BNF BANK

COMPANY ANNOUNCEMENT

Condensed Interim Financial Statements for the Six-Month Period Ended 30 June 2024

Date of Announcement:	31 July 2024
Reference:	BNF28

The following is a Company Announcement issued by BNF Bank p.l.c. (or the "Bank"), pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority.

Quote

During a meeting held earlier today the 31st July 2024, the Board of Directors of the Bank approved the attached Condensed Interim Financial Statements for the six-month period ended 30 June 2024.

Profit before tax amounted to €6.3m for the first half of 2024 (June 2023: €7.3m). Profitability continued to be driven predominantly by net interest income, which together with net fees and commission income, net trading, investment, and other income made up total net operating income of €18.5m (June 2023: €18.1m).

Operating expenses excluding movements in expected credit losses, incurred during the period up to June 2024, amounted to €12.5m (June 2023: €10.7m), generating a cost-to-income ratio of 67.7% (June 2023: 59.2%). The increase in operating expenses largely pertains to investment in technology to drive the Bank's digital transformation.

Expected credit losses of €0.4m were reversed in the first half of 2024 (June 2023: losses of €0.05m). During the period under review the Bank retained a judgemental temporary post-model adjustment in credit-related loss allowances.

Profit after tax for the first half of 2024 amounted to €4.3m (June 2023: €5.0m) and was net of income tax expense of €2.0m (June 2023: €2.4m).

As at 30 June 2024, the Bank's total assets amounted to €1,277.8m (December 2023: €1,236.4m), of which loans and advances to customers amounted to €975.2m (December 2023: €950.3m). The percentage of total loans and advances to customers which were credit impaired stood at 2.5% (December 2023: 2.6%), and the total credit-impaired exposure amounted to €25.1m (December 2023: €25.6m). Credit-impaired and non-credit-impaired loans and advances to customers are largely secured with collateral.

The Bank's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) remained above regulatory requirements throughout the first half of 2024 and as at 30 June 2024 amounted to 195.6% (December 2023: 250.4%) and 138.1% (December 2023: 140.2%) respectively. The Bank's Capital Adequacy Ratio as at 30 June 2024 was 17.4% compared to 19.3% in December 2023.

The Bank's Condensed Interim Financial Statements for the six-month period ended 30 June 2024 can be accessed online on the Bank's website at https://www.bnf.bank/investor-relations

Dr Jeanette Carabott
Company Secretary

BNFBANK

Condensed Interim Financial Statements

2024

Company Registration No. C 41030

BNF BANK P.L.C.
Company Registration No. C 41030 I Condensed Interim Financial Statements 30 June 2024

BNF Bank p.l.c. is also referred throughout the document as 'BNF Bank', 'BNF', or 'the Bank'.

Table of Contents

Directors' Report

Directors’ Report

The Directors present their condensed interim financial statements for the six-month period ended 30 June 2024.

Principal activities

BNF Bank p.l.c. (the “Bank”, “BNF Bank”) was incorporated as Banif Bank (Malta) p.l.c. and licensed to operate as a credit institution in terms of the Banking Act, Cap. 371 of the Laws of Malta on 27 March 2007. On 4 October 2016, following the non-objection of the European Central Bank (ECB) by virtue of a decision dated 12 August 2016 made pursuant to Articles 4(1)(c) and 15(3) of Council Regulation EU no. 1024/2013, Article 87 of Regulation (EU) no. 468/2014 of the ECB (EC/2014/17) and Article 13(1) and Article 13A of the Banking Act (Cap. 371 of the laws of Malta), a controlling stake was purchased by Al Faisal International for Investment Malta Limited, a subsidiary of Al Faisal International for Investment Company Q.P.S.C. headquartered in Qatar. The Bank’s name was subsequently changed to BNF Bank p.l.c. On 3 July 2018 Al Faisal International for Investment Malta Limited changed its name to JUD Investment Group Limited. At 30 June 2024 and 31 December 2023, JUD Investment Group Limited owned 92.4% of the ordinary shares of BNF Bank.

The Bank provides a comprehensive range of retail and commercial banking services through a network of thirteen branches and a corporate and business centre in Malta, and a branch in London.

The economic environment

Eurostat reported annual Euro area inflation as 2.5% in June 2024, services being the main contributor. Inflation has moved closer to the EU target of 2%, signalling potential shifts in monetary policy. In June 2024 the ECB cut interest rates by 0.25 percentage points, and markets assign an 80% likelihood of another 0.25 percentage point cut in September 2024 at the time of writing. Risks to Euro area economic growth and inflation include trade conflicts between major world economies, and high government debt.

The Maltese economy remained resilient, with strong GDP growth in 2024 albeit reduced from 2023. Domestic demand remains the main contributor to Malta’s GDP, with inflationary pressures around food and beverage and services remaining high and questions being raised as to economic sentiment in some sectors. As detailed in the ‘Financial Performance’ section below, BNF Bank has adopted a cautious provisioning stance to mitigate the risk of economic uncertainty and has retained a judgemental temporary post-model adjustment in its credit-related loss allowances.

Business development

The Bank’s digital transformation is well under way and during the first half of 2024 a digital onboarding platform was launched in the local market, enabling new customers to open a bank account without the need to physically visit a branch. The Bank has also continued to invest in its infrastructure and opened a branch at the CampusHub, creating better physical access for university students and medical professionals working at Mater Dei Hospital. The Bank also introduced a partnership with Euronet, whereby BNF card users are fully refunded when withdrawing cash from Euronet ATMs in Malta.

Financial performance

Profit before tax amounted to €6.3m for the first half of 2024 (June 2023: €7.3m). Profitability continued to be driven predominantly by net interest income, which together with net fees and commission income, net trading, investment, and other income made up total net operating income of €18.5m (June 2023: €18.1m).

Operating expenses excluding movements in expected credit losses, incurred during the period up to June 2024, amounted to €12.5m (June 2023: €10.7m), generating a cost-to-income ratio of 67.7% (June 2023: 59.2%). The increase in operating expenses largely pertains to investment in technology to drive the Bank's digital transformation.

Expected credit losses of €0.4m were reversed in the first half of 2024 (June 2023: losses of €0.05m). During the period under review the Bank retained a judgemental temporary post-model adjustment in credit-related loss allowances.

Profit after tax for the first half of 2024 amounted to €4.3m (June 2023: €5.0m) and was net of income tax expense of €2.0m (June 2023: €2.4m).

Financial position

As at 30 June 2024, the Bank's total assets amounted to €1,277.8m (December 2023: €1,236.4m), of which loans and advances to customers amounted to €975.2m (December 2023: €950.3m).

The percentage of total loans and advances to customers which were credit impaired stood at 2.5% (December 2023: 2.6%), and the total credit-impaired exposure amounted to €25.1m (December 2023: €25.6m). Credit-impaired and non-credit-impaired loans and advances to customers are largely secured with collateral.

