTOCI. Unless specifically indicated, for financial assets, the amount in the table represents gross carrying amounts.

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in previous notes.

The Bank 31 December 2023	12-month ECL €000	Lifetime ECL not credit-impaired €000	Lifetime ECL credit-impaired €000	Total €000
Loans and advances to customers at amortised cost				
Grade 1-4: Low risk	2,597,610	-	-	2,597,610
Grades 5-6: Watch & substandard	-	59,869	-	59,869
Grade 7: Doubtful	-	-	28,121	28,121
Grade 8: Classified	-	-	27,313	27,313
Loss allowance	(1,101)	(602)	(16,981)	(18,684)
Carrying amount	**2,596,509**	**59,267**	**38,453**	**2,694,229**
Debt securities – At amortised cost				
Investment grade	326,487	-	-	326,487
Sub-investment grade	36	200	-	236
Loss allowance	(159)	(40)	-	(199)
Carrying amount	**326,364**	**160**	**-**	**326,524**

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)
47.2.3 Credit Risk Exposure (continued)
47.2.3.4 Credit quality (continued)

The Bank 31 December 2023	12-month ECL €000	Lifetime ECL not credit-impaired €000	Lifetime ECL credit-impaired €000	Total €000
Debt securities - FVTOCI				
Investment grade	114,941	-	-	114,941
Sub-investment grade	43	-	524	567
Carrying amount	**114,984**	**-**	**524**	**115,508**
Syndicated loans				
Grade 1-4: Low risk	26,805	-	-	26,805
Investment grade	80,100	-	-	80,100
Sub-investment grade	57,748	13,032	10,000	80,780
Loss allowance	(613)	(218)	(2,682)	(3,513)
Carrying amount	**164,040**	**12,814**	**7,318**	**184,172**
Cash and balances with Central Bank of Malta				
Investment grade	131,073	-	-	131,073
Loss allowance	(2)	-	-	(2)
Carrying amount	**131,071**	**-**	**-**	**131,071**
Loans and advances to banks				
Investment grade	54,002	-	-	54,002
Loss allowance	(51)	-	-	(51)
Carrying amount	**53,951**	**-**	**-**	**53,951**

The Bank 31 December 2022	12-month ECL €000	Lifetime ECL not credit-impaired €000	Lifetime ECL credit-impaired €000	Total €000
Loans and advances to customers at amortised cost				
Grade 1-4: Low risk	2,052,270	-	-	2,052,270
Grades 5-6: Watch & substandard	-	110,982	-	110,982
Grade 7: Doubtful	-	-	56,270	56,270
Grade 8: Classified	-	-	24,154	24,154
Loss allowance	(731)	(570)	(17,681)	(18,982)
Carrying amount	**2,051,539**	**110,412**	**62,743**	**2,224,694**
Debt securities – At amortised cost				
Investment grade	315,078	-	-	315,078
Sub-investment grade	2,799	-	-	2,799
Loss allowance	(203)	-	-	(203)
Carrying amount	**317,674**	**-**	**-**	**317,674**
Debt securities - FVTOCI				
Investment grade	141,696	-	-	141,696
Sub-investment grade	44	187	-	231
Carrying amount	**141,740**	**187**	**-**	**141,927**

47.2 Credit risk (continued)
47.2.3 Credit Risk Exposure (continued)
47.2.3.4 Credit quality (continued)

The Bank	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
31 December 2022	**€000**	**€000**	**€000**	**€000**
Syndicated loans				
Grade 1-4: Low risk	7,318	-	-	7,318
Investment grade	37,253	-	-	37,253
Sub-investment grade	59,327	32,088	-	91,415
Loss allowance	(574)	(202)	-	(776)
Carrying amount	**103,324**	**31,886**	**-**	**135,210**
Cash and balances with Central Bank of Malta				
Investment grade	85,889	-	-	85,889
Loss allowance	(2)	-	-	(2)
Carrying amount	**85,887**	**-**	**-**	**85,887**
Loans and advances to banks				
Investment grade	71,098	-	-	71,098
Loss allowance	(75)	-	-	(75)
Carrying amount	**71,023**	**-**	**-**	**71,023**

The following table provides an analysis of the performing and non-performing exposures of the Group's and Bank's lending portfolio:

	Total	**Of which forborne**	Total	Of which forborne
	2023	**2023**	2022	2022
The Group / The Bank	**€000**	**€000**	€000	€000
Performing				
Stage 1	**2,597,610**	**21,782**	2,052,270	37,306
Stage 2	**59,869**	**405**	110,982	58,657
Non-Performing				
Stage 3	**55,434**	**23,266**	80,424	30,985
Total gross/forborne exposures	**2,712,913**	**45,453**	2,243,676	126,948

47.2.4 Loss Allowance
The loss allowance recognised during the period is impacted by a variety of factors, as described below:
- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurements of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.4 Loss Allowance (continued)

The Group / The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (but not POCI)	Total
Loans and advances to customers at amortised cost	**€000**	**€000**	**€000**	**€000**
Loss allowance as at 1 January 2023	731	570	17,681	18,982
Movements in loss allowance				
Transfers:				
Transfer from stage 1	(7)	-	-	(7)
Transfer to stage 2	-	52	-	52
Transfer to stage 3	-	-	505	505
Write-offs	-	-	(605)	(605)
New financial assets originated or purchased	467	86	484	1,037
Financial assets derecognised during the period	(54)	(28)	(1,515)	(1,597)
(Decreases)/increases due to change in credit risk	(36)	(79)	432	317
Loss allowance as at 31 December 2023	**1,101**	**601**	**16,982**	**18,684**

The Group / The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (but not POCI)	Total
Loans and advances to customers at amortised cost	**€000**	**€000**	**€000**	**€000**
Loss allowance as at 1 January 2022	677	852	17,798	19,327
Movements in loss allowance				
Transfers:				
Transfer from stage 2	-	(87)	-	(87)
Transfer from stage 3	-	-	(491)	(491)
Write-offs	-	-	(191)	(191)
New financial assets originated or purchased	168	45	974	1,187
Financial assets derecognised during the period	(76)	(175)	242	(9)
Decreases due to change in credit risk	(38)	(65)	(651)	(754)
Loss allowance as at 31 December 2022	**731**	**570**	**17,681**	**18,982**

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.4 Loss Allowance (continued)

The Group / The Bank	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (but not POCI)	Total
Debt securities at amortised cost	**€000**	**€000**	**€000**	**€000**
Loss allowance as at 1 January 2023	203	-	-	203
Movements in loss allowance				
Transfers:				
Transfer from stage 1	(40)	-	-	(40)
Transfer to stage 2	-	40	-	40
New financial assets originated or purchased	10	-	-	10
Financial assets derecognised during the period	(1)	-	-	(1)
Decreases due to change in credit risk	(13)	-	-	(13)
Loss allowance as at 31 December 2023	**159**	**40**	**-**	**199**

The Group / The Bank	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (but not POCI)	Total
Debt securities at amortised cost	**€000**	**€000**	**€000**	**€000**
Loss allowance as at 1 January 2022	62	-	-	62
New financial assets originated or purchased	137	-	-	137
Financial assets derecognised during the period	(5)	-	-	(5)
Increases due to change in credit risk	9	-	-	9
Loss allowance as at 31 December 2022	**203**	**-**	**-**	**203**

The Group / The Bank	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (but not POCI)	Total
Debt securities at FVTOCI	**€000**	**€000**	**€000**	**€000**
Loss allowance as at 1 January 2023	143	9	-	152
Movements in loss allowance				
Transfers:				
Transfer from stage 2	-	(331)	-	(331)
Transfer to stage 3	-	-	331	331
New financial assets originated or purchased	1	-	-	1
Financial assets derecognised during the period	(9)	-	-	(9)
Increases due to change in credit risk	288	-	-	288
Loss allowance as at 31 December 2023	**423**	**(322)**	**331**	**432**

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.4 Loss Allowance (continued)

The Group / The Bank	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (but not POCI)	Total
Debt securities at FVTOCI	**€000**	**€000**	**€000**	**€000**
Loss allowance as at 1 January 2022	215	-	-	215
Movements in loss allowance				
Transfers:				
Transfer from stage 1	(9)	-	-	(9)
Transfer to stage 2	-	9	-	9
Financial assets derecognised during the period	(83)	-	-	(83)
Increases due to change in credit risk	20	-	-	20
Loss allowance as at 31 December 2022	**143**	**9**	**-**	**152**

The Group / The Bank	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (but not POCI)	Total
Syndicated loans	**€000**	**€000**	**€000**	**€000**
Loss allowance as at 1 January 2023	571	205	-	776
Movements in loss allowance				
Transfers:				
Transfer from stage 1	(2,749)	-	-	(2,749)
Transfer to stage 2	-	67	-	67
Transfer to stage 3	-	-	2,682	2,682
New financial assets originated or purchased	160	-	-	160
Financial assets derecognised during the period	(51)	(143)	-	(194)
Increases/(decreases) due to change in credit risk	115	(17)	2,674	2,772
Loss allowance as at 31 December 2023	**(1,954)**	**112**	**5,356**	**3,514**

The Group / The Bank	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (but not POCI)	Total
Syndicated loans	**€000**	**€000**	**€000**	**€000**
Loss allowance as at 1 January 2022	849	141	-	990
Movements in loss allowance				
Transfers:				
Transfer from stage 1	(143)	-	-	(143)
Transfer to stage 2	-	143	-	143
New financial assets originated or purchased	160	-	-	160
Financial assets derecognised during the period	(107)	(26)	-	(133)
Decreases due to change in credit risk	(188)	(53)	-	(241)
Loss allowance as at 31 December 2022	**571**	**205**	**-**	**776**

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.4 Loss Allowance (continued)

	Stage 1	Stage 2	Stage 3	
The Group / The Bank	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL (but not POCI)**	**Total**
Loans and advances to banks	**€000**	**€000**	**€000**	**€000**
Loss allowance as at 1 January 2023	75	-	-	75
New financial assets originated or purchased	12	-	-	12
Decreases due to change in credit risk	(36)	-	-	(36)
Loss allowance as at 31 December 2023	**51**	**-**	**-**	**51**

