



**BANK OF THE PHILIPPINE ISLANDS**  
(Europe) PLC

## **Pillar 3 Disclosures**

**December 2025**

## **1. Introduction**

Bank of the Philippine Islands (Europe) Plc. (“BPI Europe” or “the bank”) is a UK-licensed bank authorised by the Prudential Regulation Authority (PRA) and jointly regulated by the PRA and the Financial Conduct Authority (FCA).

BPI Europe is a wholly owned subsidiary of the Bank of the Philippine Islands (BPI), which was founded in 1851 and was the first bank in the Philippines and in the Southeast Asian region. BPI is a publicly listed universal bank in the Philippines that is regulated by the Bangko Sentral ng Pilipinas (BSP). As a foreign subsidiary of BPI, BPI Europe is also supervised by the BSP.

BPI established BPI Europe in 2007 as its first step to expand its reach in the European region. The original intention was to attend to the basic financial requisites of the growing Philippine community in the UK and the EU, offering savings and time deposits, money payment services, as well as retail loans. Over time, the bank strategically exited its remittance business and shifted its focus towards Wholesale Banking, aligning with evolving market conditions and customer needs while enabling the delivery of greater and more sustainable long-term value.

## **2. Purpose and Scope of the Pillar 3 Document and Regulatory Guidance**

This document comprises the Pillar 3 disclosures on the bank’s risk management, governance, and capital. The disclosures were prepared on a solo basis, apply solely to BPI Europe, and are in accordance with the Disclosures Part of the PRA Rulebook. Accordingly, the disclosures presented in this document reflect the risk profile, governance arrangements, capital position, and regulatory requirements of BPI Europe on a solo entity basis. No consolidation adjustments have been applied, and no subsidiaries or other entities are included within the scope of these Pillar 3 disclosures.

This report should be read in conjunction with the 2025 Annual Report and Financial Statements (Annual Report), and will be published on the bank’s official website at or around the same time as the release of the bank’s Annual Report.

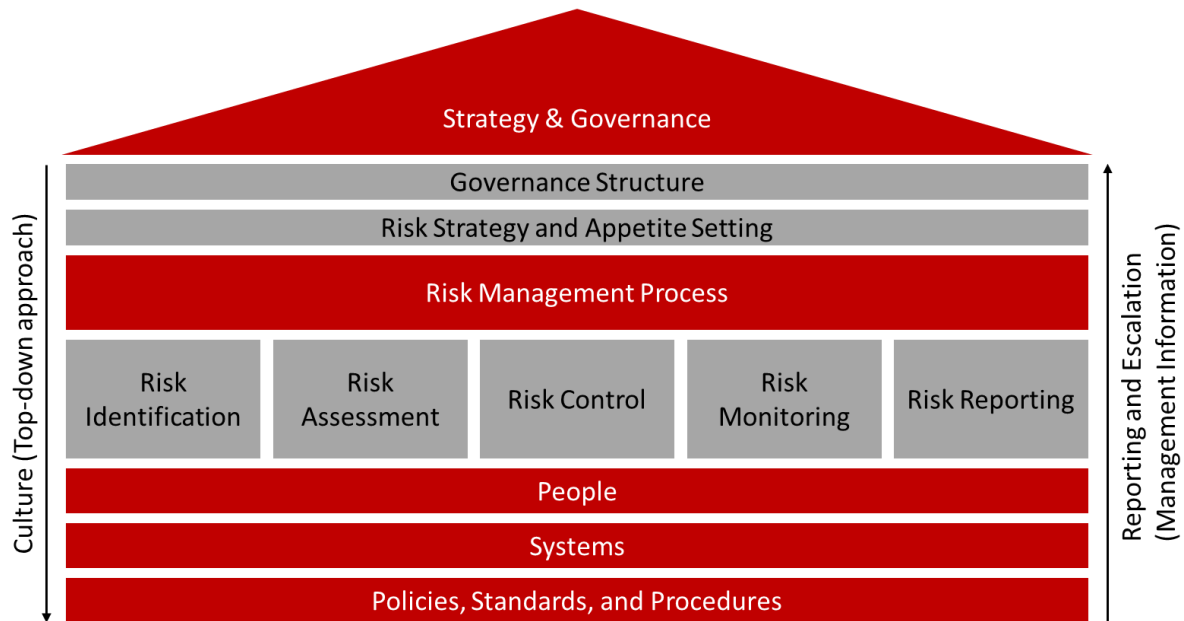
## **3. Risk Management**

BPI Europe has an established enterprise-wide risk management framework that enables the identification, assessment, control, monitoring, and reporting of its significant financial and non-financial risk exposures as well as ensures adequate capital and liquidity. The framework covers traditional risks (e.g., market, liquidity, interest rate, credit, and operational risks) as well as emerging risks.