The Bank's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) remained above regulatory requirements throughout the first half of 2024 and as at 30 June 2024 amounted to 195.6% (December 2023: 250.4%) and 138.1% (December 2023: 140.2%) respectively. The Bank's Capital Adequacy Ratio as at 30 June 2024 was 17.4% compared to 19.3% in December 2023.

Approved by the Board of Directors and signed on its behalf on 31 July 2024 by

MARIO P. GALEA
Non-Executive Director

MICHAEL FRENDO
Chairman

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

It is hereby being confirmed that to the best of our knowledge, the condensed interim financial statements for the six-month period ended 30 June 2024 portray a true and fair view of the Bank's financial position, financial performance and cash flows for the period ended 30 June 2024, in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU.

The Directors' Report includes information as required under Listing Rule 5.81 to 5.84.

MARIO P. GALEA
Non-Executive Director

MICHAEL FRENDO
Chairman

Condensed Primary Financial Statements

Condensed Statement of Financial Position
For the period ended 30 June 2024

	30 June 2024 €000	31 December 2023 €000
ASSETS		
Balances with Central Bank of Malta and cash	85,514	108,972
Cheques in course of collection	3,162	3,063
Financial investments	161,259	135,215
Loans and advances to banks	18,752	10,922
Loans and advances to customers	975,150	950,258
Derivative financial assets	-	100
Property and equipment	5,523	5,440
Intangible assets	2,048	1,004
Right-of-use assets	1,648	1,340
Deferred tax assets	6,746	6,776
Prepayments and accrued income	10,182	6,119
Other assets	7,768	7,198
TOTAL ASSETS	1,277,752	1,236,407
EQUITY		
Share capital	74,544	74,544
Perpetual capital notes	10,000	10,000
Revaluation reserve	(832)	(501)
Retained earnings	21,417	22,143
TOTAL EQUITY	105,129	106,186
LIABILITIES		
Amounts owed to banks and other institutions	1,687	190
Amounts owed to customers	1,115,637	1,083,675
Derivative financial liabilities	801	44
Current tax liabilities	2,106	1,043
Other liabilities	21,119	15,912
Accruals	11,434	9,542
Debt securities in issue	19,839	19,815
TOTAL LIABILITIES	1,172,623	1,130,221
TOTAL EQUITY AND LIABILITIES	1,277,752	1,236,407
Memorandum Items		
Contingent liabilities	12,396	14,322
Commitments	233,448	222,333

These condensed interim financial statements were approved by the Board of Directors on 31 July 2024 and were signed on its behalf by:

MARIO P. GALEA
Non-Executive Director

MICHAEL FRENDO
Chairman

Condensed Income Statement
For the period ended 30 June 2024

	Notes	30 June 2024 €000	30 June 2023 €000
Interest receivable and similar income			
- on loans and advances, balances with Central Bank of Malta and other instruments	6	23,194	20,297
- on debt and other fixed income instruments	6	2,552	1,250
Interest payable and similar expense	7	(9,929)	(5,423)
Net interest income		15,817	16,124
Fees and commission income	8	2,481	2,181
Fees and commission expense	8	(278)	(451)
Net fees and commission income		2,203	1,730
Net trading income		90	233
Gains from financial instruments at FVTPL		48	36
Gains on disposal of debt instruments measured at FVOCI		379	-
Net operating income		18,537	18,123
Employee compensation and benefits		(6,120)	(5,099)
Other administrative expenses		(5,879)	(5,052)
Depreciation of property and equipment and right-of-use assets		(439)	(425)
Amortisation of intangible assets		(108)	(153)
Movements in expected credit losses	3.7	350	(53)
Profit before tax		6,341	7,341
Income tax expense		(2,027)	(2,369)
Profit for the period		4,314	4,972
Earnings per share		4c4	5c0

Condensed Statement of Comprehensive Income
For the period ended 30 June 2024

	30 June 2024 €000	30 June 2023 €000
Profit for the period	**4,314**	4,972
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Debt instruments measured at FVOCI:		
- Net (losses)/gains in fair value, before tax	**(879)**	254
- Gains on financial assets reclassified to profit or loss on disposal, before tax	**379**	-
- Changes in allowance for expected credit losses, before tax	**(9)**	(130)
Income taxes on the above	**178**	(43)
Other comprehensive income for the period, net of tax	**(331)**	81
Total comprehensive income for the period, net of tax	**3,983**	5,053

Condensed Statement of Changes in Equity
For the period ended 30 June 2024

	Share capital €000	Perpetual capital notes €000	Revaluation reserve €000	Reserve for general banking €000	Retained earnings €000	Total €000
At 1 January 2023	74,544	10,000	(2,543)	992	17,296	100,289
Comprehensive income						
Profit for the period	-	-	-	-	4,972	4,972
Other comprehensive income						
Fair valuation of debt instruments measured at FVOCI:						
- net movement in fair value arising during the period	-	-	165	-	-	165
- changes in allowance for expected credit losses	-	-	(84)	-	-	(84)
Total other comprehensive income for the period	-	-	81	-	-	81
Total comprehensive income	-	-	81	-	4,972	5,053
Transactions with owners						
Distributions to owners:						
Return on perpetual capital notes	-	-	-	-	(528)	(528)
Dividends paid	-	-	-	-	(4,039)	(4,039)
Total transactions with owners	-	-	-	-	(4,567)	(4,567)
At 30 June 2023	74,544	10,000	(2,462)	992	17,701	100,775
At 1 January 2024	**74,544**	**10,000**	**(501)**	-	**22,143**	**106,186**
Comprehensive income						
Profit for the period	-	-	-	-	**4,314**	**4,314**
Other comprehensive income						
Fair valuation of debt instruments measured at FVOCI:						
- net movement in fair value arising during the period	-	-	**(571)**	-	-	**(571)**
- reclassification – net amounts classified to profit or loss	-	-	**246**	-	-	**246**
- changes in allowance for expected credit losses	-	-	**(6)**	-	-	**(6)**
Total other comprehensive income for the period	-	-	**(331)**	-	-	**(331)**
Total comprehensive income	-	-	**(331)**	-	**4,314**	**3,983**
Transactions with owners						
Distributions to owners:						
Return on perpetual capital notes	-	-	-	-	**(551)**	**(551)**
Dividends paid	-	-	-	-	**(4,489)**	**(4,489)**
Total transactions with owners	-	-	-	-	**(5,040)**	**(5,040)**
At 30 June 2024	**74,544**	**10,000**	**(832)**	-	**21,417**	**105,129**