	Stage 1	Stage 2	Stage 3	
The Group / The Bank	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL (but not POCI)**	**Total**
Loans and advances to banks	**€000**	**€000**	**€000**	**€000**
Loss allowance as at 1 January 2022	31	-	-	31
New financial assets originated or purchased	1	-	-	1
Financial assets derecognised during the period	(4)	-	-	(4)
Increases due to change in credit risk	47	-	-	47
Loss allowance as at 31 December 2022	**75**	**-**	**-**	**75**

	Stage 1	Stage 2	Stage 3	
The Group / The Bank	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL (but not POCI)**	**Total**
Cash and balances with the Central Bank of Malta	**€000**	**€000**	**€000**	**€000**
Loss allowance as at 1 January 2023	2	-	-	2
Loss allowance as at 31 December 2023	**2**	**-**	**-**	**2**

	Stage 1	Stage 2	Stage 3	
The Group / The Bank	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL (but not POCI)**	**Total**
Cash and balances with the Central Bank of Malta	**€000**	**€000**	**€000**	**€000**
Loss allowance as at 1 January 2022	12	-	-	12
Decreases due to change in credit risk	(10)	-	-	(10)
Loss allowance as at 31 December 2022	**2**	**-**	**-**	**2**

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.4 Loss Allowance (continued)

The following tables further explain changes in the gross carrying amount of each portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed in the previous page:

The Group / The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (but not POCI)	Total
Loans and advances to customers at amortised cost	**€000**	**€000**	**€000**	**€000**
Gross carrying amount as at 1 January 2023	2,052,270	110,982	80,424	2,243,676
Movements in loss allowance				
Transfers:				
Transfer to stage 1	62,783	-	-	62,783
Transfer from stage 2	-	(47,515)	-	(47,515)
Transfer from stage 3	-	-	(21,524)	(21,524)
Write-offs	-	-	(606)	(606)
New financial assets originated or purchased	608,357	6,232	1,287	615,876
Financial assets derecognised during the period	(151,571)	(6,123)	(4,872)	(162,566)
Increases/(decreases) due to changes in credit risk	25,771	(3,707)	725	22,789
Gross carrying amount as at 31 December 2023	**2,597,610**	**59,869**	**55,434**	**2,712,913**

The Group / The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (but not POCI)	Total
Loans and advances to customers at amortised cost	**€000**	**€000**	**€000**	**€000**
Gross carrying amount as at 1 January 2022	1,741,053	132,208	78,110	1,951,371
Movements in loss allowance				
Transfers:				
Transfer to stage 1	4,815	-	-	4,815
Transfer from stage 2	-	(10,265)	-	(10,265)
Transfer to stage 3	-	-	3,880	3,880
Write-offs	-	-	(191)	(191)
New financial assets originated or purchased	419,579	1,248	2,187	423,014
Financial assets derecognised during the period	11,766	(2,392)	(128)	9,246
Decreases due to changes in credit risk	(124,943)	(9,817)	(3,434)	(138,194)
Gross carrying amount as at 31 December 2022	**2,052,270**	**110,982**	**80,424**	**2,243,676**

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.4 Loss Allowance (continued)

The Group / The Bank Debt securities at amortised cost	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL (but not POCI) €000	Total €000
Gross carrying amount as at 1 January 2023	317,877	-	-	317,877
Movement in loss allowance				
Transfers:				
Transfer from stage 1	(200)	-	-	(200)
Transfer to stage 2	-	200	-	200
New financial assets originated or purchased	14,250	-	-	14,250
Financial assets derecognised during the period	(4,999)	-	-	(4,999)
Decreases due to change in credit risk	(405)	-	-	(405)
Gross carrying amount as at 31 December 2023	**326,523**	**200**	**-**	**326,723**

The Group / The Bank Debt securities at amortised cost	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL (but not POCI) €000	Total €000
Gross carrying amount as at 1 January 2022	101,000	-	-	101,000
New financial assets originated or purchased	210,196	-	-	210,196
Financial assets derecognised during the period	(4,086)	-	-	(4,086)
Increases due to change in credit risk	10,767	-	-	10,767
Gross carrying amount as at 31 December 2022	**317,877**	**-**	**-**	**317,877**

The Group / The Bank Syndicated loans	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL (but not POCI) €000	Total €000
Gross carrying amount as at 1 January 2023	103,196	32,790	-	135,986
Movements in loss allowance				
Transfers:				
Transfer from stage 1	(8,365)	-	-	(8,365)
Transfer from stage 2	-	(1,635)	-	(1,635)
Transfer to stage 3	-	-	10,000	10,000
New financial assets originated or purchased	103,055	-	-	103,055
Financial assets derecognised during the period	(28,027)	(22,518)	-	(50,545)
(Decreases)/increases due to change in credit risk	(908)	97	-	(811)
Gross carrying amount as at 31 December 2023	**168,951**	**8,734**	**10,000**	**187,685**

47. RISK MANAGEMENT (CONTINUED)

47.2 Credit risk (continued)

47.2.4 Loss Allowance (continued)

The Group / The Bank	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (but not POCI)	Total
Syndicated loans	**€000**	**€000**	**€000**	**€000**
Gross carrying amount as at 1 January 2022	118,985	16,267	-	135,252
Movements in loss allowance				
Transfers:				
Transfer from stage 1	(22,518)	-	-	(22,518)
Transfer to stage 2	-	22,518	-	22,518
New financial assets originated or purchased	58,632	-	-	58,632
Financial assets derecognised during the period	(51,420)	(5,855)	-	(57,275)
Decreases due to change in credit risk	(483)	(140)	-	(623)
Gross carrying amount as at 31 December 2022	**103,196**	**32,790**	**-**	**135,986**

The Group / The Bank	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (but not POCI)	Total
Cash and Balances with Central Bank of Malta	**€000**	**€000**	**€000**	**€000**
Gross carrying amount as at 1 January 2023	85,889	-	-	85,889
New financial assets originated or purchased	45,184	-	-	45,184
Gross carrying amount as at 31 December 2023	**131,073**	**-**	**-**	**131,073**

The Group / The Bank	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (but not POCI)	Total
Cash and Balances with Central Bank of Malta	**€000**	**€000**	**€000**	**€000**
Gross carrying amount as at 1 January 2022	207,735	-	-	207,735
Decreases due to change in credit risk	(121,846)	-	-	(121,846)
Gross carrying amount as at 31 December 2022	**85,889**	**-**	**-**	**85,889**

The Bank	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (but not POCI)	Total
Loans and advances to Banks	**€000**	**€000**	**€000**	**€000**
Gross carrying amount as at 1 January 2023	71,098	-	-	71,098
New financial assets originated or purchased	499	-	-	499
Financial assets derecognised during the period	(763)	-	-	(763)
Decreases due to change in credit risk	(16,832)	-	-	(16,832)
Gross carrying amount as at 31 December 2023	**54,002**	**-**	**-**	**54,002**

47.2 Credit risk (continued)

47.2.4 Loss Allowance (continued)

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (but not POCI)	Total
Loans and advances to Banks	**€000**	**€000**	**€000**	**€000**
Gross carrying amount as at 1 January 2022	30,862	-	-	30,862
New financial assets originated or purchased	9,666	-	-	9,666
Financial assets derecognised during the period	(20)	-	-	(20)
Increase due to change in credit risk	30,590	-	-	30,590
Gross carrying amount as at 31 December 2022	**71,098**	**-**	**-**	**71,098**

47.2.5 Write-off Policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- ceasing enforcement activity; and
- situations where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group does not have any enforcement activities on written-off activities, meaning that the Group does not seek to recover amounts which it is legally owed in full, once these are written off.

47.2.6 Modification of Financial Assets

The Group sometimes modifies the terms of loans provided to customers. The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

Under IFRS 9, when the terms of a financial asset are modified but the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- internal grading/credit rating at the reporting date based on the modified terms; with
- internal grading/credit rating on initial recognition at the original contractual terms.

The Group renegotiates loans and advances to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if:

- the debtor is currently in default on its debt or if there is a high risk of default;
- there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms; and
- the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, revision of interest rate, or changing the timing of interest payments. Both retail and corporate loans are subject to the forbearance policy. The appropriate committee, depending on the facility amount and type of facility, reviews reports on forborne facilities on a regular basis.

For financial assets modified as part of the Group's forbearance policy, the credit grading reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and consider various behavioural indicators.

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit risk. Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period of one year before the exposure is no longer considered to be in default/credit-impaired.

47.3 Liquidity risk

Liquidity risk is the risk that Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. It arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due. To limit this risk, the Group has arranged for diversified funding sources. The Group also manages this risk by matching the maturities of assets and liabilities.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The disclosures made in the financial statements showing maturities are intended to show the timing of cash flows arising from assets and liabilities.

The Bank's Liquidity Coverage Ratio (LCR) remained relatively stable and within the Bank's risk appetite and applicable regulatory limit. Further information on the LCR is included in the 'Pillar 3 Disclosures' Report as published on the Bank's website.

47. RISK MANAGEMENT (CONTINUED)

47.3 Liquidity risk (continued)

The table below analyses the carrying amounts of assets and liabilities into relevant maturity groupings, based on the remaining period to the contractual maturity date. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table below does not reflect the expected cash flows indicated by its deposit retention history.

