COMPANY ANNOUNCEMENT

The following is a Company Announcement by HSBC Bank Malta p.l.c. pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority.

Quote:

During a meeting held on 30 July 2025, the Board of Directors of HSBC Bank Malta p.l.c. approved the attached interim condensed consolidated financial statements for the six-month financial period ended 30 June 2025.

30 July 2025

2025 Interim Results – Highlights

HSBC Bank Malta p.l.c. and its subsidiaries ('the local group') reported strong results in the first half of the year, with profit before tax of €58.7m despite a lower interest rate environment. As a result of our continued strong profit generation, the directors are recommending a gross interim dividend of 10 cents per share, the same level as that paid in the same period last year. The local group remains highly profitable with a return on equity of 12.7% for the six months ended 30 June 2025. HSBC Bank Malta p.l.c. ('the bank') maintained its robust balance sheet and strong risk management with a Liquidity Coverage Ratio of 537% and Tier 1 Capital of 22.5% as at 30 June 2025, well above regulatory requirements. The bank continued investing in technology, people and customer service, including recent mortgage campaigns. The bank is positive on the Maltese economy despite global uncertainty.

Key Highlights

- Profit before tax ('PBT') for the period was €58.7m compared to €78.6m in the first half of 2024 reflecting lower revenue from declining interest rates and lower credit loss recoveries.
- Revenue decreased by €13.6m or 11% driven by lower net interest income. Growth was reported in all other sources of income, including insurance, trading, foreign exchange and trade.
- A release of €3.0m was reported in expected credit losses ('ECL') reflecting our continued adherence to prudent lending policies.
- Costs were €2.3m higher than the same period in 2024. This increase in costs was largely driven by investment in people, technology and implementation of regulatory projects mainly delivered through intercompany services. Costs related to the strategic review were reimbursed by the HSBC Group.
- During the first six months, the local group grew customer deposits by €44.5m while loans to customers decreased by €82.3m when compared to 31 December 2024. New retail lending sales registered growth over the same period last year, mainly driven by secured lending.
- Profit attributable to shareholders of €38.3m for the six months ended 30 June 2025.
- Management recommends a gross interim dividend of 10 cents per share, unchanged from 1H2024, supported by the bank's strong capital base.
- The local group remains highly profitable with a return on equity of 12.7% for the six months ended 30 June 2025.
- The bank maintained its robust balance sheet and strong risk management underpinned by robust liquidity and excess capital position as at 30 June 2025 with a Liquidity Coverage Ratio of 537% and Tier 1 Capital of 22.5%, well above regulatory requirements.

Unquote

Paula Mamo LL.D.
Company Secretary

This Company Announcement is issued by

HSBC Bank Malta p.l.c.

Company Secretary Tel: (+356) 2380 2474

Directors' Report

Financial performance

Profit before tax for the six months ended 30 June 2025 was €58.7m, a decrease of €19.9m over the same period in 2024. Lower profits were driven by the lower interest rate environment and lower recovery of expected credit losses.

Net interest income decreased by €16.8m to €89.8m compared with €106.6m in the same period in 2024. The sustained rate cuts since June 2024 led to narrower interest spreads and lower yields on investment portfolios.

Non-funds income (fees and commissions and trading income) increased by €0.5m as we reported improvement in both transactional and trading income. We continue seeing growth in our key strength area of transaction banking within Commercial Banking and Retail Banking. Of particular note, we achieved another record performance in foreign exchange sales to customers as well as the issuance of both domestic and international guarantees, with totals up 9% on prior year. The Wealth business continued to see steady growth, with assets under distribution increasing by 4% in the first six months of the year despite the volatile global market environment.

Operating expenses increased by €2.3m to €58.4m, compared with €56.1m in the same period in 2024. The main drivers were higher staff related costs, increased amortisation and depreciation and higher costs to ensure compliance with new regulatory requirements. Thus, increased costs reflect our continued investment in people, technology and infrastructure.

During the six months, we reported a release of expected credit losses ('ECL') of €3.0m, compared to a release of €7.0m reported in the same period last year. The net release of €3.0m is made up of a release of €3.3m in the retail business partially offset by a charge of €0.3m in the commercial business. The release in the retail business is mainly driven by a re-assessment of the loss rate and loss given default parameters used to calculate ECL on mortgages. On the other hand, a higher weighting was given to the downside scenario of both retail and commercial models in view of the heightened uncertainty in the global macroeconomic environment driven by tariff concerns and geopolitical uncertainty. Other movements in ECL relate to changes in the credit quality of individual customers.