Condensed Statement of Cash Flows
For the period ended 30 June 2024

	30 June 2024 €000	30 June 2023 €000
Cash flows from operating activities		
Interest, fees and commission received	**25,616**	22,007
Interest, fees and commission paid	**(8,470)**	(4,714)
Net return from trading activities	**(214)**	301
Payments to employees and suppliers	**(14,876)**	(11,373)
Cash flows from operating profit before changes in operating assets and liabilities	**2,056**	6,221
Movement in operating assets:		
Balances with Central Bank of Malta	**(830)**	(613)
Loans and advances to customers	**(24,628)**	(33,969)
Other assets and cheques in course of collection	**(668)**	4,088
Movement in operating liabilities:		
Amounts owed to customers	**31,947**	(9,639)
Other liabilities	**4,777**	3,673
Net cash flows generated from/(used in) operating activities before tax	**12,654**	(30,239)
Income tax paid	**(755)**	(602)
Net cash flows generated from/(used in) operating activities	**11,899**	(30,841)
Cash flows from investing activities		
Net interest on financial assets	**1,596**	178
Purchase of property, equipment, and intangible assets	**(1,293)**	(230)
Purchase of financial investments	**(45,723)**	(14,482)
Proceeds from disposal and redemption of financial investments	**20,826**	11,974
Net cash flows used in investing activities	**(24,594)**	(2,560)
Cash flows from financing activities		
Return on perpetual capital notes	**(551)**	(528)
Dividends paid	**(4,489)**	(4,039)
Principal payments of lease liabilities	**(220)**	(163)
Net cash flows used in financing activities	**(5,260)**	(4,730)
Net decrease in cash and cash equivalents	**(17,955)**	(38,131)
Cash and cash equivalents at beginning of period	**110,857**	117,219
Cash and cash equivalents at end of period	**92,902**	79,088

Notes to the Condensed Interim Financial Statements

Notes to the Condensed Interim Financial Statements

For the period ended 30 June 2024

1. GENERAL INFORMATION

BNF Bank p.l.c. is a public limited liability company domiciled and incorporated in Malta. The Bank was incorporated on 27 March 2007 and started operating as a fully-fledged retail bank during January 2008.

The Bank provides a comprehensive range of retail and commercial banking services through a network of thirteen branches and a corporate and business centre in Malta, and a branch in London.

The financial statements of the Bank for the year ended 31 December 2023 are available upon request from the Bank's registered office at Level 2, 203, Rue D'Argens, Gzira, GZR 1368, Malta. They are also available for viewing on the Bank's website at www.bnf.bank.

This condensed interim financial information has been reviewed, not audited, in accordance with the requirements of International Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

2. BASIS OF PREPARATION

The following condensed interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB') and as endorsed by the EU and should be read in conjunction with the Annual Report and Financial Statements 2023. Therefore, they include an explanation of events and transactions that are significant to an understanding of the changes in the Bank's financial position and performance since the end of 2023.

The condensed interim financial information has been extracted from the Bank's management accounts for the six months ended 30 June 2024.

2.1 New and amended IFRS Accounting Standards adopted by the Bank

In 2024, the Bank adopted amendments and interpretations to existing standards that are mandatory for the Bank's accounting period beginning on 1 January 2024. The adoption of these revisions to the requirements of IFRSs as adopted by the EU, did not result in changes to the Bank's accounting policies impacting the Banks's financial performance and position.

2.2 Impact of IFRS Accounting Standards issued but not yet applied by the Bank

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation of these condensed interim financial statements but are not yet effective for the Bank's current reporting period.

The Bank did not early adopt any new standards, amendments and interpretations to existing standards applicable to periods after 1 January 2024 and the Bank's management is of the opinion that there are no requirements that will have a possible significant impact on the Bank's financial statements in the period of initial application.
The condensed interim financial statements were prepared in accordance with the accounting policies set out in Note 2 of the *Annual Report and Financial Statements 2023.*

2.3 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Bank's management also makes judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

In particular, the measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour which require a number of significant judgements. The critical accounting estimates and judgements as set out in Note 4 of the Annual Report and Financial Statements 2023 were applied to the current period under review.

2.4 Accounting policies

The accounting policies that were applied in these interim condensed financial statements are consistent with those described in Note 2 of the *Annual Report and Financial Statements 2023*, as are the methods of computation.

2.5 Going concern

Having taken into consideration the Bank's performance and its future strategic goals, the Directors declare that the Bank is able to continue operating as a going concern for the foreseeable future. Such declaration is also being made on the basis of the consideration of stressed scenarios applied on the Bank's profitability, capital and liquidity, reflecting the uncertainty arising from increased geopolitical tensions and the volatile interest rate environment.

3. FINANCIAL INSTRUMENTS

3.1 Summary of financial instruments to which the IFRS 9 requirements are applied

The Bank's business model exposes it to financial risks, in particular credit risk, which is the risk of losses arising from untimely or non-repayment of existing or contingent credit obligations, generally resulting from deterioration in the financial condition of a borrower. These exposures can be classified into the following categories:

- Financial assets recognised on-balance sheet comprising principally balances with Central Bank of Malta, financial investments and loans and advances to banks and customers;
- Documentary credits and guarantee obligations incurred on behalf of third parties; and
- Lending commitments and other credit-related commitments that are irrevocable over the life of the respective facilities and are off-balance sheet items.

The Bank's credit risk exposure relating to on-balance sheet assets and off-balance sheet instruments, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, include the following:

	At 30 June 2024		At 31 December 2023	
	Gross exposure €000	**ECL allowance €000**	Gross exposure €000	ECL allowance €000
Credit risk exposure relating to on-balance sheet assets				
Subject to IFRS 9 impairment allowance				
Financial assets measured at amortised cost				
Balances with Central Bank of Malta	**80,460**	**(7)**	104,119	(5)
Cheques in course of collection	**3,162**	**-**	3,063	-
Financial investments	**34,443**	**(55)**	33,931	(56)
Loans and advances to banks	**18,753**	**(1)**	10,925	(3)
Loans and advances to customers				
- Corporate	**350,753**	**(10,911)**	334,401	(10,872)
- Retail	**639,427**	**(4,119)**	631,150	(4,421)
Accrued income	**5,279**	**-**	4,070	-
Financial investments measured at FVOCI	**126,339**	**(144)**	100,855	(152)
Not subject to IFRS 9 impairment allowance				
Financial investments measured at FVTPL	**532**	**-**	485	-
Derivative financial instruments	**-**	**-**	100	-
Credit risk exposure	**1,259,148**	**(15,237)**	1,223,099	(15,509)
Credit risk exposure relating to off-balance sheet instruments				
Contingent liabilities	**12,396**	**(120)**	14,322	(108)
Undrawn commitments to lend	**232,957**	**(227)**	222,320	(325)
Credit risk exposure	**245,353**	**(347)**	236,642	(433)

Accrued income substantially arises from loans and advances to customers. Expected credit losses in respect of accrued income, which are not deemed material, have been allocated to loans and advances to customers.

3.2 Summary of financial instruments to which the IFRS 9 requirements are applied by stage distribution

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 upon initial recognition is classified in 'Stage 1'.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument becomes credit-impaired, the financial instrument is moved to 'Stage 3'.