The Group	Less than three months	Between three months and one year	Between one year and five years	More than five years	Others	Total
At 31 December 2023	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Assets						
Cash and balances with Central Bank of Malta	131,071	-	-	-	-	131,071
Loans and advances to banks	54,499	-	-	-	-	54,499
Financial assets at FVTPL	217	-	17,035	23,997	5,235	46,484
Syndicated loans (net)	6,005	34,317	143,850	-	-	184,172
Loans and advances to customers (net)	22,082	154,165	183,527	2,334,455	-	2,694,229
Derivative financial instruments	-	-	-	536	-	536
Other debt and fixed income instruments (net)	8,058	58,334	281,348	94,292	-	442,032
Equity and other non-fixed income instruments	-	-	-	-	6,960	6,960
Investment in associates	-	-	-	-	14,784	14,784
Other assets	12,812	-	-	-	73,535	86,347
	234,744	**246,816**	**625,760**	**2,453,280**	**100,514**	**3,661,114**
Liabilities and equity						
Derivative financial instruments	-	-	-	536	-	536
Amounts owed to banks	76,038	4,647	-	-	-	80,685
Amounts owed to customers	2,132,257	360,748	644,234	600	-	3,137,839
Lease liabilities	-	602	2,241	1,742	-	4,585
Debt securities in issue	-	-	-	104,173	-	104,173
Other liabilities	8,603	985	2,533	2,829	30,918	45,868
Equity	-	-	-	-	287,428	287,428
	2,216,898	**366,982**	**649,008**	**109,880**	**318,346**	**3,661,114**
Gap	**(1,982,154)**	**(120,166)**	**(23,248)**	**2,343,400**	**(217,832)**	**-**

47.3 Liquidity risk (continued)

The Group	Less than three months	Between three months and one year	Between one year and five years	More than five years	Others	Total
At 31 December 2022	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Assets						
Cash and balances with Central Bank of Malta	85,887	-	-	-	-	85,887
Loans and advances to banks	72,870	-	-	-	-	72,870
Financial assets at FVTPL	1,013	126	6,814	19,992	13,101	41,046
Syndicated loans (net)	2,621	46,492	71,452	14,645	-	135,210
Loans and advances to customers (net)	28,969	90,086	154,431	1,951,208	-	2,224,694
Derivative financial instruments	-	23	59	656	-	738
Other debt and fixed income instruments (net)	4,576	16,198	296,304	142,523	-	459,601
Equity and other non-fixed income instruments	-	-	-	-	303	303
Investment in associates	-	-	-	-	13,667	13,667
Other assets	6,582	1,432	-	-	70,122	78,136
	202,518	**154,357**	**529,060**	**2,129,024**	**97,193**	**3,112,152**
Liabilities and equity						
Derivative financial instruments	-	23	59	656	-	738
Amounts owed to banks	44,191	6,196	-	-	-	50,387
Amounts owed to customers	1,941,606	398,370	363,327	7,330	-	2,710,633
Lease liabilities	-	508	2,410	2,328	-	5,246
Debt securities in issue	-	-	-	54,642	-	54,642
Other liabilities	3,168	1,248	2,134	233	22,265	29,048
Equity	-	-	-	-	261,458	261,458
	1,988,965	**406,345**	**367,930**	**65,189**	**283,723**	**3,112,152**
Gap	**(1,786,447)**	**(251,988)**	**161,130**	**2,063,835**	**(186,530)**	**-**

47. RISK MANAGEMENT (CONTINUED)

47.3 Liquidity risk (continued)

The Bank At 31 December 2023	Less than three months €000	Between three months and one year €000	Between one year and five years €000	More than five years €000	Others €000	Total €000
Assets						
Cash and balances with Central Bank of Malta	131,071	-	-	-	-	131,071
Loans and advances to banks	53,951	-	-	-	-	53,951
Syndicated loans (net)	6,005	34,317	143,850	-	-	184,172
Loans and advances to customers (net)	22,082	154,165	183,527	2,334,455	-	2,694,229
Derivative financial instruments	-	-	-	536	-	536
Other debt and fixed income instruments (net)	8,058	58,334	281,348	94,292	-	442,032
Equity and other non-fixed income instruments	-	-	-	-	6,960	6,960
Investment in subsidiaries	-	-	-	-	40,251	40,251
Investment in associates	-	-	-	-	14,563	14,563
Other assets	11,825	-	-	-	73,694	85,519
	232,992	**246,816**	**608,725**	**2,429,283**	**135,468**	**3,653,284**
Liabilities and equity						
Derivative financial instruments	-	-	-	536	-	536
Amounts owed to banks	76,038	4,647	-	-	-	80,685
Amounts owed to customers	2,133,632	360,748	644,234	600	-	3,139,214
Lease liabilities	-	602	2,241	1,742	-	4,585
Debt securities in issue	-	-	-	104,173	-	104,173
Other liabilities	8,603	985	2,533	2,829	30,817	45,767
Equity	-	-	-	-	278,324	278,324
	2,218,273	**366,982**	**649,008**	**109,880**	**309,141**	**3,653,284**
Gap	**(1,985,281)**	**(120,166)**	**(40,283)**	**2,319,403**	**(173,673)**	**-**

47.3 Liquidity risk (continued)

The Bank **At 31 December 2022**	**Less than three months** **€000**	**Between three months and one year** **€000**	**Between one year and five years** **€000**	**More than five years** **€000**	**Others** **€000**	**Total** **€000**
Assets						
Cash and balances with Central Bank of Malta	85,887	-	-	-	-	85,887
Loans and advances to banks	71,023	-	-	-	-	71,023
Syndicated loans (net)	2,621	46,492	71,452	14,645	-	135,210
Loans and advances to customers (net)	28,969	90,086	154,431	1,951,208	-	2,224,694
Derivative financial instruments	-	23	59	656	-	738
Other debt and fixed income instruments (net)	4,576	16,198	296,304	142,523	-	459,601
Equity and other non-fixed income instruments	-	-	-	-	303	303
Investment in subsidiaries	-	-	-	-	40,251	40,251
Investment in associates	-	-	-	-	14,063	14,063
Other assets	5,746	1,432	-	-	71,144	78,322
	198,822	**154,231**	**522,246**	**2,109,032**	**125,761**	**3,110,092**
Liabilities and equity						
Derivative financial instruments	-	23	59	656	-	738
Amounts owed to banks	44,191	6,196	-	-	-	50,387
Amounts owed to customers	1,943,777	398,370	363,327	7,330	-	2,712,804
Lease liabilities	-	508	2,410	2,328	-	5,246
Debt securities in issue	-	-	-	54,642	-	54,642
Other liabilities	3,168	1,248	2,134	233	22,164	28,947
Equity	-	-	-	-	257,328	257,328
	1,991,136	**406,345**	**367,930**	**65,189**	**279,492**	**3,110,092**
Gap	**(1,792,314)**	**(252,114)**	**154,316**	**2,043,843**	**(153,731)**	**-**

Analysis of financial liabilities by remaining contractual maturities
The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2023 and 31 December 2022 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table below does not reflect the expected cash flows:

The Group **At 31 December 2023**	**Less than three months** **€000**	**Between three months and one year** **€000**	**Between one year and five years** **€000**	**More than five years** **€000**	**Others** **€000**	**Total** **€000**
Liabilities						
Derivative financial instruments	-	-	-	536	-	536
Amounts owed to banks	76,168	4,649	-	-	-	80,817
Amounts owed to customers	2,136,647	363,966	649,540	601	-	3,150,754
Lease liabilities	-	692	2,601	1,859	-	5,152
Debt securities in issue	67	2,177	8,707	109,694	-	120,645
Other liabilities	8,603	985	2,533	2,829	30,918	45,868
	2,221,485	**372,469**	**663,381**	**115,519**	**30,918**	**3,403,772**
Loan Commitments	1,099,547					
Contingent Liabilities	30,638					

47. RISK MANAGEMENT (CONTINUED)

47.3 Liquidity risk (continued)

The Group At 31 December 2022	Less than three months €000	Between three months and one year €000	Between one year and five years €000	More than five years €000	Others €000	Total €000
Liabilities						
Derivative financial instruments	-	23	59	656	-	738
Amounts owed to banks	44,191	6,196	-	-	-	50,387
Amounts owed to customers	1,942,588	399,602	365,462	7,352	-	2,715,004
Lease liabilities	-	760	2,703	2,493	-	5,956
Debt securities in issue	-	1,788	7,150	59,959	-	68,897
Other liabilities	3,168	1,248	2,134	233	22,265	29,048
	1,989,947	**409,617**	**377,508**	**70,693**	**22,265**	**2,870,030**
Loan Commitments	878,787					
Contingent Liabilities	21,911					

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities as at 31 December 2023 and 31 December 2022 based on contractual undiscounted repayment obligations:

The Bank At 31 December 2023	Less than three months €000	Between three months and one year €000	Between one year and five years €000	More than five years €000	Others €000	Total €000
Liabilities						
Derivative financial instruments	-	-	-	536	-	536
Amounts owed to banks	76,038	4,647	-	-	-	80,685
Amounts owed to customers	2,136,647	363,966	649,540	601	-	3,150,754
Lease liabilities	-	692	2,601	1,859	-	5,152
Debt securities in issue	67	2,177	8,707	109,694	-	120,645
Other liabilities	8,603	985	2,533	2,829	30,817	45,767
	2,221,355	**372,467**	**663,381**	**115,519**	**30,817**	**3,403,539**
Loan Commitments	1,099,547					
Contingent Liabilities	30,637					

The Bank At 31 December 2022	Less than three months €000	Between three months and one year €000	Between one year and five years €000	More than five years €000	Others €000	Total €000
Liabilities						
Derivative financial instruments	-	23	59	656	-	738
Amounts owed to banks	44,191	6,196	-	-	-	50,387
Amounts owed to customers	1,944,758	399,602	365,462	7,352	-	2,717,174
Lease liabilities	-	760	2,703	2,493	-	5,956
Debt securities in issue	-	1,788	7,150	59,959	-	68,897
Other liabilities	3,168	1,248	2,134	233	22,165	28,948
	1,992,117	**409,617**	**377,508**	**70,693**	**22,165**	**2,872,100**
Loan Commitments	878,787					
Contingent Liabilities	21,911					

47. RISK MANAGEMENT (CONTINUED)

47.3 Liquidity risk (continued)

Asset encumbrance

In accordance with Appendix 3 of BR07/2014 - *Publication of Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Banking Act 1994* and the CRR, credit institutions shall ensure compliance with the provisions of the EBA Guidelines on Disclosure of Encumbered and Unencumbered Assets.

The Bank's encumbered assets relate to debt securities which are pledged in favour of the European Central Bank for the purposes of existing and potential long term re-financing operations and also cash in favour of the Depositor Compensation Scheme.