HSBC Life Assurance (Malta) Ltd reported a profit of €6.5m compared to €4.5m in the same period last year. The increase in profits was a result of an improvement in the yield curve partially offset by a non-recurring reversal of losses on onerous insurance contracts reported last year. New business generation on protection and long term savings, tracked favourably in the first half of the year amid intense competition. The insurance company continued to maintain a very strong capital position with a Solvency ratio as at 30 June 2025 of 247%.

Our Asset Management subsidiary generated a PBT 31% higher than same period last year driven by an increase in net revenue and lower costs. The growth in revenue is reflective of the higher Assets Under Management of the company.

The effective tax rate was 35% in both periods. This translated into an interim tax expense of €20.4m.

Financial Position and Capital

Net loans and advances to customers amounted to €2,791m, a decrease of €82m or 3% when compared to 31 December 2024. The loan portfolio showed stronger credit performance, with declining delinquency and default rates resulting in further releases of ECL.

The bank's investment portfolio increased by €197m to €2,488m as the bank continues to invest in the long term to mitigate interest rate risk inherent in the balance sheet. The investment portfolio is composed of highly rated securities and remains conservatively positioned with the lowest investment grade of A-.

Customer deposits stood at €6,203m as at 30 June 2025, an increase of €45m compared to 31 December 2024. While commercial customer balances decreased marginally when compared to 31 December 2024, average commercial deposits for 1H2025 were higher than 1H2024. Retail deposits increased by 2%.

The bank continued to maintain very strong capital ratios which exceed regulatory capital requirements. The bank's common equity tier 1 capital was 22.5% as at 30 June 2025, compared to 22.6% at the end of 2024. The total capital ratio was 25.4% compared to 25.6% as at 31 December 2024.

The bank maintained its commitment to rewarding shareholders with high dividends. We decided to maintain the same level of dividend as last year despite the lower profit in view of the bank's capital strength. The Board has thus recommended a gross interim dividend of 10 cents per share which amounts to a gross dividend of €36.0m. The interim dividend will be paid on 23 September 2025 to shareholders who are on the bank's register of shareholders on 20 August 2025.

Customer and Business initiatives

Wealth and Personal Banking

The Bank continued to welcome new customers while deepening its relationship with existing customers with continuous focus on improving how we serve our customers.

Retail deposit balances grew by 2% during the reporting period, and new lending values also improved for the first time in the last four years.

Our Wealth investment business continued to experience robust growth as we aim to support more customers on their protection, regular savings and investment needs, thanks to our personalised relationship-managed service for premium customers, in-house insurance and asset management manufacturing capabilities. Our insurance subsidiary continues to deliver on its commitment to policy holders, reporting a claims payout ratio in excess of 95% for last year.

Throughout the reporting period, we maintained ongoing marketing visibility across various channels promoting our unique customer propositions, credit cards and our various Wealth and Insurance product offers. More recently, we have launched our students' campaign with a record cashback incentive.

During July, we introduced two limited-times home loan offers with a guaranteed fixed rate of 1.5% until 30 September 2029, aimed at customers purchasing high-value residential properties and/or those investing in energy-efficient homes. The campaign forms part of the bank's strategy to provide more attractive lending options while encouraging eco-friendly purchases.

We continued to maintain rapid response time for credit applications and for customer servicing queries received through customer calls and secure electronic messaging. Furthermore, work is ongoing to identify and implement process efficiency improvements enabling our front-line teams to serve customers better and in less time.

We continued with the rollout of our new ATM fleet, with 82% of our ATM locations installed with new machines and ongoing work to replace the rest of the fleet by the end of the year. This has reflected well in machine reliability, improving availability and convenience for our customers. Furthermore, we continued to invest in our cards platform and in upgrading customer journeys on SEPA payments. In December 2024, our customers were able to start receiving SEPA payments instantly. We are now aiming to enable customers to originate instant payments through our digital channels in the coming months.

Corporate and Institutional Banking

In a period characterised by international market volatility, the bank continued to successfully deliver on its strategy to offer best in class services to our local and international customers by offering a comprehensive range of award-winning transaction banking services, including foreign exchange and other hedging products, underpinned by expert relationship management.

During the first half of the year, we welcomed customers and key stakeholders to two exclusive economic presentations led by HSBC Global Economist, James Pomeroy. These events provided attendees with valuable insights into the global economic outlook amid uncertain times, reinforcing the bank's commitment to informed financial decision-making.