As part of the ECL model, the Bank classifies its exposures to loans and advances to customers into groups with similar characteristics that include instrument type. In this respect, the Bank considers the following categories when measuring ECL:

- Corporate portfolio, which includes loans and advances to business entities, as well as the international lending portfolio which represents exposures originated by the Bank's branch in London which finances prime properties; and
- Retail portfolio, which includes loans and advances to individual customers such as mortgages, credit cards and other consumer credit.

The following tables set out information on the credit quality of financial assets measured at amortised cost and financial investments measured at FVOCI:

	At 30 June 2024			
	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Balances with Central Bank of Malta at amortised cost				
Gross carrying amount	80,460	–	–	80,460
Loss allowance	(7)	–	–	(7)
Carrying amount	80,453	–	–	80,453
Financial investments measured at FVOCI				
Carrying amount – fair value	126,339	-	-	126,339
Loss allowance	(144)	-	-	(144)
Financial investments measured at amortised cost				
Gross carrying amount	34,442	-	-	34,442
Loss allowance	(55)	-	-	(55)
Carrying amount	34,387	-	-	34,387
Loans and advances to banks at amortised cost				
Gross carrying amount	18,753	-	-	18,753
Loss allowance	(1)	-	-	(1)
Carrying amount	18,752	-	-	18,752

	At 30 June 2024			
	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Loans and advances to customers at amortised cost				
Corporate				
Gross carrying amount	324,767	10,340	15,646	350,753
Loss allowance	(1,436)	(280)	(9,195)	(10,911)
Carrying amount	323,331	10,060	6,451	339,842
Retail				
Gross carrying amount	621,735	8,205	9,487	639,427
Loss allowance	(1,326)	(294)	(2,499)	(4,119)
Carrying amount	620,409	7,911	6,988	635,308
Total				
Gross carrying amount	946,502	18,545	25,133	990,180
Loss allowance	(2,762)	(574)	(11,694)	(15,030)
Carrying amount	943,740	17,971	13,439	975,150

	At 30 June 2024 Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Loans and advances to customers at amortised cost, guarantees, documentary credits, and undrawn commitments to lend				
Corporate				
Gross carrying amount	488,164	11,986	15,674	515,824
Loss allowance	(1,597)	(309)	(9,222)	(11,128)
Carrying amount	486,567	11,677	6,452	504,696
Retail				
Gross carrying amount	701,444	8,477	9,788	719,709
Loss allowance	(1,354)	(309)	(2,586)	(4,249)
Carrying amount	700,090	8,168	7,202	715,460
Total				
Gross carrying amount	1,189,608	20,463	25,462	1,235,533
Loss allowance	(2,951)	(618)	(11,808)	(15,377)
Carrying amount	1,186,657	19,845	13,654	1,220,156

	At 31 December 2023 Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Balances with Central Bank of Malta at amortised cost				
Gross carrying amount	104,119	-	-	104,119
Loss allowance	(5)	-	-	(5)
Carrying amount	104,114	-	-	104,114
Financial investments measured at FVOCI				
Carrying amount – fair value	100,855	-	-	100,855
Loss allowance	(152)	-	-	(152)
Financial investments measured at amortised cost				
Gross carrying amount	33,931	-	-	33,931
Loss allowance	(56)	-	-	(56)
Carrying amount	33,875	-	-	33,875
Loans and advances to banks at amortised cost				
Gross carrying amount	10,925	-	-	10,925
Loss allowance	(3)	-	-	(3)
Carrying amount	10,922	-	-	10,922

	At 31 December 2023			
	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Loans and advances to customers at amortised cost				
Corporate				
Gross carrying amount	309,457	9,176	15,768	334,401
Loss allowance	(1,624)	(214)	(9,034)	(10,872)
Carrying amount	307,833	8,962	6,734	323,529
Retail				
Gross carrying amount	613,156	8,209	9,785	631,150
Loss allowance	(1,391)	(335)	(2,695)	(4,421)
Carrying amount	611,765	7,874	7,090	626,729
Total				
Gross carrying amount	922,613	17,385	25,553	965,551
Loss allowance	(3,015)	(549)	(11,729)	(15,293)
Carrying amount	919,598	16,836	13,824	950,258
Loans and advances to customers at amortised cost, guarantees, documentary credits, and undrawn commitments to lend				
Corporate				
Gross carrying amount	462,947	12,150	15,793	490,890
Loss allowance	(1,828)	(284)	(9,060)	(11,172)
Carrying amount	461,119	11,866	6,733	479,718
Retail				
Gross carrying amount	692,653	8,536	10,115	711,304
Loss allowance	(1,418)	(349)	(2,787)	(4,554)
Carrying amount	691,235	8,187	7,328	706,750
Total				
Gross carrying amount	1,155,600	20,686	25,908	1,202,194
Loss allowance	(3,246)	(633)	(11,847)	(15,726)
Carrying amount	1,152,354	20,053	14,061	1,186,468

3.3 Expected credit loss measurement

Financial instruments in 'Stage 1' have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in 'Stage 2' or 'Stage 3' have their ECL measured based on expected credit losses on a lifetime basis. The expected credit loss requirements apply to financial assets measured at amortised cost and FVOCI, and certain loan commitments and financial guarantee contracts. During the past months, the global markets went through several shocks and surprises, ranging from strains in the global banking system, to cyclical trends in inflation, interest rates and GDP, to ongoing geopolitical conflict. The latest forecast by the Central Bank of Malta suggests that economic growth is expected to moderate but remain strong. In the light of the uncertainty emanating from international markets, the ongoing conflicts, the expectation that interest rates will remain high for a prolonged period of time, and other emerging risks, the Bank continues to account for a judgemental temporary post-model adjustment which increases the expected credit losses being accounted for on Stage 1 and Stage 2 exposures as at 30 June 2024. This post-model adjustment addresses any potential limitations in statistical models.

ECL are the discounted product of the PD, EAD and LGD. ECL are determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. The PD, EAD and LGD parameters are derived from internally developed statistical models and other historical data, as set out in Note 3.2.3.3 in the Annual Report and Financial Statements 2023, adjusted to reflect forward-looking information as described in Note 3.2.3.4 in the Annual Report and Financial Statements 2023.

Due to the lack of internal history of defaults on the international lending portfolio, the Bank applies PDs which are sourced from renowned external service providers which assess the credit risk of small and medium-sized enterprises (SMEs), and determine PDs by reference to financial and non-financial aspects namely the entity size, country, industry sector, corporate governance and the macroeconomic environment in which the entity operates. Furthermore, these PDs used for IFRS9 modelling are Point in Time PDs and only take into account the situation of the debtor at the moment of assessment.

No significant changes were made to this methodology during the first half of 2024. The assumptions underlying the ECL calculations are monitored and reviewed on a regular basis.

3.4 Forward-looking information incorporated in the ECL model

The Bank performs a historical analysis to identify the key economic variables affecting credit risk and expected credit losses for each portfolio. These key drivers include:

(i) *Corporate exposure:* the Average Gross Salary Growth Rate and the Gross Fixed Capital Formation (GFCF), given the significant impact they have on local investment and the performance of corporate entities; and

(ii) *Retail exposure:* the Real GDP Growth Rate, Average Gross Salary Growth Rate, and Unemployment Rate, given the significant impact they have on local investment and the labour market. The performance of these economic indicators affects repayment feasibility of secured and unsecured facilities.