The Bank	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets as at 31 December 2023	**€000**	**€000**	**€000**	**€000**
Equity instruments	-	-	61,773	7,410
Debt securities	204,837	198,624	236,671	233,075
Other assets	2,506	-	3,147,496	-
Assets of the reporting institutions	**207,343**	**198,624**	**3,445,940**	**240,485**

The Bank	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets as at 31 December 2022	**€000**	**€000**	**€000**	**€000**
Equity instruments	-	-	54,617	554
Debt securities	228,288	217,984	231,313	224,772
Other assets	2,506	-	2,593,369	-
Assets of the reporting institutions	**230,794**	**217,984**	**2,879,299**	**225,326**

In the above table, the unencumbered assets disclosed under Other Assets include loans and advances, cash and short- term funds, property, plant and equipment, tax assets and other assets.

The table below discloses the liabilities associated with the Bank's encumbered assets.

	The Bank			
	2023		2022	
	Matching liabilities	**Encumbered Assets**	Matching liabilities	Encumbered Assets
Encumbered assets/collateral received and associated liabilities	**€000**	**€000**	€000	€000
Carrying amount of selected financial liabilities	**208,184**	**207,343**	231,734	230,794

47.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and the prices of equities, bonds and commodities.

The Group's exposure to market risk is mainly in the form of interest rate risk and foreign exchange risk. The risk associated with the Group's exposure in equities is not considered to be material. Also, as disclosed in Note 21, derivative financial liabilities comprise customer deposits on which the return varies with the performance of reference equity and commodity indices. The Bank manages the resulting market risks through purchased warrants that are presented as derivative financial assets.

47.4.1 Interest rate risk

Interest rate risk is the risk of the exposure of the Group's financial condition to unfavourable movements in interest rates.

The Group manages its exposure to interest rate risk using interest rates repricing gaps and both economic value and earnings-based measures. The Group's interest rate risk management framework is in line with the relevant guidelines issued by the EBA. Further information is provided in the Pillar 3 Disclosures Report[14] as published on the Bank's website.

[14] The Pillar 3 Disclosures Report is not subject to external audit, with the exception of any disclosures that are equivalent to those made in the Financial Statements.

47. RISK MANAGEMENT (CONTINUED)

47.4 Market risk (continued)

47.4.1 Interest rate risk (continued)

The following tables show the impact on the Bank's economic value under different interest rate scenarios. The Bank's interest rate risk management framework follows relevant EBA Guidelines. These Guidelines mandate six shock scenarios that set out the change in interest rates under which the impact on the economic value of equity is assessed.

Sensitivity of reported equity to interest rates movements At 31 December 2023	Parallel shock up €000	Parallel shock down €000	Short rates up €000	Short rates down €000	Steepener €000	Flattener €000
Average for the period	13,853	(13,396)	13,935	(14,264)	(8,019)	10,535
Maximum for the period	27,526	(6,051)	17,209	(11,954)	(4,409)	12,394
Minimum for the period	7,560	(28,918)	11,717	(17,695)	(10,156)	8,928

Sensitivity of reported equity to interest rates movements At 31 December 2022	Parallel shock up €000	Parallel shock down €000	Short rates up €000	Short rates down €000	Steepener €000	Flattener €000
Average for the period	13,763	(10,008)	17,188	(15,923)	(11,506)	14,307
Maximum for the period	33,724	(536)	24,943	(11,727)	(8,557)	22,730
Minimum for the period	5,940	(20,827)	11,432	(22,826)	(20,834)	10,028

The potential impact on the Group's economic value is based on the most unfavourable scenario which, as at 31 December 2023, was brought through the 'parallel down' scenario. The scenarios are reviewed periodically by Management to ensure that these capture all plausible scenarios. As at 31 December 2023, Management added a scenario where long term rates drop below short term rate assuming that the market starts to price in rate cuts, resulting in an 'inverted steepener' yield curve. When compared to the other scenarios, this is the most realistic curve to the current market. This scenario would result in an impact of +€4.96 million on the Group's economic value.

The following tables show the impact on the Bank`s net interest income under two different interest rate scenarios as outlined in the respective EBA Guidelines.

Sensitivity of projected net interest rate income to interest rates movements Financial year ended 31 December 2023	Parallel shock up €000	Parallel shock down €000
Average for the period	1,961	(1,961)
Maximum for the period	2,167	(1,758)
Minimum for the period	1,758	(2,167)

Sensitivity of projected net interest rate income to interest rates movements Financial year ended 31 December 2022	Parallel shock up €000	Parallel shock down €000
Average for the period	1,489	(547)
Maximum for the period	1,702	702
Minimum for the period	1,349	(1,550)

47. RISK MANAGEMENT (CONTINUED)

47.4 Market risk (continued)

47.4.1 Interest rate risk (continued)

The below tables set out interest sensitive assets and liabilities categorised by repricing dates.

The Group At 31 December 2023	Up to 1 year €000	1 – 5 years €000	5 – 10 years €000	More than 10 years €000	Others €000
Assets					
Cash and balances with Central Bank of Malta	91,448	-	-	-	-
Loans and advances to banks	54,499	-	-	-	-
Loans and advances to customers	2,693,892	93	194	50	-
Syndicated loans	184,172	-	-	-	-
Derivative financial instruments	-	536	-	-	-
Financial assets at FVTPL	4,597	21,103	12,095	8,471	218
Debt securities	66,392	281,349	87,770	6,521	-
	3,095,000	**303,081**	**100,059**	**15,042**	**218**
Liabilities					
Amounts owed to banks	80,685	-	-	-	-
Amounts owed to customers	1,752,612	1,384,612	615	-	-
Derivative financial instruments	-	536	-	-	-
Debt securities in issue	-	49,493	54,680	-	-
	1,833,297	**1,434,641**	**55,295**	**-**	**-**
Net interest rate risk GAP at 31 December 2023	**1,261,703**	**(1,131,560)**	**44,764**	**15,042**	**218**

The Group At 31 December 2022	Up to 1 year €000	1 – 5 years €000	5 – 10 years €000	More than 10 years €000	Others €000
Assets					
Cash and balances with Central Bank of Malta	50,009	-	-	-	-
Loans and advances to banks	72,870	-	-	-	-
Financial assets at FVTPL	3,274	16,904	14,776	5,329	763
Derivative financial instruments	23	59	656	-	-
Syndicated loans	135,210	-	-	-	-
Loans and advances to customers	1,731,560	311,816	180,758	560	-
Debt securities	20,773	296,306	136,043	6,479	-
	2,013,719	**625,085**	**332,233**	**12,368**	**763**
Liabilities					
Amounts owed to banks	50,387	-	-	-	-
Amounts owed to customers	1,603,247	1,100,056	7,330	-	-
Derivative financial instruments	23	59	656		
Debt securities in issue	-	54,642	-	-	-
	1,653,657	**1,154,757**	**7,986**	**-**	**-**
Net interest rate risk GAP at 31 December 2022	**360,062**	**(529,672)**	**324,247**	**12,368**	**763**

47. RISK MANAGEMENT (CONTINUED)

47.4 Market risk (continued)

47.4.1 Interest rate risk (continued)

The Bank At 31 December 2023	Up to 1 year €000	1 – 5 years €000	5 – 10 years €000	More than 10 years €000	Others €000
Assets					
Cash and balances with Central Bank of Malta	91,448	-	-	-	-
Loans and advances to banks	53,951	-	-	-	-
Loans and advances to customers	2,693,892	93	194	50	-
Syndicated loans	184,172	-	-	-	-
Loans and advances to customers	-	536	-	-	-
Debt securities	66,392	281,349	87,770	6,521	-
	3,089,855	**281,978**	**87,964**	**6,571**	**-**
Liabilities					
Amounts owed to banks	80,685	-	-	-	-
Amounts owed to customers	1,753,987	1,384,612	615	-	-
Derivative financial instruments	-	536	-	-	-
Debt securities in issue	-	49,493	54,680	-	-
	1,834,672	**1,434,641**	**55,295**	**-**	**-**
Net interest rate risk GAP at 31 December 2023	**1,255,183**	**(1,152,663)**	**32,669**	**6,571**	**-**

The Bank At 31 December 2022	Up to 1 year €000	1 – 5 years €000	5 – 10 years €000	More than 10 years €000	Others €000
Assets					
Cash and balances with Central Bank of Malta	50,009	-	-	-	-
Loans and advances to banks	71,023	-	-	-	-
Syndicated loans	135,210	-	-	-	-
Loans and advances to customers	1,731,560	311,816	180,758	560	-
Derivative financial instruments	23	59	656	-	-
Debt securities	20,773	296,306	136,043	6,479	-
	2,008,598	**608,181**	**317,457**	**7,039**	**-**
Liabilities					
Amounts owed to banks	50,387	-	-	-	-
Amounts owed to customers	1,605,418	1,100,056	7,330	-	-
Derivative financial instruments	23	59	656	-	-
Debt securities in issue	-	54,642	-	-	-
	1,655,828	**1,154,757**	**7,986**	**-**	**-**
Net interest rate risk GAP at 31 December 2022	**352,770**	**(546,576)**	**309,471**	**7,039**	**-**

The carrying amount of assets and liabilities that carry a variable interest rate is €3.0 billion and €1.9 billion, respectively (2022: €2.0 billion and €1.8 billion).

47. RISK MANAGEMENT (CONTINUED)

47.4 Market risk (continued)

47.4.2 Currency risk

Currency risk is the risk of the exposure of the Group's financial position, financial performance and cash flow to unfavourable movements in foreign exchange rates.

The Group's financial assets and liabilities are substantially held in Euro. Limits are set on the level of exposure, both by individual currency and in total. The exposure is also monitored through regular sensitivity analysis.

The aggregate amount of assets and liabilities denominated in foreign currencies translated into Euro are as follows:

	2023			
	USD	GBP	Other	Total
	€000	€000	€000	€000
Assets	20,148	27,077	23,994	71,219
Liabilities	20,143	27,067	23,883	71,093

	2022			
	USD	GBP	Other	Total
	€000	€000	€000	€000
Assets	62,074	36,863	24,068	123,005
Liabilities	62,127	36,877	23,975	122,979

The minimal currency exposure is not expected to leave any significant impact on the Group's income.