The bank’s framework is formally documented in its Board-approved Risk Management Manual, which outlines the bank’s risk governance structure, key principles, policies, and processes for effective risk management. BPI Europe’s risk management policies are further supplemented by BPI Group policies and guidelines that have been deemed relevant and applicable to the bank. Both the framework and corresponding policies are reviewed periodically to ensure continued effectiveness and adherence to the latest regulations and best practices.

The following illustration presents a high-level view of the key components of the bank’s risk management framework.

**Figure 1. BPI Europe’s Risk Management Framework**



**Risk Governance and Culture**

BPI Europe has a simple risk management governance structure as shown below:

**Figure 2. BPI Europe’s Risk Management Governance Structure**



The bank’s risk management framework follows a top-down approach with risk strategy and appetite setting emanating from the Board of Directors (Board). The Board fulfils its risk management function through its Audit & Risk Committee (ARC). This committee nurtures a culture of risk management across the organisation, endorses policies and guidelines to the Board, and regularly reviews risk management structures, limits, issues, and measurements across the bank with the objective of meeting and complying with regulatory and international standards on risk measurement and management.

Management of risks is carried out through clearly delineated functions to ensure effective governance and control processes. This is evident in the bank’s Three Lines of Defence (3LoD) model wherein risk management responsibilities are defined for each unit as follows:

- First Line of Defence (Risk Ownership)

The bank’s first line of defence includes majority of the bank’s personnel and management who are responsible for the day-to-day risk-taking activities of the bank. They manage the risks that the firm is exposed to and ensure compliance with the relevant risk parameters and controls, both internal

and regulatory, to mitigate these risks. The units of the bank responsible for the risk-taking activities, specifically Wholesale and Retail Operations units, ensure the efficient use of capital and enter transactions that are within the risk appetite approved by the Board.

- Second Line of Defence (Risk Management Oversight)

The Risk Management Unit of the bank, in coordination with the Compliance & AML Unit, has the risk management oversight function, and as such, remains independent of the business units. The Unit reviews the bank's capability and resources to ensure that all activities of the bank are performed in compliance with the set regulatory and internal rules, standards, and limits. It ensures the bank is kept abreast of relevant regulations and standards and makes an assessment on the adequacy of the bank's resources to comply with these rules. It performs regular assessments of the bank's systems and controls and makes recommendations for process improvements based on its evaluations. It is responsible for providing the bank's risk management framework, tools, and policies to aid the first line of defence in complying with current and future policies and regulations.

The Risk Management Unit has an administrative reporting line to BPI Parent's Risk Management Office to ensure that BPI Europe remains aligned to the BPI Group's risk management strategy and appetite. The Head of Risk Management also has a direct functional reporting line to the bank's Audit & Risk Committee and its Chair.

- Third Line of Defence (Independent Assurance)

The bank's Internal Audit performs the independent monitoring, review, and assessment of the bank's compliance to rules, regulations, and policies and the effectiveness of the bank's risk management framework. As necessary, the bank may engage the services of a local and reputable third-party subject matter expert to conduct a deep-dive analysis on specific focus areas to further supplement the bank's Internal Audit.

Throughout the organisation, the bank fosters a strong risk culture that highlights risk management as everyone's responsibility.

## **Principal Risks**

A summary of the bank's principal risks is discussed below. Note that this is not meant to be an exhaustive listing of the risks identified to be inherent in the bank's business operations.

### **Business Model (Strategic) Risk**

Business model (strategic) risk is defined as the risk that the bank's business model, strategic choices, or key dependencies are misaligned with its operating environment, market conditions, regulatory requirements, or risk management capabilities, resulting in an inability to generate sustainable returns or remain viable over time. It may arise from both internal (e.g., strategic positioning, concentration of activities, reliance on group arrangements, key person dependencies) and external factors (e.g., regulatory changes, market dynamics, counterparty behaviour). This is primarily managed using the budget deviation metric, which aims to measure the bank's performance, along with the other key risk indicators established for the bank's other identified risks.