The impact of these economic variables on the PD is determined by performing statistical regression analysis to understand the historical impact that changes in these variables had on the Bank's default rates.

The forward-looking information applied to the international lending portfolio, within the Bank's corporate exposures, is also based on information sourced from reputable external service providers.

Three possible scenarios are considered to capture non-linearity across credit portfolios:

- The 'baseline' scenario captures business-as-usual macroeconomic expectations, whereby the current rhythm of economic activity is maintained;
- The 'downside' scenario is based on a subdued level of economic activity hypothesized to correspond to an economic recession; and
- The 'upside' scenario is based on the assumption that it would be possible to marginally improve further over the already benign economic conditions.

Each scenario is weighted by a probability of occurrence, determined by a combination of macroeconomic research and expert credit judgement, taking into account the range of possible outcomes each chosen scenario represents. The Bank measures ECL as either a probability-weighted 12-month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). Probability-weighted ECL are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any macro-economic forecast, the projections and likelihoods of occurrence are subject to a degree of uncertainty and actual outcomes could be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes after analysing different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

As at 30 June 2024, the Bank updated its macroeconomic forecasts until the end of 2026. Such forecasts consider improved economic conditions, particularly a drop in inflation. Nonetheless, in the light of the current economic uncertainty which is influenced by the volatile interest rate environment and ongoing geopolitical tensions, as previously explained in note 3.3, the Bank continues to account for a post-model adjustment which increases expected credit losses being accounted for on Stage 1 and Stage 2 exposures as at 30 June 2024.

The most significant period-end assumptions projected by the Bank that were used for the ECL estimate as at 30 June 2024 and 31 December 2023 are set out below.

	As at 30 June 2024		
	2024	2025	2026**
Average gross salary rate (YoY)*			
'Baseline'	2.40%	2.82%	3.27%
Range of forecasts for alternative scenarios	[0.80 – 2.75]%	[0.37 – 3.35]%	[0.19 – 3.93]%
Gross Fixed Capital Formation (GFCF) (YoY)*			
'Baseline'	-14.45%	-5.84%	-2.78%
Range of forecasts for alternative scenarios	[-17.28 – (-10.20)]%	[-10.17 – 0.65]%	[-8.21 – 5.35]%
Real GDP rate (YoY)*			
'Baseline'	6.32%	6.91%	6.44%
Range of forecasts for alternative scenarios	[3.81 – 7.45]%	[3.07 – 8.63]%	[1.64 – 8.61]%
Unemployment rate (YoY)*			
'Baseline'	3.12%	3.27%	3.41%
Range of forecasts for alternative scenarios	[2.99 – 3.24]%	[3.07 – 3.45]%	[3.16 – 3.63]%
Real Estate Price Growth rate (REPI) (YoY)*			
'Baseline'	5.61%	5.48%	5.47%
Range of forecasts for alternative scenarios	[5.22 – 5.86]%	[4.89 – 5.86]%	[4.73 – 5.95]%

	As at 31 December 2023		
	2024	2025	2026**
Average gross salary rate (YoY)*			
'Baseline'	2.28%	3.00%	3.10%
Range of forecasts for alternative scenarios	[0.5 – 2.6]%	[0.6 – 3.5]%	[0.4 – 3.6]%
Gross Fixed Capital Formation (GFCF) (YoY)*			
'Baseline'	-3.25%	-0.67%	-0.20%
Range of forecasts for alternative scenarios	[-6.3 – 0.8]%	[-4.8 – 4.7]%	[-5.0 – 6.0]%
Real GDP rate (YoY)*			
'Baseline'	4.57%	4.37%	4.12%
Range of forecasts for alternative scenarios	[1.2 – 6.0]%	[-0.2 – 6.4]%	[-1.1 – 6.4]%
Unemployment rate (YoY)*			
'Baseline'	2.73%	2.90%	3.01%
Range of forecasts for alternative scenarios	[2.6 – 2.9]%	[2.7 – 3.1]%	[2.7 – 3.2]%
Real Estate Price Growth rate (REPI) (YoY)*			
'Baseline'	4.44%	4.44%	4.43%
Range of forecasts for alternative scenarios	[3.7 – 4.9]%	[3.4 – 5.0]%	[3.3 – 5.0]%

*YoY = year on year

** 2026 Q3 data forecast

The weightings assigned to each economic scenario were 50% (2023: 50%) for the 'baseline' scenario, 25% (2023: 25%) for the 'downside' scenario and 25% (2023: 25%) for the 'upside' scenario. The number of scenarios used is based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The economic scenarios were simulated over a full economic cycle.

3.5 Economic scenarios sensitivity analyses of ECL estimates

The outcome of the Bank's credit loss allowances estimation process is sensitive to judgements and estimations made throughout the incorporation of forward-looking economic conditions. Management has assessed the sensitivity of the Bank's expected credit losses by assigning a 100% weighting to the 'baseline', 'downside' and 'upside' scenario respectively. The Bank's credit loss allowances would decrease by €0.5 million (December 2023: €0.5 million) if the provisions had to be calculated solely on the 'baseline' scenario; ECLs would increase by €1.8 million (December 2023: €2.2 million) if these had to be estimated using only the 'downside' scenario and would reduce by €1.7 million (December 2023: €1.6 million) if the 'upside' scenario only were to be taken into consideration. Considering any of these scenarios, the Bank would remain in a profitable position. This demonstrates the Bank's resilience in overcoming negative shocks and ability to absorb such changes, if necessary.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative, or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This matter is reviewed and monitored for appropriateness on an ongoing basis.

As previously explained in Note 3.3, in view of the economic uncertainty arising from geopolitical tensions, inflation and volatile interest rate environment, the Bank continues to account for a temporary judgemental post model adjustment which increases the ECL on Stage 1 and Stage 2 exposures as at 30 June 2024.

3.6 Modification of financial assets

The contractual terms of a loan may be revised for a number of reasons, including changes in market conditions, customer retention and other factors that are not related to the credit quality of a customer. Forbearance measures comprise concessions made on the contractual terms of a loan in response to a customer's financial difficulties. The Bank categorises loans on which concessions have been granted under conditions of financial difficulties as 'forborne loans' when their contractual payment terms have been revised, because of significant concerns about the customer's ability to meet contractual payments when due. Further information on the Bank's treatment of forbearance is set out in Note 3.2.8 in the *Annual Report and Financial Statements 2023.*

The movement in the carrying amount of forborne loans and advances, before impairment allowances, is analysed below.