Additional disclosures on currency composition of year-end balances are disclosed in Notes 16, 17, 19, 20, 22, 23, 32 and 33.

47.5 Capital management

The Group continuously aims at building and sustaining a strong capital base and at applying it efficiently throughout its activities to attain its strategic objectives, optimise shareholder value whilst ensuring the sustainability of the Bank's business model and risk profile. A strong and prudent capital base is one of the pillars of the Group's business model and maintaining adequate capital ratios will continue being key to enable the Group to steer through currently challenging economic conditions.

During the current financial year, the Group continued to perform the Internal Capital Adequacy Assessment Process (ICAAP), in compliance with Banking Rule BR/12/2022 - The Supervisory Review Process of Credit Institutions Authorised Under the Banking Act 1994, as mandated by the Capital Requirements Directive. The objective of the ICAAP is to inform the Board of Directors of the ongoing assessment of the Group's risks, how the Group mitigates those risks and how much capital is necessary having considered other mitigating factors. This process takes into consideration Pillar I risks, as well as other material risks (Pillar II risks) including concentration risk, interest rate risk, IT and Cyber risks, ESG risks, reputation risk and other key risks. Thus, the ICAAP serves as a key decision-making tool. The ICAAP demonstrated that the Group is well capitalised. The document was approved by the Board of Directors and submitted to the MFSA.

In accordance with the CRR, the Bank calculates its capital requirements for Pillar 1 risks as shown in the tables overleaf. In addition, the Bank is required to meet a total SREP capital requirement (TSCR) of 12.0%, consisting of 8.0% minimum Pillar 1 requirement and a 4.0% Pillar 2 requirement (P2R). Banking Rule BR/15/2022 – Capital Buffers of Credit Institutions Authorised Under Banking Act 1994 requires institutions to maintain capital buffers over and above the Pillar 1 requirements. During 2023 the Bank operated at all times above the level of capital including the capital buffers. Further information on the P2R and capital buffers is included in the 'Pillar 3 Disclosures' Report as published on the Bank's website.

Further information on the Bank's capital position may be found in the 'Pillar 3 Disclosures' Report as published on the Bank's website which is prepared in line with the Pillar III requirements of Banking Rule BR/07/2014 – Publication of Annual Report and Audited Financial Statements of Credit Institutions Authorised Under the Banking Act 1994 and governed by the CRR II No. 2019/876.

The capital adequacy ratio measures the Bank's own funds as a percentage of the total risk-weighted assets and off-balance sheet items. The ratio for the year under review has been prepared in compliance with the CRR and Capital Requirements Directive V. During the year under review and the prior year, the Bank has complied with the externally imposed capital requirements. The table overleaf summarises the composition of regulatory capital and the ratios of the Bank as at the reporting date.

47. RISK MANAGEMENT (CONTINUED)

47.5 Capital management (continued)

	The Bank	
	2023	2022
	€000	€000
Total exposure (on and off-balance sheet)	**3,780,199**	3,212,972
Risk weighted amounts:		
Credit risk calculation - standardised approach	**1,606,050**	1,393,156
Operational risk - basic indicator approach	**134,918**	119,344
Foreign exchange risk	**15**	14
Total credit, operational and foreign exchange risk	**1,740,983**	1,512,514
CET 1/Tier 1 Capital	**254,503**	229,430
Tier 2 Capital	**104,173**	54,642
Total Own Funds	**358,676**	284,072
Capital Adequacy Ratio		
Tier 1 Ratio	**14.62%**	15.17%
Total Capital Ratio	**20.60%**	18.78%

The Bank's capital is composed of Common Equity Tier 1 (CET 1) and Tier 2 capital instruments, as defined by the CRR. CET 1 capital is the highest quality capital and, therefore, the most effective in absorbing losses. The Bank's capital is mainly composed of CET 1 capital, which primarily consists of ordinary share capital and retained earnings.

In June 2022, the Bank issued 110,000,000 new shares via an Initial Public Offering (IPO) at the price of €0.62 per share. The shares qualify as Tier 1 capital, which ranks as Shareholders' equity. In November 2023, the Bank issued unsecured subordinated bonds of €50,000,000 represented by 500,000 bonds with a nominal value of €100 each. The bond qualifies as Tier 2 capital.

In June 2023, the Bank vested 318,900 shares under the Executive Share Incentive Plan, at the allotment price of €0.62 per share. The shares qualify as Tier 1 capital, which ranks as Shareholders' equity.

Further information on the composition and features of the Bank's capital instruments is provided in the following two tables.

No changes were made in the objectives, policies and processes governing the Bank's capital management from the previous years.

The original own funds calculation comprises retained earnings which are adjusted to exclude the amount specified in favour of the Depositor's Compensation Scheme Reserve in line with the legislation (Note 22).

47. RISK MANAGEMENT (CONTINUED)

47.5 Capital management (continued)

The Bank	2023 €000	2022 €000
CET1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	**146,358**	140,140
Retained earnings	**111,955**	98,399
Accumulated other comprehensive income	**7,905**	2,981
Funds for general banking risk	**-**	2,904
Other reserves	**293**	147
	266,511	244,571
CET1 capital: regulatory adjustments		
Intangible assets	**(11,501)**	(14,545)
Regulatory adjustments due to the requirements for prudent valuation pursuant to Article 4 of Delegated Regulation (EU) 2016/101	**(215)**	(197)
Regulatory adjustments due to insufficient coverage for non-performing exposures	**(292)**	(399)
	(12,008)	(15,141)
CET 1/Tier 1 Capital	**254,503**	229,430
Tier 2 capital		
Debt securities in issue	**104,173**	54,642
Total Capital	**358,676**	284,072
Total Risk Weighted Assets	**1,740,983**	1,512,514
Capital Ratios		
CET1/Tier 1Capital Ratio	**14.62%**	15.17%
Total Capital Ratio	**20.60%**	18.78%
Amounts below the thresholds for deduction:		
Direct and indirect holdings of the capital of financial sector entities where the institution does not have significant investments in those entities (not included in CET 1 capital)	**16,689**	8,054

47. RISK MANAGEMENT (CONTINUED)

47.5 Capital management (continued)

In line with the CRR, the following table discloses the main features and the terms and conditions of Bank's Tier 1 and Tier 2 instruments.

Capital Instruments Main Features

Issuer	APS Bank plc	APS Bank plc	APS Bank plc
Unique identifier	213800A1O379I6DMCU10	213800A1O379I6DMCU10	213800A1O379I6DMCU10
Governing law(s) of the instrument	Maltese law	Maltese law	Maltese law

Regulatory treatment

Transitional CRR rules	CET 1	Tier 2	Tier 2
Post-transitional CRR rules	CET 1	Tier 2	Tier 2
Eligible at solo/(sub- consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
Instrument type	Ordinary shares	Debt securities in issue	Debt securities in issue
Amount recognised in regulatory capital	94,451	55,000	50,000
Nominal amount of instrument	94,451	55,000	50,000
Issue price	N/A	55,000	50,000
Redemption price	N/A	100	100
Accounting classification	Shareholder's equity	Amortised cost	Amortised cost
Original date of issuance	1 June 1970*	19 November 2020	13 November 2023
Perpetual or dated	Perpetual	Dated	Dated
Original maturity date	No	19 November 2030	13 November 2033
Issuer call subject to prior supervisory approval	No	Yes	Yes
Optional call date, contingent call dates and redemption amount	No	19 November 2025 at 100	13 November 2028 at 100
Subsequent call dates, if applicable	No	19 November 2026, 19 November 2027, 19 November 2028, 19 November 2029	13 November 2029, 13 November 2030, 13 November 2031, 13 November 2032

Coupons/dividends

Fixed or floating dividend/coupon	Floating	Fixed	Fixed
Coupon rate and any related index	N/A	3.25%, no index	5.80%, no index
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
Write-down features	No	No	No
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to creditors and depositors	Subordinated to creditors, senior secured and depositors	Subordinated to creditors, senior secured and depositors
Non-compliant transitioned features	No	N/A	N/A

*Various, latest date of capital injection was 13 June 2022. Furthermore, during 2023 a scrip dividend was distributed to shareholders.

47. RISK MANAGEMENT (CONTINUED)

47.5 Capital management (continued)

Full Reconciliation of Own Funds Items to Audited Financial Statements of the Bank as at 31 December 2023 is presented below:

	Balance in accordance with IFRS	Reconciling items	Balance in accordance with regulatory scope
	€000	€000	€000
Share capital (Note 37)	94,451	-	94,451
Debt securities in issue (Note 35)	104,173	-	104,173
Share premium (Note 37)	51,907	-	51,907
Revaluation reserve (Note 38)	7,905	-	7,905
Retained earnings (Note 39)	123,768	(11,813)	111,955
General reserve	293	-	293
Intangible assets (Note 28)	11,501	-	11,501
Prudent valuation adjustment	-	(215)	(215)

48. ULTIMATE CONTROLLING PARTY

The financial statements of APS Bank plc are included in the consolidated financial statements of AROM Holdings Limited, a company registered in Malta, a copy of which can be obtained from the Malta Business Registry. The Bank's immediate parent is AROM Holdings Limited. The ultimate controlling party of APS Bank plc is the Archdiocese of Malta.

The registered address of both AROM Holdings Limited and the Archdiocese of Malta is Archbishop's Curia, St. Calcedonius Square, Floriana.

49. COMPARATIVE INFORMATION

Certain items of the comparative period have been reclassified to conform to the presentation of the current year's financial statements. These include reclassifications in Note 9, Note 11, Note 22, Note 44, Note 45 and Note 47.

50. SUBSEQUENT EVENTS

There are no subsequent events up to the date of approval of the consolidated financial statements.