### **Capital Adequacy**

Capital adequacy risk is the risk of financial losses and regulatory sanctions resulting from the bank not being able to maintain sufficient capital to absorb losses arising from its risk-taking business activities. It is imperative for financial institutions to maintain an adequate level of capital relative to its risk-taking

activities as a buffer against unexpected losses to provide confidence to the bank's stakeholders that it could meet its obligations and demonstrate financial strength and stability. BPI Europe's risk-taking activities are bound by the regulatory capital requirements set by the PRA in their regulatory assessment of the firm and the internal risk appetite set by the Board. The distribution of risk-weighted assets is managed to be consistent with the business strategies and objectives of the bank. The bank manages this risk through two key risk metrics namely capital adequacy ratio (CAR) and leverage ratio (LR).

#### **Liquidity Risk**

Liquidity risk is defined as the risk of financial losses and reputational damage due to the bank's inability to meet its financial obligations in a timely manner. Liquidity risk should be considered in light of the following: (1) the ability to liquidate assets to service the liquidity requirements of the bank, (2) tenor mismatches where the bank cannot meet the liabilities as they fall due, and (3) currency mismatches where the bank could not fund outflows in a specific currency. The bank manages this through several risk metrics namely liquidity coverage ratio (LCR), 92-day liquidity, net stable funding ratio (NSFR), and cross-currency gap limit.

#### **Credit Risk**

Credit risk is defined as the risk of financial losses due to a borrower's default or inability to pay their obligations to the bank as they fall due. Once the bank enters a relationship with a borrowing counterparty, either retail or corporate, the bank is exposed to the risk that the other party fails to meet its contractual obligation in accordance with the agreed terms of the obligation. Deposits with banks, interbank borrowings, investments in securities and syndicated loans are the largest sources of credit risk. This type of risk is managed within the bank's underwriting standards and procedures emanating from a comprehensive Credit Policy. To manage this risk, BPI Europe is guided by a conservative set of underwriting standards and adheres to credit policies and procedures in granting credit facilities. Constant monitoring of the bank's credit portfolio is likewise observed.

#### **Credit Concentration Risk**

Credit concentration risk arises from the imperfect diversification of exposures to entities, sectors, and geographies. Exposure to this risk can come from exposures to borrowers with similar risk characteristics, which thereby subject the bank to vulnerability to huge losses if things go wrong. The bank has defined internal metrics to properly measure its credit concentration in terms of single issuers or borrowers, sectors, and geographical exposures, which are monitored against approved limits and credit parameters. The bank's exposures to individual names are capped at a regulatory large exposure limit wherein exposure to a single name does not exceed the applicable percentage of capital in line with Capital Requirements Regulation.

#### **Market Risk**

Market risk pertains to the possible future loss of a portfolio's value influenced by movements in the level or volatility of market prices or other risk factors. The bank's market risk exposure is observed on its net open Foreign Exchange (FX) position arising from foreign currency-denominated assets and liabilities in the banking book, and its end-of-day portfolio of investment securities and derivative positions in the trading book. The bank uses Value-at-Risk (VaR) and Stop Loss Limit metrics to properly monitor and manage this risk.

### **Foreign Exchange (FX) Risk**

FX risk is defined as the risk of financial losses and liquidity concerns due to adverse movements in foreign exchange rates against the bank's net FX position. The bank has assets and liabilities denominated in foreign currencies. Exchange gains and losses are recognised in the income statement as they arise. The bank's policy is to measure and control foreign exchange risk exposure as part of the overall market risk management.

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

IRRBB is defined as the current and prospective risk to the bank's capital and earnings arising from adverse movements in interest rates, including changes in the yield curve, particularly for assets and liabilities with mismatched repricing maturities. Interest rate movements may affect the bank's earnings from mismatches in rate-sensitive assets and liabilities, which may affect the original contracted spread. Furthermore, as interest rates change, the present value and timing of future cash flows likewise change. This, in turn, changes the underlying value of a bank's assets, liabilities, and off-balance sheet items, and hence its economic value. BPI Europe has established the use of economic value sensitivity measure (also known as Balance Sheet VaR or BSVaR) to manage its IRRBB.