	Forborne exposures	
	At 30 June 2024	At 31 December 2023
	€000	€000
At 1 January	**7,623**	9,457
Loans to which forbearance measures have been extended during the period	**406**	148
Repayments	**(72)**	(306)
Retired from forborne	**(480)**	(1,676)
At end of period	**7,477**	7,623

3.7 Loss allowances

Reconciliation of 12-month and lifetime ECL provision

The loss allowance recognised is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances 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 PD, LGD or EAD in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

The following tables explain the changes in the loss allowance between the beginning and the end of the period.

	Stage 1		Total	
	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000
Balances with Central Bank of Malta at amortised cost				
At 1 January 2024	**104,119**	**(5)**	**104,119**	**(5)**
New financial assets originated or purchased	**68,933**	**–**	**68,933**	**–**
Net movement in EAD and changes in risk parameters (PD/LGD)	**4,757**	**(2)**	**4,757**	**(2)**
Financial assets derecognised during the period	**(97,349)**	**–**	**(97,349)**	**–**
At 30 June 2024	**80,460**	**(7)**	**80,460**	**(7)**
Total net income statement charge for the period				**(2)**
At 1 January 2023	117,616	(14)	117,616	(14)
New financial assets originated or purchased	97,349	–	97,349	–
Net movement in EAD and changes in risk parameters (PD/LGD)	(2,294)	10	(2,294)	10
Financial assets derecognised during the year	(108,552)	(1)	(108,552)	(1)
At 31 December 2023	104,119	(5)	104,119	(5)
Total net income statement credit for the year				9

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

	Stage 1		Total	
	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000
Financial investments measured at FVOCI				
At 1 January 2024	**100,855**	**(152)**	**100,855**	**(152)**
New financial assets originated or purchased	**43,183**	**(21)**	**43,183**	**(21)**
Net movement in EAD and changes in risk parameters (PD/LGD)	**916**	**15**	**916**	**15**
Financial assets derecognised during the period	**(18,615)**	**14**	**(18,615)**	**14**
At 30 June 2024	**126,339**	**(144)**	**126,339**	**(144)**
Total net income statement credit for the period				**8**
At 1 January 2023	58,655	(242)	58,655	(242)
New financial assets originated or purchased	53,564	(43)	53,564	(43)
Net movement in EAD and changes in risk parameters (PD/LGD)	1,321	108	1,321	108
Financial assets derecognised during the year	(12,685)	25	(12,685)	25
At 31 December 2023	100,855	(152)	100,855	(152)
Total net income statement credit for the year				90

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

	Stage 1		Total	
	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000
Financial investments measured at amortised cost				
At 1 January 2024	**33,931**	**(56)**	**33,931**	**(56)**
New financial assets originated or purchased	**460**	**–**	**460**	**–**
New movement in EAD and changes in risk parameters (PG/LGD)	**51**	**1**	**51**	**1**
Financial assets derecognised during the period	**–**	**–**	**–**	**–**
At 30 June 2024	**34,442**	**(55)**	**34,442**	**(55)**
Total net income statement credit for the period				**2**
At 1 January 2023	32,444	(69)	32,444	(69)
New financial assets originated or purchased	5,134	(1)	5,134	(1)
Net movement in EAD and changes in risk parameters (PD/LGD)	1,378	–	1,378	–
Financial assets derecognised during the year	(5,025)	14	(5,025)	14
At 31 December 2023	33,931	(56)	33,931	(56)
Total net income statement credit for the year				13

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

	Stage 1		Total	
	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000
Loans and advances to banks at amortised cost				
At 1 January 2024	**10,925**	**(3)**	**10,925**	**(3)**
New financial assets originated or purchased	**17,397**	**(1)**	**17,397**	**(1)**
Net movement in EAD and changes in risk parameters (PD/LGD)	**(342)**	**2**	**(342)**	**2**
Financial assets derecognised during the period	**(9,227)**	**1**	**(9,227)**	**1**
At 30 June 2024	**18,753**	**(1)**	**18,753**	**(1)**
Total net income statement credit for the period				**2**
At 1 January 2023	10,736	(6)	10,736	(6)
New financial assets originated or purchased	9,227	(1)	9,227	(1)
Net movement in EAD and changes in risk parameters (PD/LGD)	10	3	10	3
Financial assets derecognised during the year	(9,048)	1	(9,048)	1
At 31 December 2023	10,925	(3)	10,925	(3)
Total net income statement credit for the year				3

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

	2024							
	Stage 1		Stage 2		Stage 3		Total	
	Gross amount €000	Expected credit losses €000	Gross amount €000	Expected credit losses €000	Gross amount €000	Expected credit losses €000	Gross amount €000	Expected credit losses €000
Total loans and advances to customers at amortised cost, guarantees, documentary credits and undrawn commitments to lend								
At 1 January 2024	1,155,600	(3,246)	20,686	(633)	25,908	(11,847)	1,202,194	(15,726)
New and further lending	184,747	(552)	134	(66)	419	(405)	185,300	(1,023)
Repayments and disposals	(147,560)	834	(3,123)	171	(1,278)	497	(151,961)	1,502
Transfers of financial instruments								
Stage 1 to Stage 2	(3,631)	12	3,631	(12)	–	–	–	–
Stage 1 to Stage 3	(253)	1	–	–	253	(1)	–	–
Stage 2 to Stage 1	695	(14)	(695)	14	–	–	–	–
Stage 2 to Stage 3	–	–	(170)	4	170	(4)	–	–
Stage 3 to Stage 1	10	(2)	–	–	(10)	2	–	
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	–	16	–	(96)	–	(50)	–	(130)
At 30 June 2024	1,189,608	(2,951)	20,463	(618)	25,462	(11,808)	1,235,533	(15,377)
Total net income statement credit for the period								349

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

	2023							
	Stage 1		Stage 2		Stage 3		Total	
	Gross amount €000	Expected credit losses €000	Gross amount €000	Expected credit losses €000	Gross amount €000	Expected credit losses €000	Gross amount €000	Expected credit losses €000
Total loans and advances to customers at amortised cost, guarantees, documentary credits and undrawn commitments to lend								
At 1 January 2023	1,122,532	(2,786)	37,508	(1,351)	24,614	(12,034)	1,184,654	(16,171)
New and further lending	318,197	(1,373)	659	(72)	1,298	(801)	320,154	(2,246)
Repayments and disposals	(283,779)	912	(15,842)	641	(2,993)	1,226	(302,614)	2,779
Transfers of financial instruments								
Stage 1 to Stage 2	(2,265)	2	2,265	(2)	-	-	-	-
Stage 1 to Stage 3	(1,291)	3	-	-	1,291	(3)	-	-
Stage 2 to Stage 1	2,194	(132)	(2,194)	132	-	-	-	-
Stage 2 to Stage 3	-	-	(1,818)	45	1,818	(45)	-	-
Stage 3 to Stage 1	12	(3)	-	-	(12)	3	-	-
Stage 3 to Stage 2	-	-	108	(29)	(108)	29	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	131	-	3	-	(222)	-	(88)
At 31 December 2023	1,155,600	(3,246)	20,686	(633)	25,908	(11,847)	1,202,194	(15,726)
Total net income statement credit for the year								445

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

4. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The Bank's financial instruments as at 30 June 2024 which are carried at fair value include the Bank's financial investments measured at FVOCI and other financial investments measured at FVTPL. These fair value measurements follow the below fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset either directly i.e. as prices, or indirectly i.e. derived from prices (Level 2).
- Inputs for the asset that are not based on observable market data i.e. unobservable inputs (Level 3).