Five-Year Summaries

FIVE-YEAR SUMMARIES - STATEMENTS OF PROFIT OR LOSS

	2023	2022	2021	2020	2019
The Group	**€000**	€000	€000	€000	€000
Interest and similar income	**105,684**	79,859	69,135	62,280	58,021
Interest expense	**(32,096)**	(14,766)	(13,773)	(13,434)	(13,379)
Net interest income	**73,588**	65,093	55,362	48,846	44,642
Other operating income/(loss)	**11,878**	(445)	7,781	6,298	12,039
Total operating income	**85,466**	64,648	63,143	55,144	56,681
Operating expenses	**(52,630)**	(47,029)	(40,584)	(33,551)	(30,354)
Share of results of associate, net of tax	**902**	(2,213)	21	(258)	1,585
Net impairment (losses)/gains	**(3,497)**	254	1,488	(5,538)	(1,074)
Profit before tax	**30,241**	15,660	24,068	15,797	26,838
Income tax expense	**(9,667)**	(9,893)	(8,967)	(5,707)	(7,268)
Profit for the year	**20,574**	5,767	15,101	10,090	19,570

	2023	2022	2021	2020	2019
The Bank	**€000**	€000	€000	€000	€000
Interest and similar income	**104,163**	78,439	67,640	61,140	56,674
Interest expense	**(32,096)**	(14,766)	(13,773)	(13,434)	(13,379)
Net interest income	**72,067**	63,673	53,867	47,706	43,295
Other operating income	**10,606**	10,882	8,060	6,600	9,586
Total operating income	**82,673**	74,555	61,927	54,306	52,881
Operating expenses	**(51,371)**	(45,880)	(39,678)	(33,246)	(30,163)
Net impairment (losses)/gains	**(3,497)**	254	1,488	(5,538)	(1,074)
Profit before tax	**27,805**	28,929	23,737	15,522	21,644
Income tax expense	**(9,598)**	(9,773)	(8,696)	(5,589)	(7,182)
Profit for the year	**18,207**	19,156	15,041	9,933	14,462

THE GROUP'S FIVE-YEAR SUMMARY - STATEMENTS OF FINANCIAL POSITION

	2023	2022	2021	2020	2019
	€000	€000	€000	€000	€000
ASSETS					
Cash, treasury bills and balances with Central Bank of Malta	**13,027**	13,499	15,165	15,064	11,225
Balances with Central Bank of Malta	**118,044**	72,388	192,558	93,266	151,178
Cheques in course of collection	**-**	-	2,881	103	128
Loans and advances to banks	**54,499**	72,870	32,296	51,068	59,840
Financial assets at fair value through profit or loss	**46,484**	41,046	61,846	50,636	41,478
Non-current assets held for sale	**1,738**	1,733	-	-	-
Syndicated loans	**184,172**	135,210	134,262	113,152	125,953
Loans and advances to customers	**2,694,229**	2,224,694	1,932,044	1,689,003	1,458,144
Derivative financial instruments	**536**	738	552	499	721
Other debt and fixed income instruments	**442,032**	459,601	328,041	315,983	238,166
Equity and other non-fixed income instruments	**6,960**	303	307	303	308
Investment in associate	**14,784**	13,667	19,803	18,641	19,257
Investment properties	**6,714**	6,593	6,053	1,830	1,830
Property and equipment	**39,824**	39,252	40,998	46,180	43,851
Intangible assets	**17,523**	14,545	11,746	8,848	7,320
Right-of-use assets	**4,386**	5,040	5,051	5,235	2,592
Other receivables	**12,813**	8,016	9,152	8,619	6,478
Current tax assets	**195**	-	-	-	-
Deferred tax assets	**3,154**	2,957	2,249	2,553	460
TOTAL ASSETS	**3,661,114**	3,112,152	2,795,004	2,420,983	2,168,929
LIABILITIES					
Derivative financial instruments	**536**	738	552	499	721
Amounts owed to banks	**80,685**	50,387	57,208	9,304	24,512
Amounts owed to customers	**3,137,839**	2,710,633	2,431,757	2,123,446	1,928,971
Lease liabilities	**4,585**	5,246	5,348	5,365	2,629
Accruals	**22,842**	13,621	13,325	10,103	8,752
Debt securities in issue	**104,173**	54,642	54,597	54,558	-
Other liabilities	**20,385**	13,121	10,450	10,090	10,966
Current tax liabilities	**2,641**	2,306	945	1,399	463
TOTAL LIABILITIES	**3,373,686**	2,850,694	2,574,182	2,214,764	1,977,014
EQUITY					
Share capital	**94,451**	91,729	62,429	62,255	62,255
Share premium	**51,907**	48,410	10,453	10,140	10,140
Revaluation reserve	**7,905**	2,981	25,334	32,260	30,706
Retained earnings	**118,508**	107,209	103,974	91,736	82,785
Other reserves	**293**	147	-	-	-
Non-controlling interest	**14,364**	10,982	18,632	9,828	6,029
TOTAL EQUITY	**287,428**	261,458	220,822	206,219	191,915
TOTAL LIABILITIES AND EQUITY	**3,661,114**	3,112,152	2,795,004	2,420,983	2,168,929
MEMORANDUM ITEMS					
Contingent liabilities	**30,638**	21,911	25,356	23,128	22,855
Commitments	**1,099,547**	878,787	802,552	786,427	755,638

THE BANK'S FIVE-YEAR SUMMARY - STATEMENTS OF FINANCIAL POSITION

	2023	2022	2021	2020	2019
	€000	€000	€000	€000	€000
ASSETS					
Cash, treasury bills and balances with Central Bank of Malta	**13,027**	13,499	15,165	15,064	11,225
Balances with Central Bank of Malta	**118,044**	72,388	192,558	93,266	151,178
Cheques in course of collection	**-**	-	2,881	103	128
Loans and advances to banks	**53,951**	71,023	30,831	46,281	54,841
Financial assets at fair value through profit or loss	**-**	-	-	251	464
Non-current assets held for sale	**1,738**	1,733	-	-	-
Syndicated loans	**184,172**	135,210	134,262	113,152	125,953
Loans and advances to customers	**2,694,229**	2,224,694	1,932,044	1,689,003	1,458,144
Derivative financial instruments	**536**	738	552	499	721
Other debt and fixed income instruments	**442,032**	459,601	328,041	315,983	238,166
Equity and other non-fixed income instruments	**6,960**	303	307	303	308
Investment in subsidiaries	**40,251**	40,251	45,251	45,251	40,251
Investment in associate	**14,563**	14,063	16,761	15,261	15,261
Investment properties	**6,714**	6,593	6,053	1,830	1,830
Property and equipment	**39,824**	39,252	40,998	46,180	43,851
Intangible assets	**17,523**	14,545	11,746	8,848	7,318
Right-of-use assets	**4,386**	5,040	5,051	5,235	2,592
Other receivables	**12,180**	8,202	8,303	7,974	5,907
Deferred tax assets	**3,154**	2,957	2,249	2,553	460
TOTAL ASSETS	**3,653,284**	3,110,092	2,773,053	2,407,037	2,158,598
LIABILITIES					
Derivative financial instruments	**536**	738	552	499	721
Amounts owed to banks	**80,685**	50,387	57,208	9,304	24,512
Amounts owed to customers	**3,139,214**	2,712,804	2,433,073	2,124,149	1,929,504
Lease liabilities	**4,585**	5,246	5,348	5,365	2,629
Accruals	**22,787**	13,561	13,224	10,031	8,712
Debt securities in issue	**104,173**	54,642	54,597	54,558	-
Other liabilities	**20,339**	13,080	10,404	10,090	10,966
Current tax liabilities	**2,641**	2,306	758	1,354	452
TOTAL LIABILITIES	**3,374,960**	2,852,764	2,575,164	2,215,350	1,977,496
EQUITY					
Share capital	**94,451**	91,729	62,429	62,255	62,255
Share premium	**51,907**	48,410	10,453	10,140	10,140
Revaluation reserve	**7,905**	2,981	25,334	32,260	30,706
Other reserves	**293**	147	-	-	-
Retained earnings	**123,768**	114,061	99,673	87,032	78,001
TOTAL EQUITY	**278,324**	257,328	197,889	191,687	181,102
TOTAL LIABILITIES AND EQUITY	**3,653,284**	3,110,092	2,773,053	2,407,037	2,158,598
MEMORANDUM ITEMS					
Contingent liabilities	**30,638**	21,911	25,356	23,128	22,855
Commitments	**1,099,547**	878,787	802,552	786,427	755,638

THE GROUP'S FIVE-YEAR SUMMARY - STATEMENTS OF CASH FLOWS

	2023	2022	2021	2020	2019
	€000	€000	€000	€000	€000
Net cash flows (used in)/from operating activities	**(68,245)**	3,835	49,036	(12,347)	(57,230)
Investing activities					
Dividends received	**286**	403	597	544	195
Interest income from debt securities	**7,015**	7,328	7,054	6,684	7,811
Purchase of debt and other fixed income instruments	**(22,797)**	(229,935)	(44,389)	(134,778)	(26,435)
Proceeds on maturity and disposal of debt and other fixed income instruments	**44,022**	73,040	23,838	55,957	40,490
Purchase of financial assets at FVTPL	**(46,678)**	(98,742)	(46,241)	(39,165)	(34,520)
Proceeds on disposal of financial assets at FVTPL	**42,804**	99,653	34,605	31,496	34,224
Purchase of equity and other fixed income instruments	**(5,718)**	-	-	(950)	-
Proceeds on disposal of equity and other non-fixed income instruments	**-**	-	-	1,000	880
Proceeds on disposal of investments in associates	**-**	9,589	-	-	-
Investment in associate	**(500)**	(500)	(1,500)	-	(375)
Purchase of property and equipment	**(8,861)**	(5,431)	(653)	(6,034)	(6,781)
Net cash flows from/(used in) investing activities	**9,573**	(144,595)	(26,689)	(85,246)	15,489
Financing activities					
Dividends paid	**(2,703)**	(3,170)	(2,144)	(91)	(3,171)
Amounts received on creation of units in subsidiary	**3,459**	1,027	9,386	4,207	3,865
Amounts paid on redemption of units in subsidiary	**(625)**	(630)	(794)	(535)	(228)
Net proceeds from issue from debt securities in issue	**49,486**	-	-	55,000	-
Proceeds from issue of new shares, net of issue costs	**-**	65,457	-	-	13,020
Cash payment for the principal portion of lease liability	**(722)**	(761)	(515)	(496)	(394)
Net cash flows from financing activities	**48,895**	61,923	5,933	58,085	13,092
Net (decrease)/increase in cash and cash equivalents	**(9,777)**	(78,837)	28,280	(39,508)	(28,649)
Cash and cash equivalents at 1 January	**92,264**	171,101	142,821	182,329	210,978
Cash and cash equivalents at 31 December	**82,487**	92,264	171,101	142,821	182,329