### **Funding Concentration Risk**

Funding concentration risk is defined as the risk of the bank's funding profile becoming overly reliant on a limited number of funding counterparties/channels due to undiversified sources of funds. Reliance on a few funding sources poses threats to the liquidity position of the bank when the liabilities are due or when the counterparties decide to cut or pull-out credit facilities. Reliance on a single deposit aggregator (DA) poses similar risks particularly when the DA decides to terminate its business relationship with the bank. The bank manages this risk by monitoring and managing the percentage of funding coming from a single source.

### **Operational Risk**

Operational risk is defined as losses arising from inadequate or failed internal processes, people, and systems. These events could vary from internal and external fraud, systems failures, bank and customer data breaches, human errors, errors in processing wholesale and retail transactions, amongst others. BPI Europe exercises caution in performing operations processes to ensure that these are performed with a high degree of accuracy to avoid errors which may eventually lead to reputational and regulatory consequences. Throughout the year, the bank periodically reviewed these risks and ensured that controls remained appropriate. The bank deems that these risks have been managed and mitigated accordingly.

### **Outsourcing Risk**

Outsourcing risk is the risk that the bank's reliance on third-party service providers, including intra-group service providers, results in disruption to critical business operations, customer harm, financial losses, or regulatory non-compliance due to service failure, inadequate controls, insufficient oversight, or loss of operational resilience.

BPI Europe outsources some of its business activities to third parties to support its day-to-day operations and administration functions. For instance, the bank relies heavily on BPI Parent to provide technological and back-office support to the business. Aside from its Parent bank, the bank likewise engages other third-party service providers for other administrative, regulatory, and legal requirements, amongst others.

Outsourcing risks are mitigated by the bank through service level agreements, performance monitoring and review, and business continuity plans.

#### **Operational Resilience**

Operational resilience risk is the risk that the bank is unable to continue to deliver its Important Business Services within acceptable levels of disruption, resulting in intolerable harm to customers, market integrity, financial stability, or the bank's safety and soundness.

The bank has self-assessed its operational resilience by identifying its Important Business Services, establishing impact tolerance levels for each service, mapping the necessary resources for the delivery of each service, and stress testing these services to determine possible contingency strategies it can implement when necessary.

#### **Information Security (Cyber) Risk**

Information security (cyber) risk is the risk that the confidentiality, integrity, or availability of the Bank's information assets and technology systems is compromised due to cyber-attacks, internal control failures, human error, or weaknesses in third-party arrangements, resulting in financial loss, operational disruption, customer harm, or regulatory non-compliance.

The bank's increasing use of technology makes information security (cyber) risk inevitable as an ever-evolving threat. Management ensures cyber risks are effectively prevented where possible and that the bank can detect, respond to, contain, and recover from incidents in a timely and controlled manner.

#### **Conduct Risk**

Conduct risk, which includes non-financial misconduct, is defined as any action, behaviour, or decision made by the bank, its Board, or any of its employees that may be detrimental to the bank's and the entire BPI Group's reputation, or may compromise the integrity of the financial market, and may result in unfair and inappropriate outcomes to customers. It may result to financial losses for the bank due to regulatory penalties, fees, redress, remediation costs, and other operational costs stemming from poor conduct. In general, the UK financial industry regards this as a risk arising from the improper treatment of customers, violation of rules, and market manipulation, to prioritise the interests of the firm. Conduct risk is regarded as one of the key risk areas in the bank, and the Board has set a zero appetite for conduct rules breaches and all employees of the bank are expected to strictly comply with the rules applicable to them. Breaches of conduct rules are monitored regularly and reported to the FCA on an annual basis or as necessary.

#### **Climate Change Risk**

Climate change risk refers to the risk of financial losses arising from the impact of climate change on the value of the bank's physical assets and financial investments, either through physical or transition risks. BPI Europe has established a Sustainability framework that governs the way climate change risk is managed in the bank. While climate change may have minimal direct impact on BPI Europe as a financial institution, it has investments whose market value may be vulnerable to climate change; this has consequently been incorporated in the bank's stress testing exercise, and investment decisions include an assessment of climate change risks to specific sectors and/or names. Management continues to enhance its risk management framework in relation to climate change risks to align with the latest regulatory expectations and industry practice.