There were no changes to the valuation techniques applied in the *Annual Report and Financial Statements 2023.*

The following table reflects an analysis of the financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
At 30 June 2024				
Financial assets				
Financial investments				
Government debt instruments	44,745	-	-	44,745
Corporate debt instruments	81,594	-	532	82,126
Total financial assets	126,339	-	532	126,871
Financial liabilities				
Derivative financial liabilities	-	801	-	801
Total financial liabilities	-	801	-	801
At 31 December 2023				
Financial assets				
Derivative financial assets	-	100	-	100
Financial investments				
Government debt instruments	43,057	-	-	43,057
Corporate debt instruments	57,798	-	485	58,283
Total financial assets	100,855	100	485	101,440
Financial liabilities				
Derivative financial liabilities	-	44	-	44
Total financial liabilities	-	44	-	44

There were no transfers between levels 1, 2 and 3 during the period.

Financial instruments not measured at fair value

Loans and advances to banks and customers and amounts owed to banks, other institutions and customers are carried at amortised cost in the Condensed Statement of Financial Position. The Board considers the carrying amounts of loans and advances to banks and customers to be a reasonable estimate of their fair value principally in view of the relatively short periods to repricing or maturity from the end of the reporting periods. The fair values of fixed interest deposits and amounts owed to banks and other institutions are not deemed to be significantly different from their carrying amounts, based on the discounted cash flows at current market interest rates, particularly due to the relatively short periods to maturity.

Financial investments measured at amortised cost had a fair value of €35,348,000 as at 30 June 2024 (31 December 2023: €34,786,000), compared to the carrying amount of 34,387,000 (31 December 2023: €33,875,000). Debt securities issued measured at amortised cost had a fair value of €19,430,000 (31 December 2023: €19,200,000), compared to the carrying amount of €19,839,000 as at 30 June 2024 (31 December 2023: €19,815,000). As at 30 June 2024, financial investments and debt securities in issue were listed on an active market and the fair value was based on the market price at the reporting date.

5. SEGMENTAL REPORTING

The segment reporting of the Bank is made in terms of the business segments which it conducts its business in, as the risks and rates of return are affected predominantly by differences in the products and services produced. The Bank is currently organised into four main business segments:

- Retail banking - Principally handling customers' deposits, providing consumer loans, overdrafts, and funds transfer facilities;
- Corporate banking – Principally handling local loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- UK branch – Consisting of loan exposures to corporate entities in the UK and deposits written by the Bank's branch in London;
- Other- Principally treasury and other central functions.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Income taxes are managed on a group basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income or expense.

No reconciliation is required since there are no differences between the measurements of the reportable segments' profits or losses, assets and liabilities and the entity's profit or loss, assets and liabilities.

The following tables present income, profit and certain asset and liability information regarding the Bank's business segments:

	30 June 2024				
	Retail banking €000	Corporate banking €000	UK branch €000	Other €000	Total €000
Net interest income	6,811	4,590	868	3,548	15,817
Net fees and commission income	1,060	1,068	75	–	2,203
Net trading income (including net gains from financial instruments at FVTPL and gains on disposal of debt instruments at FVOCI)	–	–	–	517	517
Net operating income	7,871	5,658	943	4,065	18,537
Employee compensation and benefits	(3,169)	(1,775)	(261)	(911)	(6,116)
Other administrative expenses	(2,651)	(1,594)	(238)	(1,396)	(5,879)
Depreciation of property and equipment, right-of-use assets and amortisation of intangible assets	(365)	(106)	–	(76)	(547)
Credit impairment losses	316	60	(39)	9	346
Profit before tax					6,341
Income tax expense					(2,027)
Profit for the period					4,314
Assets					
Segment assets	640,476	254,471	85,673	272,466	1,253,086
Unallocated assets					24,666
Total assets					1,277,752
Liabilities					
Segment liabilities	756,512	329,720	30,369	2,487	1,119,088
Unallocated liabilities					53,535
Total liabilities					1,172,623
Additions to non-current assets	598	–	–	1,382	1,980

	30 June 2023				
	Retail banking €000	Corporate banking €000	UK branch €000	Other €000	Total €000
Net interest income	7,577	6,050	687	1,810	16,124
Net fees and commission income	846	788	47	49	1,730
Net trading income (including net gains from financial instruments at FVTPL and gains on disposal of debt instruments at FVOCI)	-	-	-	269	269
Net operating income	8,423	6,838	734	2,128	18,123
Employee compensation and benefits	(2,893)	(1,629)	(145)	(432)	(5,099)
Other administrative expenses	(2,650)	(1,645)	(171)	(586)	(5,052)
Depreciation of property and equipment, right-of-use assets and amortisation of intangible assets	(397)	(134)	-	(47)	(578)
Credit impairment losses	344	(412)	(158)	173	(53)
Profit before tax					7,341
Income tax expense					(2,369)
Profit for the period					4,972
Assets					
Segment assets	631,894	270,353	53,190	260,911	1,216,348
Unallocated assets					20,059
Total assets					1,236,407
Liabilities					
Segment liabilities	649,303	310,772	124,342	233	1,084,650
Unallocated liabilities					45,571
Total liabilities					1,130,221
Additions to non-current assets	69	-	-	671	740

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 30 June	
	2024 €000	2023 €000
On loans and advances to banks	**334**	234
On loans and advances to customers	**20,498**	18,899
On balances with Central Bank of Malta	**2,362**	1,164
	23,194	20,297
On debt and other fixed income instruments:		
Financial investments measured at FVOCI	**1,618**	536
Financial investments measured at amortised cost	**815**	842
Net amortisation of discounts and premiums	**119**	(128)
	2,552	1,250
Total interest receivable and similar income	**25,746**	21,547

7. INTEREST PAYABLE AND SIMILAR EXPENSE

	Period ended 30 June 2024 €000	2023 €000
On amounts owed to banks and other institutions	(51)	(28)
On amounts owed to customers	9,493	4,966
On debt securities in issue	449	453
Amortisation of debt issuance costs	24	17
On lease liabilities	14	15
	9,929	5,423

8. NET FEES AND COMMISSION INCOME

	Period ended 30 June 2024 €000	2023 €000
Fees and commission income		
Credit related fees and commissions	1,110	747
Other fees	1,371	1,434
	2,481	2,181
Fees and commission expense		
Credit related fees and commissions	(88)	(148)
Other fees	(190)	(303)
	(278)	(451)
Net fees and commission income	2,203	1,730

9. RELATED PARTIES

9.1 Identification of related parties

The majority shareholding of the Bank is held by JUD Investment Group Limited, a subsidiary of Al Faisal International for Investment Company Q.P.S.C. headquartered in Qatar.