We were delighted to celebrate with TradeMalta, which helps Maltese businesses with their internationalisation plans, on its 10 year anniversary in May. We have been supporting it through our sponsorship since its inception, enabling Maltese businesses to grow beyond our shores.

Through our partnership with the Malta Development Bank, we provide access to loans under the SME Guarantee Scheme and the Guaranteed Co Lending Scheme with favourable terms which include longer tenor and reduced collateral requirements. Through these schemes we finance new business investments, particularly in support of a more digitally oriented and sustainable economy. Both schemes were extended until the end of 2027.

We hosted numerous events with top customers to thank them for their trust and collaboration.

Geoffrey Fichte, the Chief Executive Officer of HSBC Malta, said:

"We achieved strong results with profit before tax of €58.7m reflecting the strength of our business despite lower interest rates. As a result of our continued strong profit generation in the first half of the year, the directors are recommending a gross interim dividend of 10 cents per share. I would like to thank our customers for their business and my colleagues for their unwavering support to our customers.

"We continue to invest in technology, people and customer service while promoting our services through ongoing marketing efforts. We remain committed to helping our customers achieve their aspirations and have recently launched competitive new mortgage campaigns designed to support our customers, both current and future. We renewed important commercial agreements with the Malta Development Bank, Trade Malta, Chamber of Commerce and others in order to grow our commercial banking business.

"We are positive on the Maltese economy despite global uncertainty. Malta's robust and diversified economic growth is well positioned for future success given global trends.

"The local group remains highly profitable with a return on equity of 12.7% for the six months ended 30 June 2025. The bank maintained its solid balance sheet and strong risk management underpinned by robust liquidity and excess capital position as at 30 June 2025 with a Liquidity Coverage Ratio of 537% and Tier 1 Capital of 22.5%, well above regulatory requirements.

"Our main shareholder continues its strategic review of their shareholding. We are committed to informing the market of any developments aligned to capital market listing rules."

Financial summary

Income Statements

	Notes	Group		Bank	
		Half-year to			
		30 Jun 2025	30 Jun 2024	**30 Jun 2025**	30 Jun 2024
		€000	€000	**€000**	€000
Interest and similar income					
– on loans and advances to banks and customers and other financial assets		**74,833**	104,165	**74,833**	104,165
– on debt and other fixed income instruments		**26,987**	15,581	**26,987**	15,581
Interest expense		**(11,977)**	(13,113)	**(11,977)**	(13,113)
Net interest income		**89,843**	106,633	**89,843**	106,633
Fee income		**12,371**	12,128	**10,520**	10,340
Fee expense		**(1,221)**	(1,289)	**(1,038)**	(1,126)
Net fee income	3	**11,150**	10,839	**9,482**	9,214
Insurance service revenue		**9,387**	10,040	**—**	—
Insurance service expense		**(3,487)**	(4,959)	**—**	—
Net expenses from reinsurance contracts		**(2,520)**	(266)	**—**	—
Insurance service result		**3,380**	4,815	**—**	—
Net income from assets and liabilities of insurance businesses, measured at fair value through profit or loss		**13,615**	18,791	**—**	—
Insurance finance expense		**(9,477)**	(18,388)	**—**	—
Net trading income		**4,803**	4,615	**4,803**	4,615
Dividend income from subsidiaries		**—**	—	**1,231**	1,077
Other operating income/(expense)		**790**	443	**348**	443
Net operating income before change in expected credit losses and other credit impairment charges		**114,104**	127,748	**105,707**	121,982
Change in expected credit losses and other credit impairment charges		**3,041**	6,986	**3,041**	6,986
Net operating income		**117,145**	134,734	**108,748**	128,968
Employee compensation and benefits		**(22,739)**	(21,392)	**(21,805)**	(20,932)
General and administrative expenses		**(30,114)**	(29,824)	**(28,760)**	(28,536)
Depreciation and impairment of property, plant and equipment and right-of-use assets		**(2,038)**	(1,661)	**(2,038)**	(1,661)
Amortisation and impairment of intangible assets		**(3,543)**	(3,250)	**(3,479)**	(3,216)
Total operating expenses		**(58,434)**	(56,127)	**(56,082)**	(54,345)
Profit before tax		**58,711**	78,607	**52,666**	74,623
Tax expense		**(20,440)**	(27,861)	**(18,324)**	(26,466)
Profit for the period		**38,271**	50,746	**34,342**	48,157
Earnings per share		**€0.11**	€0.14		