## **Risk Appetite, Metrics, and Limits Monitoring**

BPI Europe's Board has set a culture of risk awareness in the firm. It has a defined risk appetite with respect to the type and number of exposures that the bank is willing to accept to meet its business objectives. This risk appetite is measured and monitored through established indicators, metrics, and related limits, which govern the bank's risk-taking activities. These are articulated in the bank's Risk Appetite Statement (RAS) document.

Management ensures that the business activities of the bank are prudently carried out to generate maximum returns while still effectively managing the related risks. Each business unit has a good understanding of the risks inherent to their lines of businesses and how to institute adequate controls to mitigate the risks. Any deviation from these set appetite levels requires escalation processes for proper governance and disposition.

There were no regulatory risk limit breaches for the year 2025.

## 4. Capital and Other Disclosures

### 4.1 Reconciliation of Capital with the Audited Financial Statements

BPI Europe has pure Tier 1 capital. Details are shown below.

**Figure 3. Composition of Regulatory Capital (in '000 USD)**

	Amounts	References to disclosures in Figure 4
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
Capital instruments and the related share premium accounts	120,390	a
Retained earnings	1,828	b
<b>Common Equity Tier 1(CET1) capital before regulatory adjustments</b>	<b>122,218</b>	<b>c</b>

**Figure 4. Reconciliation of Regulatory Capital to Balance Sheet in the Audited Financial Statements (in '000 USD)**

	As at 31 December 2025	Reference
<b>ASSETS</b>		
Cash	4	
Loans and advances to banks	10,226	
Loans and advances to customers	121,682	
Amount due from group undertakings	14	
Investment securities	151,146	
Derivative assets	315	
Tangible fixed assets	108	
Deferred Tax Asset	149	
Other assets	248	
<b>Total assets</b>	<b>283,892</b>	
<b>LIABILITIES</b>		
Deposits from customers	142,033	
Bank borrowings	5,005	
Amount due to group undertakings	13,717	
Amount due to other banks	0	
Derivative liabilities	475	
Deferred tax liability	0	
Other liabilities	444	
<b>Total liabilities</b>	<b>161,674</b>	
<b>Shareholder's Equity</b>		
Called up share capital	120,390	a
Profit and loss account	1,828	b
<b>Total shareholder's equity</b>	<b>122,218</b>	<b>c</b>

## 4.2 Risk Weighted Exposures

The bank applies the standardised approach for Credit Risk, Counterparty Credit Risk, and Market Risk, and basic indicator approach for Operational Risk. Summary of the bank's Risk Weighted Exposures is shown in Figure 5.

**Figure 5. Overview of Risk Weighted Exposure Amounts as of 31 December 2025 (In '000 USD)**

	<b>Risk weighted exposure amounts (RWEAs)</b>	<b>Total own funds requirements</b>
Credit risk (excluding CCR)	201,632	16,131
Counterparty credit risk - CCR	653	52
Position, foreign exchange and commodities risks (Market risk)	8,513	681
Operational risk	6,325	506
<b>Total</b>	<b>217,123</b>	<b>17,370</b>

BPI Europe's assessment of its capital adequacy is articulated in its ICAAP document which is reviewed, challenged, and approved by the Board annually. The 2025 ICAAP assessed a capital requirement of 28.52%, slightly higher than the 24.93% regulatory requirement as of December 2025 and the PRA's latest assessment of 24.51%, which will become effective in January 2026. As of 31 December 2025, the bank's capital ratio stood at 56.29%, well above the regulatory minimum.

### 4.3 Key Metrics

Figure 6. Key Metrics as of 31 December 2025 and 30 June 2025 (In '000 USD)