All entities which are ultimately controlled by Al Faisal International for Investment Company Q.P.S.C., together with the other minority shareholders and entities controlled by them, are considered to be related parties. Key management personnel of the Bank, being the Bank's directors and executive officers, and close family members of key management personnel are also considered to be related parties.

The Bank's related party transactions mainly comprise transactions with shareholders and other entities controlled by the same shareholders. These transactions principally include loans, deposits and issuance of capital notes.

Related party transactions do not impact on the Bank's financial results and financial position taking cognisance of the normal commercial terms and conditions of such transactions.

9.2 Transactions with shareholders

a) Majority shareholder

During the period under review, the following transactions were undertaken by the Bank with entities ultimately controlled by Al Faisal International for Investment Company Q.P.S.C.

	Period ended	
	30 June 2024	30 June 2023
	€000	€000
Condensed Income Statement		
Interest and similar expense	909	634

	At 30 June 2024	At 31 December 2023
	€000	€000
Condensed Statement of Financial Position		
Other assets	199	199
Amounts owed to customers	42,128	39,700

Total interest payable on perpetual capital notes, which is accounted for as 'transactions with owners' in the Condensed Statement of Changes in Equity, during the first six months of 2024 amounted to €546,000 (June 2023: €523,000).

b) Other minority shareholders

During the period under review, the following transactions were undertaken by the Bank with its minority shareholders and entities controlled by them:

	Period ended	
	30 June 2024	30 June 2023
	€000	€000
Condensed Income Statement		
Interest and similar income	131	237
Interest and similar expense	–	46
Other administrative expenses	38	55

	At 30 June 2024	At 31 December 2023
	€000	€000
Condensed Statement of Financial Position		
Loans and advances to customers	1,043	4,035
Prepayments and accrued income	–	17
Amounts owed to customers	1,956	3,928
Accruals	7	22
Other liabilities	–	21

Total interest payable on perpetual capital notes during the first six months of 2024 amounted to €5,000 (June 2023: €5,000).

9.3 Transaction arrangements and agreements involving key management personnel

During the period under review, the following transactions were carried out with the Bank's directors and executive officers, who are considered to be the Bank's key management personnel:

	Period ended	
	30 June 2024	30 June 2023
	€000	€000
Condensed Income Statement		
Interest and similar income	**6**	10
Interest and similar expense	**1**	-

	At 30 June 2024	At 31 December 2023
	€000	€000
Condensed Statement of Financial Position		
Loans and advances to customers	**864**	1,312
Amounts owed to customers	**1,262**	2,649

The above-mentioned outstanding balances arose from the ordinary course of business on terms which are substantially comparable to the ones of transactions entered into with persons of a similar standing, or where applicable, other employees.

9.4 Compensation to the management personnel

Total directors' fees and emoluments for the first six months of 2024 amounted to €1,141,000 (June 2023: €711,000).

Report on review of interim financial information

To the Board of Directors of BNF Bank p.l.c.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of BNF Bank p.l.c. as at 30 June 2024 and the related condensed interim income statement and statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 'Interim Financial Reporting'). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

Other matters

This report, including the conclusion, has been prepared for and only for the Bank and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Michael Formosa
Principal

For and on behalf of
PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

31 July 2024

Additional Regulatory Disclosures

Additional Regulatory Disclosures

For the period ended 30 June 2024

1. ASSET ENCUMBRANCE

In terms of Banking Rule 07, which transposes the EBA Guidelines on Disclosure of Encumbered and Unencumbered Assets (EBA/GL/2014/03), the following disclosure is intended to highlight the available and unrestricted assets available to sustain potential funding requirements. An asset is deemed to be encumbered when it is pledged as collateral in respect of an existing liability and consequentially is rendered out of reach to the Bank. The Bank is not able to sell encumbered assets or pledge them as collateral to raise funds.

	Carrying amount of encumbered assets €000	Fair value of encumbered assets €000	Carrying amount of unencumbered assets €000	Fair value of unencumbered assets €000	Total carrying amount €000
At 30 June 2024					
Central governments or Central Banks:	12,856	12,856	112,906	125,837	125,762
Reserve deposit	*9,685*	*9,685*			
Securities pledged for DCS	*3,171*	*3,171*			
Public Sector Entities			418	500	418
Institutions			103,493	103,540	103,493
Corporate			179,570	233,331	179,570
Retail			70,947	244,333	70,947
Secured by mortgages on immovable property			640,573	653,411	640,573
Items associated with particularly high risk			69,235	85,672	69,235
Exposures in default			13,247	25,466	13,247
Equity			5,110	5,113	5,110
Covered bonds			23,459	23,507	23,459
Other items	5,037	5,037	32,462	51,497	37,499
of which: collateral	*5,037*	*5,037*			
Total credit risk	17,893	17,893	1,251,420	1,552,207	1,269,313

At 31 December 2023	Carrying amount of encumbered assets €000	Fair value of encumbered assets €000	Carrying amount of unencumbered assets €000	Fair value of unencumbered assets €000	Total carrying amount €000
Central governments or Central Banks:	11,577	11,577	135,766		147,343
Reserve deposit	*8,856*	*8,856*			
Securities pledged for DCS	*2,721*	*2,721*			
Institutions			68,268	68,337	68,268
Corporate			152,002	209,086	152,002
Retail			78,636	240,190	78,636
Secured by mortgages on immovable property			639,300	653,477	639,300
Items associated with particularly high risk			65,329	79,321	65,329
Exposures in default			13,411	25,670	13,411
Equity			5,544	5,549	5,544
Covered bonds			28,479	28,531	28,479
Other items	3,113	3,113	27,699	41,152	30,812
of which: Visa collateral	*3,113*	*3,113*			
Total credit risk	14,690	14,690	1,214,434	1,351,313	1,229,124

2. KEY REGULATORY RATIOS

	At 30 June 2024 %	At 31 December 2023 %
Common Equity Tier 1 (CET 1) ratio	**13.1**	14.6
Tier 1 ratio	**14.5**	16.1
Total capital ratio	**17.4**	19.3
Leverage ratio	**7.6**	8.0
Liquidity Coverage Ratio (LCR)	**195.6**	250.4
Net Stable Funding Ratio (NSFR)	**138.1**	140.2

During the first six months of 2024, the Bank conducted a reassessment of the Liquidity Coverage Ratio (LCR), specifically on the treatment of end-of-day placements with the Central Bank of Malta. As a result of this assessment, the Bank concluded that such funds should be treated as high-quality liquid assets, rather than liquidity inflows, as prescribed under the LCR Delegated Act.

As at 30 June 2024 and 31 December 2023, and during the respective financial periods, the LCR was within the regulatory minimum limit prescribed under Regulation (EU) 2019/876 of the European Parliaments and of Council of 20 May 2019.