THE BANK'S FIVE-YEAR SUMMARY – STATEMENTS OF CASH FLOWS

	2023	2022	2021	2020	2019
	€000	€000	€000	€000	€000
Net cash flows (used in)/from operating activities	**(69,180)**	3,517	48,158	(13,136)	(58,177)
Investing activities					
Dividends received	**1,252**	1,477	1,273	1,236	1,572
Interest income from debt securities	**7,015**	7,328	7,054	6,684	7,811
Purchase of debt and other fixed income instruments	**(22,797)**	(229,935)	(44,389)	(134,778)	(26,435)
Proceeds on maturity and disposal of debt and other fixed income instruments	**44,022**	73,040	23,838	55,957	40,490
Purchase of equity and other non-fixed income instruments	**(5,718)**	-	-	(950)	-
Proceeds on disposal of equity and other non-fixed income instruments	**-**	-	-	1,000	880
Purchase of financial assets at FVTPL	**-**	-	-	-	-
Proceeds on disposal of financial assets at FVTPL	**-**	-	249	221	213
Purchase of property and equipment	**(8,861)**	(5,431)	(653)	(6,034)	(6,781)
Proceeds on disposal of investments in associates	**-**	9,589	-	-	-
Investment in associates	**(500)**	(500)	(1,500)	-	(375)
Investment in subsidiaries	**-**	-	-	(5,000)	-
Net cash flows from/(used in) investing activities	**14,413**	(144,432)	(14,128)	(81,664)	17,375
Financing activities					
Dividends paid	**(2,475)**	(3,000)	(1,913)	-	(3,575)
Proceeds from issue of debt securities in issue	**49,486**	-	-	55,000	-
Proceeds from issue of new shares, net of issue costs	**-**	65,457	-	-	13,020
Cash payment for the principal portion of lease liability	**(722)**	(761)	(515)	(496)	(394)
Net cash flows from/(used in) financing activities	**46,289**	61,696	(2,428)	54,504	9,051
Net (decrease)/increase in cash and cash equivalents	**(8,478)**	(79,219)	31,602	(40,296)	(31,751)
Cash and cash equivalents at 1 January	**90,417**	169,636	138,034	178,330	210,081
Cash and cash equivalents at 31 December	**81,939**	90,417	169,636	138,034	178,330

THE GROUP'S FIVE-YEAR SUMMARY - ACCOUNTING RATIOS

	2023	2022	2021	2020	2019
	%	%	%	%	%
Net interest income and other operating income to total assets	**2.3**	2.1	2.3	2.3	2.6
Operating expenses to total assets	**1.4**	1.5	1.5	1.4	1.4
Cost to income ratio	**61.6**	72.7	64.3	60.8	53.6
Profit before tax to total assets	**0.8**	0.5	0.9	0.7	1.2
Return on average equity after tax	**7.5**	2.3	7.1	5.1	11.7

	2023	2022	2021	2020	2019
Shares in issue (thousands)*	**377,804**	366,917	249,716	249,019	249,019
Net assets per share	**73c**	66c	75c	74c	70c

THE BANK'S FIVE-YEAR SUMMARY - ACCOUNTING RATIOS

	2023	2022	2021	2020	2019
	%	%	%	%	%
Net interest income and other operating income to total assets	**2.3**	2.4	2.2	2.3	2.5
Operating expenses to total assets	**1.4**	1.5	1.4	1.4	1.4
Cost to income ratio	**62.1**	61.5	64.1	61.2	57.0
Profit before tax to total assets	**0.8**	0.9	0.9	0.6	1.0
Return on average equity after tax	**6.8**	8.3	7.7	5.3	9.0

	2023	2022	2021	2020	2019
Shares in issue (thousands)*	**377,804**	366,917	249,716	249,019	249,019
Net assets per share	**74c**	68c	74c	72c	68c

* Number of shares in issue and the net assets per share for 2019 have been restated to reflect the number of shares in issue as a result of the 2020 re-designation of the ordinary shares.

The Net assets per share for 2019 to 2022 have been restated to include the scrip dividend issued in 2022 and 2023 in the form of shares amounting to 7.2 million and 10.9 million respectively.

Return on average equity before tax of the Bank is calculated as the return as a percentage of the 12 months ending equity balances. The average capital employed of the Group is calculated as the average of the opening and closing equity balances.

Independent Auditor's Report

TO THE MEMBERS OF APS BANK PLC

Deloitte.

Deloitte Audit Limited
Deloitte Place,
Trig L-Intornjatur,
Central Business District,
CBD 3050
Malta

Tel: +356 2343 2000, 2134 5000
Fax: +356 2133 2606
info@deloitte.com.mt
www.deloitte.com/mt

Company Ref No: C51312
VAT Reg No: MT2013 6121
Exemption number: EX02155

INDEPENDENT AUDITOR'S REPORT

to the members of
APS Bank plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of APS Bank plc ('the Bank') and the consolidated financial statements of the Bank and its subsidiaries (together, the Group), set out on pages 52 to 134, which comprise the statements of financial position as at 31 December 2023, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank and the Group as at 31 December 2023, and of the Bank's and the Group's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRSs) as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act (Cap.386) and the Banking Act (Cap.371).

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 are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that is relevant to our audit of the financial statements of public interest entities in Malta. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Bank and the Group and have not provided any of the non-audit services prohibited by article 18A (1) of the Accountancy Profession Act (Cap. 281).

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. The key audit matter described below pertains to the audit of both the Bank and the Group financial statements. This matter was addressed in the context of our audit of the Bank and the Group's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Impairment allowances on loans and advances to customers

At 31 December 2023 the Bank and Group reported total gross loans and advances to customers (assets) of EUR2,712,913,000 and EUR18,684,000 of expected credit loss provisions (ECL) and total gross syndicated loans (assets) of EUR187,686,000 and EUR3,514,000 of ECL.

The determination of the Bank's ECL on its loans and advances to customers is subject to a high degree of estimation uncertainty and management judgement. Assumptions in respect of the timing, measurement and disclosure of ECL include:

- **Staging** - Allocation of assets to stage 1, 2, or 3 on a timely basis using criteria in accordance with IFRS 9 considering the impact of macroeconomic uncertainties on customer behaviours and further support measures that were granted following the identification of underlying significant deterioration in credit risk;
- **Model estimations** - Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL;
- **Economic scenarios** – Inputs, assumptions and weightings used to estimate the impact of multiple economic scenarios;
- **Post model adjustments** – Assumptions used to estimate the possible negative impact of macroeconomic uncertainties on certain customers and/or sectors and any resulting model adjustments;
- **Individual provisions** - Measurement of individual provisions including the assessment of multiple scenarios on exit strategies, collateral valuations and time to collect; and
- **Disclosure** - The completeness and preparation of disclosures considering the key judgments, sources of data and the design of the disclosures.

Our audit response to address the risk of material misstatement arising from the ECL calculation comprised the following:

Controls testing and analytical procedures:

We evaluated the design and implementation and tested the operating effectiveness of the Bank's and Group's key controls across the processes relevant to the ECL calculation, including testing of the automated controls embedded in the ECL system. Data analytics was used in order to analyse the loan data and the movements in the various credit risk grading categories and stages in order to identify any anomalies and possible risk areas. We reviewed management's assessment of the reliability of the collateral valuation reports being used in the ECL calculation.

Staging:

We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank's and Group's portfolio, risk profile, credit risk management policies and the macroeconomic environment. We challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9 and sample tested assets classified in each of stages 1, 2 and 3 to verify that they were allocated to the appropriate stage.

Model estimations:

We tested the data used in the ECL calculation by reconciling to source systems in order to gain reasonable assurance over the data quality. Assumptions and inputs used in ECL models were tested substantively, including assessing the appropriateness of model design. Formulas used were recalculated for mathematical accuracy.

Economic scenarios:

We reviewed the inputs, assumptions and weightings used to estimate the impact of multiple economic scenarios.

Post model adjustments:

We assessed the appropriateness of post model adjustments.

Individual provisions:

For a sample of individually impaired loans, we evaluated the specific circumstances of the customer, including latest available information, the basis for measuring the impairment provision, and whether key judgements were appropriate. We reperformed management's impairment calculations, which were largely based on the expected recovery from collateral held. We tested the valuation of collateral, challenging subjective estimates by referring to historical recoveries and market information available.

Disclosure:

We assessed the adequacy and appropriateness of disclosures for compliance with IFRSs as adopted by the EU and regulatory considerations.

The Bank and Group's disclosures about impairment are included in Notes 2.3, 11 and 47, which include the Directors' assessment of the adequacy of the impairment provisions.

Other information

The Directors are responsible for the other information. The other information comprises the Chairman's Statement, the CEO's Review, the Board of Directors pages, the Executive Management pages, Corporate Governance Report which includes the Corporate Governance Statement of Compliance, the Directors' Report which includes the statement of directors' responsibilities, the Remuneration Report required under Rule 12.26K of the Capital Markets Rules, the Five Year Summaries and Our Presence page which we obtained prior to the date of this auditor's report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

to the members of
APS Bank plc

Other information (continued)

However, the other information does not include the individual and consolidated financial statements, our auditor's report and the relevant tagging applied in accordance with the requirements of the European Single Electronic Format, as defined in our R*eport on Other Legal and Regulatory Requirements*.

Except for our opinions on the Directors' Report in accordance with the Companies Act (Cap. 386), and on the Corporate Governance Statement of Compliance and on the Remuneration Report in accordance with the Capital Markets Rules issued by the Malta Financial Services Authority, our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosure requirements of Article 177 of the Companies Act (Cap. 386), and the statement required by Rule 5.62 of the Capital Markets Rules on the Bank's and the Group's ability to continue as a going concern.