	a	b
	Dec-25	Jun-25
<b>Available own funds (amounts)</b>		
Common Equity Tier 1 (CET1) capital	122,218	121,285
Tier 1 capital	122,218	121,285
Total capital	122,218	121,285
<b>Risk-weighted exposure amounts</b>		
Total risk-weighted exposure amount	217,123	213,319
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>		
Common Equity Tier 1 ratio (%)	56%	57%
Tier 1 ratio (%)	56%	57%
Total capital ratio (%)	56%	57%
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>		
Additional CET1 SREP requirements (%)		
Additional AT1 SREP requirements (%)		
Additional T2 SREP requirements (%)		
Total SREP own funds requirements (%)	16.92%	16.92%
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>		
Capital conservation buffer (%)	2.50%	2.50%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)		
Institution specific countercyclical capital buffer (%)	0.29%	0.24%
Systemic risk buffer (%)		
Global Systemically Important Institution buffer (%)		
Other Systemically Important Institution buffer		
Combined buffer requirement (%)	2.79%	2.74%
Overall capital requirements (%)	19.71%	19.66%
CET1 available after meeting the total SREP own funds requirements	79,423	79,351
<b>Leverage ratio</b>		
Total exposure measure excluding claims on central banks	238,632	230,304
Leverage ratio excluding claims on central banks (%)	51.22%	52.66%
<b>Additional leverage ratio disclosure requirements</b>		
Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)		
Leverage ratio including claims on central banks (%)	51.22%	52.66%
Average leverage ratio excluding claims on central banks (%)		
Average leverage ratio including claims on central banks (%)		
Countercyclical leverage ratio buffer (%)		
<b>Liquidity Coverage Ratio</b>		
Total high-quality liquid assets (HQLA) (Weighted value -average)	65,958	65,327
Cash outflows - Total weighted value	74,218	71,321
Cash inflows - Total weighted value	46,758	47,492
Total net cash outflows (adjusted value)	27,460	23,828
Liquidity coverage ratio (%)	240%	274%
<b>Net Stable Funding Ratio</b>		
Total available stable funding	251,605	238,235
Total required stable funding	155,870	145,957
NSFR ratio (%)	161%	163%

## **4.4 Remuneration**

BPI Europe has established a remuneration policy in line with the requirements of SYSC 19 D (Dual-regulated firms Remuneration Code) of the FCA Handbook and the Remuneration Section of the PRA rulebook. The policy provides guidance in setting compensation for the Board and all employees of BPI Europe commensurate to their level of skill, competence, and performance, as well as the risks attendant to their position.

Given the size of BPI Europe, the Remunerations Committee function is currently being performed by the Board. The Committee is responsible for establishing the bank's remuneration policies and for the oversight on its implementation. The Committee is also responsible for the creation of incentives meant to manage risk, capital, and liquidity taking into account the long-term interest of the various stakeholders of the bank.

BPI Europe complies with the guidelines on the ratios between fixed and variable remuneration as set in Section 15.9 of the Remuneration Part of the PRA Rulebook. As of 31 December 2025, no individuals have been remunerated EUR 1 Mn or more. The bank is also not covered by the derogation laid down in Sections 5.3, 12.2, and 15.A1 of the Remuneration Part of the PRA Rulebook.

## **4.5 Governance**

The Board, Management, and employees of BPI Europe believe that sound and effective corporate governance is the cornerstone of the bank's strength and long-term existence.

The bank subscribes to a culture of adhering to honesty, integrity, and professionalism in the conduct of its business, exercising prudence in arriving at decisions, enforcing internal discipline and a system of checks and balances in its operating processes, and providing transparency to the public regarding basic management policies and practices, major business strategies and decisions, and its operating results.

The bank has established policies in the selection of Directors taking into consideration their skills, experience, knowledge, integrity, and reputation, as well as the appropriate balance and mix most beneficial to the bank.

The bank, as a subsidiary, has an established corporate governance model that ensures its Board's and Management's decision making remains independent and that their actions are in the best interests of the bank and its stakeholders.

The bank likewise adheres to the UK Corporate Governance Code in a manner appropriate for the bank and its structure.

## **4.6 Climate Change**

BPI Europe is committed to helping the United Kingdom (UK) achieve its stated goal of net zero emissions by 2050. In line with this, BPI Europe has established a Sustainability Framework, which aims to provide guidance to the bank and its employees on the integration of sustainability principles in its day-to-day business activities and operations, and to help manage and address the bank's potential exposure to environmental, social, and governance (ESG) risks associated with climate change.

The bank defines ESG risks, of which risks associated with climate change forms part of, as potential financial, legal, and/or reputational negative effects from possible ESG issues affecting the bank's key

business activities. It has likewise adopted the PRA's formal definitions for physical, transition, and liability risks as stated in Supervisory Statement 3/19. BPI Europe is cognizant of the transversal nature of these risks and recognises their ability to influence and/or aggravate the bank's existing traditional credit, market, and operational risks. It also acknowledges that how these risks manifest and impact the bank's existing categories may differ across different time horizons as certain physical risks from acute weather events may have an immediate or short-term effect on the bank while other physical risks such as global sea level rise and transition risks such as gradual shifts in investor preferences are expected to impact the bank in the long run.

The bank's framework also adheres to the BPI Group Sustainability Agenda, which is built on the two pillars of Responsible Banking and Responsible Operations with the aim to create long-term value for stakeholders and to positively contribute to an equitable society and healthy environment. Both pillars also form part of BPI Europe's Sustainability Framework as seen in the integration of ESG factors in the bank's management decision process. This is evident in how the bank assesses risks arising from ESG factors that affect the value of the bank's portfolio, considers green investments and businesses that are currently transitioning and taking the necessary steps towards a greener and more sustainable business model over the long term, and seeks to minimise the adverse impacts of its operations on the environment and communities.

The Board has the overall responsibility for sustainability-related issues, including integration of sustainability principles, and those covering ESG risks, in the strategic direction of the bank. The bank's ARC is responsible for oversight and management of the bank's exposures to environmental and social risks, the incorporation of sustainability principles in the bank's Corporate Governance and Risk Management Frameworks, the promotion of a culture of ESG-responsible business decisions, and the approval of related ESG risk management-related policies and risk appetite.

The bank's Managing Director<sup>1</sup> has the overall responsibility for climate change and oversees and ensures the implementation of the bank's sustainability agenda, policies, frameworks, and targets, and integrating sustainability principles into the strategic direction of the bank.

BPI Europe also formed a Sustainability Committee, a cross-functional team across the bank's various business areas tasked to provide support to the Managing Director in the implementation of the bank's sustainability agenda. The Committee will ensure the implementation and execution of the various policies across their respective functional areas.

Specific functions of the various units of the bank are as follows:

**Wholesale Business** acts as the first line of defence and is responsible for the day-to-day risk-taking activities of the bank. They manage the bank's liquidity, funding, and investments, in line with the bank's Sustainability Strategy Framework.

**Middle Office** ensures adherence to the bank's sustainability practices in its interactions and transactions with its business partners.

**Strategy & Finance** provides oversight on the implementation, communication, employee engagement, and policy setting of the bank's overall financial performance and strategy, taking into consideration

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<sup>1</sup> SMF in charge of Climate Change

factors such as ESG. They also conduct financial planning, forecasts, and stress testing which includes climate change-specific scenarios.

**Administrative Services Unit** assists in setting the key performance indicators, training, and compensation metrics, and align them to the bank's Sustainability Agenda

**Risk Management and Compliance & Anti-Money Laundering (AML) Units** act as the second line of defence. The Risk Management Unit is responsible for the management of the enterprise-wide risk management framework including the embedding of ESG risk management in the bank's overall risk management process of risk identification, assessment, control, monitoring, and reporting, as well as undertaking stress testing and/or scenario analysis jointly with the Strategy & Finance Unit, as applicable, on the bank's portfolio and returns. The Compliance & AML Unit performs reviews to ensure that the implementation of the bank's Sustainability Agenda is consistent with regulations and the bank's policies.

**Internal Audit** acts as the third line of defence, performing independent reviews and assessments of involved units' implementation of the Sustainability Agenda and risk management activities and their compliance to relevant regulations and bank policies.

The bank has implemented both positive and negative screening, veering away from brown names and/or assets and actively investing in either green or sustainable credits for its portfolio. This is incorporated in the bank's Credit and Treasury policies. Regular update on the bank's climate metrics from a portfolio level is also presented to the Board in its quarterly meeting, which will continue to be enhanced as more data becomes available. The data currently being monitored include ESG portfolio profile, Sustainalytics risk score, and MSCI ESG score.

As of 31 December 2025, the bank has a single exposure within its bonds and loans portfolios that is assigned a "Severe" ESG risk rating by Sustainalytics. There are also currently no exposures within the bank's portfolios classified as "Laggard" (B rating or below) under MSCI's ESG risk management rating system.

The proportion of climate change vulnerable assets within the bank's total portfolio is subject to ongoing monitoring and is reported to the Board in accordance with the bank's established risk appetite. As of 31 December 2025, none of the bank's holdings are assessed as presenting "Moderate Risk" or higher in terms of physical climate risk.

Based on its 2025 capital assessment, the bank has not allocated any additional capital specifically in respect of climate change risk.