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' Report on pages 2 to 36, in our opinion, based on the work undertaken in the course of the audit:

a) Non-financial statement in the Directors' Report
   - The Directors' Report includes non-financial information in line with the requirements of paragraphs 8 and 11 of the Sixth Schedule to the Companies Act (Cap. 386). The proviso to sub-article 179(3) of that Act requires us to check whether such information is provided, but not to express any comment thereon.

b) Directors' Report information other than the non-financial statement
   - the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements; and
   - the Directors' Report has been prepared in accordance with the applicable legal requirements.

In the light of the knowledge and understanding of the Bank, the Group and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities of the Directors and the Audit Committee for the Financial Statements

As explained more fully in the Statement of directors' responsibilities on pages 35 to 36, 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 Companies Act (Cap.386) and the Banking Act (Cap.371), and for such internal control as they 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 Bank's and the Group'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 Bank and/or the Group or to cease operations, or have no realistic alternative but to do so.

The Directors have delegated the responsibility for overseeing the Bank's and the Group's financial reporting process to the Audit Committee.

Auditor's Responsibilities for the Audit of the Financial Statements

This report, including the opinions set out herein, has been prepared for the Bank's members as a body in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386).

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 opinions in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386). 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.

In terms of article 179A(4) of the Companies Act (Cap. 386), the scope of our audit does not include assurance on the future viability of the Bank or of the Group, or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the Bank and the Group. The financial position of the Bank or the Group may improve, deteriorate, or otherwise be subject to change as a consequence of decisions taken, or to be taken, by the management thereof, or may be impacted by events occurring after the date of this opinion, including, but not limited to, events of force majeure.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As such, our audit report on the Bank's and the Group's historical financial statements is not intended to facilitate or enable, nor is it suitable for, reliance by any person, in the creation of any projections or predictions, with respect to the future financial health and viability of the Bank and/or the Group, and cannot therefore be utilised or relied upon for the purpose of decisions regarding investment in, or otherwise dealing with (including but not limited to the extension of credit), the Bank and/or the Group. Any decision-making in this respect should be formulated on the basis of a separate analysis, specifically intended to evaluate the prospects of the Bank and/or the Group and to identify any facts or circumstances that may be materially relevant thereto.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 Bank's or the Group'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 Bank's and the Group'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 Bank and/or the Group to cease to continue as a going concern. Accordingly, in terms of generally accepted auditing standards, the absence of any reference to a material uncertainty about the Bank's or the Group's ability to continue as a going concern in our auditor's report should not be viewed as a guarantee as to the Bank's and/or the Group's ability 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Bank or the business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

For the avoidance of doubt, any conclusions concerning the adequacy of the capital structure of the Bank, including the formulation of a view as to the manner in which financial risk is distributed between shareholders and/or creditors cannot be reached on the basis of these financial statements alone and must necessarily be based on a broader analysis supported by additional information.

We communicate with the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, 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 of the Annual Financial Report with the requirements of the European Single Electronic Format Regulatory Technical Standard as specified in the Commission Delegated Regulation (EU) 2019/815 (the ESEF RTS)

Pursuant to Capital Markets Rule 5.55.6 issued by the Malta Financial Services Authority, we have undertaken a reasonable assurance engagement in accordance with the requirements of the Accountancy Profession (European Single Electronic Format) Assurance Directive issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281), hereinafter referred to as the ESEF Directive 6, on the annual financial report of the Company and the Group for the year ended 31 December 2023, prepared in a single electronic reporting format.

Solely for the purposes of our reasonable assurance report on the compliance of the annual financial report with the requirements of the ESEF RTS, the Annual Financial Report comprises the Directors' Report, the Statement of Directors' responsibilities, the Corporate Governance Statement of Compliance, the annual financial statements, the prescribed disclosures of material contracts, General Company Information, and the Independent auditor's report, as set out in Capital Markets Rules 5.55.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

to the members of
APS Bank plc

Responsibilities of the Directors for the Annual Financial Report

The Directors are responsible for:

- the preparation and publication of the Annual Financial Report, including the consolidated financial statements and the relevant tagging requirements therein, as required by Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS;
- designing, implementing, and maintaining internal controls relevant to the preparation of the Annual Financial Report that is free from material non-compliance with the requirements of the ESEF RTS, whether due to fraud or error; and
- consequently, for ensuring the accurate transfer of the information in the Annual Financial Report into a single electronic reporting format.

Auditor's responsibilities for the Reasonable Assurance Engagement

Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the consolidated financial statements and the relevant electronic tags therein comply, 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.

The nature, timing and extent of procedures we performed, including the assessment of the risks of material non-compliance with the requirements of the ESEF RTS, whether due to fraud or error, were based on our professional judgement and included:

- Obtaining an understanding of the Bank's and the Group's internal controls relevant to the financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls;
- 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; and
- Examining the information in the Annual Financial Report to determine whether all the required tags therein have been applied and evaluating the appropriateness, in all material respects, of the use of such tags 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 reasonable assurance opinion.

Reasonable Assurance Opinion

In our opinion, the Annual Financial Report for the year ended 31 December 2023 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

This reasonable assurance opinion only covers the transfer of the information in the Annual Financial Report into a single electronic reporting format as required by the ESEF RTS, and therefore does not cover the information contained in the Annual Financial Report.

Report on Corporate Governance Statement of Compliance

Pursuant to Rule 5.94 of the Capital Market Rules issued by the Malta Financial Services Authority, the Directors are required to include in the Bank's Annual Financial Report a Corporate Governance Statement of Compliance explaining the extent to which they have adopted the Code of Principles of Good Corporate Governance set out in Appendix 5.1 to Chapter 5 of the Capital Markets Rules, and the effective measures that they have taken to ensure compliance with those principles. The Corporate Governance Statement of Compliance is to contain at least the information set out in Rule 5.97 of the Capital Markets Rules.

Our responsibility is laid down by Rule 5.98 of the Capital Markets Rules, which requires us to include a report to shareholders on the Corporate Governance Statement of Compliance in the Company's Annual Financial Report.

We read the Corporate Governance Statement of Compliance and consider the implications for our report if we become aware of any information therein that is materially inconsistent with the financial statements or our knowledge obtained in the audit, or that otherwise appears to be materially misstated. We also review whether the Corporate Governance Statement of Compliance contains at least the information set out in Rule 5.97 of the Capital Markets Rules.

We are not required to, and we do not, consider whether the Directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate Governance Statement of Compliance set out on pages 43 to 51 has been properly prepared in accordance with the requirements of Rules 5.94 and 5.97 of the Capital Markets Rules.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

to the members of
APS Bank plc

Report on Remuneration Report

Pursuant to Rule 12.26K of the Capital Markets Rules issued by the Malta Financial Services Authority, the Directors are required to draw up a Remuneration Report, whose contents are to be in line with the requirements listed in Appendix 12.1 to Chapter 12 of the Capital Markets Rules.

Our responsibility is laid down by Rule 12.26N of the Capital Markets Rules, which requires us to check that the information that needs to be provided in the Remuneration Report, as required in terms of Chapter 12 of the Capital Markets Rules, including Appendix 12.1, has been included.

In our opinion, the Remuneration Report set out on pages 37 to 42 includes the information that needs to be provided in the Remuneration Report in terms of the Capital Markets Rules.

Additional matters on which we are required to report pursuant to the Banking Act (Cap. 371)

In our opinion:

- Proper accounting records have been kept so far as it appears from our examination thereof;
- The financial statements are in agreement with the accounting records; and
- We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Matters on which we are required to report by exception pursuant to the Companies Act (Cap. 386) in addition to those reported above

We have responsibilities to report to you if in our opinion:

- Proper returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns.

We have nothing to report to you in respect of these responsibilities.

Auditor tenure

We were first appointed to act as statutory auditor to audit the Bank's and the Group's financial statements by the members of the Bank on 27 July 2017 for the financial year ended 31 December 2017, and were subsequently reappointed as statutory auditor by the members of the Bank on an annual basis. The period of total uninterrupted engagement as statutory auditor is seven financial years.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with the provisions of Article 11 of the EU Audit Regulation No. 537/2014.

The audit was drawn up on 7 March 2024 and signed by:

Sarah Curmi as Director
In the name and on behalf of
Deloitte Audit Limited
Registered auditor
Central Business District, Birkirkara, Malta.

Our Presence

HEAD OFFICE

APS Centre
Tower Street, Birkirkara, BKR 4012

COMMERCIAL BUSINESS

APS Centre
Tower Street, Birkirkara, BKR 4012

RETAIL BRANCHES

1. **ATTARD** T A B
St. Catherine's Street, Attard,
ATD 2609

2. **BIRKIRKARA (SWATAR)** T A B
APS Centre
Tower Street, Birkirkara,
BKR 4012

3. **MOSTA** T A B
9, Rotunda Square, Mosta,
MST 9042

4. **PAOLA** T A B
146/147, Antoine De Paule Square,
Paola, PLA 1260

5. **QORMI** A B
70-72, St. Sebastian Street,
Qormi, QRM 2335

6. **RABAT** A B
25, Saqqajja Street, Rabat,
RBT 1192

7. **SLIEMA** T A B
226, Tower Road, Sliema,
SLM 1600

8. **ST. PAUL'S BAY** A B
Mosta Road, St. Paul's Bay,
SPB 3115

9. **VALLETTA** T A B
17/18, Republic Street,
Valletta, VLT 1111

10. **VICTORIA (GOZO)** T A B
10, Main Gate Street, Victoria,
VCT 1341

11. **ZEJTUN** A B
12, Republic Square, Zejtun,
ZTN 1011

T Teller Service

A Automated Teller Machine

B Bulk Deposit Machine

REGISTERED OFFICE
APS Centre
Tower Street, Birkirkara, BKR 4012

E - info@apsbank.com.mt

W – www.apsbank.com.mt

BIC Code- APSBMTMT

Registration number: C2192

Notes

REGISTERED OFFICE

APS Centre
Tower Street, Birkirkara, BKR 4012

E - info@apsbank.com.mt
B - APSBMTMT

Registration number: C2192

apsbank.com.mt