Statements of comprehensive income

	Group		Bank	
	Half-year to			
	30 Jun 2025	30 Jun 2024	**30 Jun 2025**	30 Jun 2024
	€000	€000	**€000**	€000
Profit for the period	**38,271**	50,746	**34,342**	48,157
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss when specific conditions are met:				
Debt instruments measured at fair value through other comprehensive income:	**4,491**	3,010	**4,491**	3,010
– fair value gains	**6,910**	4,630	**6,910**	4,630
– income taxes	**(2,419)**	(1,620)	**(2,419)**	(1,620)
Items that will not be reclassified subsequently to profit or loss:				
Equity instruments designated at fair value through other comprehensive income:	**1**	1	**1**	1
– fair value gains	**1**	2	**1**	2
– income taxes	**—**	(1)	**—**	(1)
Other comprehensive income for the period, net of tax	**4,492**	3,011	**4,492**	3,011
Total comprehensive income for the period	**42,763**	53,757	**38,834**	51,168

Statements of Financial Position

		At			
		Group		Bank	
		30 Jun 2025	31 Dec 2024	**30 Jun 2025**	31 Dec 2024
	Notes	**€000**	€000	**€000**	€000
Assets					
Balances with Central Bank of Malta, Treasury Bills and cash		**1,040,901**	1,073,670	**1,040,901**	1,073,670
Items in the course of collection from other banks		**4,247**	4,061	**4,247**	4,061
Financial assets mandatorily measured at fair value through profit or loss		**709,254**	714,949	**—**	—
Derivatives	7	**11,854**	17,242	**11,854**	17,242
Loans and advances to banks		**688,545**	615,367	**664,850**	601,032
Loans and advances to customers		**2,790,840**	2,873,158	**2,790,840**	2,873,158
Financial investments	8	**2,487,769**	2,291,180	**2,487,767**	2,291,178
Prepayments, accrued income and other assets		**48,226**	35,424	**47,577**	33,547
Current tax assets		**189**	2,569	**—**	88
Reinsurance contract assets		**5,191**	2,912	**—**	—
Non-current assets held for sale		**3,489**	3,738	**3,489**	3,738
Investment in subsidiaries		**—**	—	**30,859**	30,859
Right-of-use assets		**3,008**	2,620	**3,008**	2,620
Property, plant and equipment		**63,913**	58,771	**63,906**	58,764
Intangible assets		**23,367**	23,185	**23,263**	22,964
Deferred tax assets		**19,684**	22,880	**19,407**	22,604
Total assets		**7,900,477**	7,741,726	**7,191,968**	7,035,525
Liabilities					
Deposits by banks		**1,237**	2,398	**1,237**	2,398
Customer accounts		**6,202,776**	6,158,270	**6,225,024**	6,175,829
Items in the course of transmission to other banks		**16,466**	10,872	**16,466**	10,872
Liabilities under investment contracts		**161,682**	165,677	**—**	—
Derivatives	7	**10,394**	13,747	**10,394**	13,747
Accruals, deferred income and other liabilities		**84,006**	55,525	**76,786**	48,932
Current tax liabilities		**46,173**	35,901	**39,787**	31,568
Insurance contract liabilities		**523,560**	519,177	**—**	—
Provisions	9	**20,274**	20,808	**19,520**	20,054
Deferred tax liabilities		**3,406**	3,429	**3,406**	3,429
Borrowings from a group undertaking		**150,000**	90,000	**150,000**	90,000
Subordinated liabilities		**65,000**	65,000	**65,000**	65,000
Total liabilities		**7,284,974**	7,140,804	**6,607,620**	6,461,829
Equity					
Called up share capital		**108,092**	108,092	**108,092**	108,092
Revaluation reserve		**16,005**	11,513	**16,005**	11,513
Retained earnings		**491,406**	481,317	**460,251**	454,091
Total equity		**615,503**	600,922	**584,348**	573,696
Total liabilities and equity		**7,900,477**	7,741,726	**7,191,968**	7,035,525
Memorandum items					
Guarantees and other contingent liabilities	10	**225,110**	215,899	**225,060**	215,849
Commitments	10	**1,128,911**	963,371	**1,128,911**	963,371

The financial statements were approved and authorised for issue by the Board of Directors on 30 July 2025 and signed on its behalf by:

Manfred Galdes
Chairman

Geoffrey Fichte
Chief Executive Officer

Statements of changes in equity

	Notes	Group			
		Share capital	Revaluation reserve	Retained earnings	Total equity
		€000	€000	€000	€000
At 1 Jan 2025		**108,092**	**11,513**	**481,317**	**600,922**
Profit for the period		**—**	**—**	**38,271**	**38,271**
Other comprehensive income					
Financial investments measured at fair value through other comprehensive income:					
– fair value gains, net of tax		**—**	**4,492**	**—**	**4,492**
Total other comprehensive income		**—**	**4,492**	**—**	**4,492**
Total comprehensive income for the period		**—**	**4,492**	**38,271**	**42,763**
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners:					
– share-based payment arrangements, net of tax		**—**	**—**	**(78)**	**(78)**
– dividends	2	**—**	**—**	**(28,104)**	**(28,104)**
Total contributions by and distributions to owners		**—**	**—**	**(28,182)**	**(28,182)**
At 30 Jun 2025		**108,092**	**16,005**	**491,406**	**615,503**
At 1 Jan 2024		108,092	10,408	424,533	543,033
Profit for the period		—	—	50,746	50,746
Other comprehensive income					
Financial investments measured at fair value through other comprehensive income:					
– fair value gains, net of tax		—	3,011	—	3,011
Total other comprehensive income		—	3,011	—	3,011
Total comprehensive income for the period		—	3,011	50,746	53,757
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners:					
– share-based payment arrangements, net of tax		—	—	(41)	(41)
– dividends	2	—	—	(21,078)	(21,078)
Total contributions by and distributions to owners		—	—	(21,119)	(21,119)
At 30 Jun 2024		108,092	13,419	454,160	575,671

	Notes	Bank			
		Share capital	Revaluation reserve	Retained earnings	Total equity
		€000	€000	€000	€000
At 1 Jan 2025		**108,092**	**11,513**	**454,091**	**573,696**
Profit for the period		**—**	**—**	**34,342**	**34,342**
Other comprehensive income					
Financial investments measured at fair value through other comprehensive income:					
– fair value gains, net of tax		**—**	**4,492**	**—**	**4,492**
Total other comprehensive income		**—**	**4,492**	**—**	**4,492**
Total comprehensive income for the period		**—**	**4,492**	**34,342**	**38,834**
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners:					
– share-based payment arrangements, net of tax		**—**	**—**	**(78)**	**(78)**
– dividends	2	**—**	**—**	**(28,104)**	**(28,104)**
Total contributions by and distributions to owners		**—**	**—**	**(28,182)**	**(28,182)**
At 30 Jun 2025		**108,092**	**16,005**	**460,251**	**584,348**
At 1 Jan 2024		108,092	10,408	406,960	525,460
Profit for the period		—	—	48,157	48,157
Other comprehensive income					
Financial investments measured at fair value through other comprehensive income:					
– fair value gains, net of tax		—	3,011	—	3,011
Total other comprehensive income		—	3,011	—	3,011
Total comprehensive income for the period		—	3,011	48,157	51,168
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners:					
– share-based payment arrangements, net of tax		—	—	(41)	(41)
– dividends	2	—	—	(21,078)	(21,078)
Total contributions by and distributions to owners		—	—	(21,119)	(21,119)
At 30 Jun 2024		108,092	13,419	433,998	555,509

Statements of cash flows

	Group		Bank	
	Half-year to			
	30 Jun 2025	30 Jun 2024	**30 Jun 2025**	30 Jun 2024
	€000	€000	**€000**	€000
Cash flows from operating activities				
Interest, fees, loan recoveries and premium receipts	**133,832**	146,638	**94,093**	111,294
Interest, fees and claims payments	**(53,272)**	(55,673)	**(12,481)**	(13,003)
Payments to employees and suppliers	**(55,112)**	(49,662)	**(51,280)**	(45,516)
Cash flows from operating activities before changes in operating assets and liabilities	**25,448**	41,303	**30,332**	52,775
Decrease/(increase) in operating assets:				
– financial assets mandatorily measured at fair value through profit or loss	**16,447**	17,410	**—**	—
– reserve deposit with Central Bank of Malta	**(3,216)**	(3,154)	**(3,216)**	(3,154)
– loans and advances to banks and customers	**(46,985)**	96,305	**(46,985)**	96,305
– Treasury Bills	**(13,637)**	79,788	**(13,637)**	79,788
– other assets	**(8,338)**	(499)	**(8,044)**	(336)
(Decrease)/increase in operating liabilities:				
– deposits by banks and customer accounts	**45,328**	(86,783)	**48,759**	(91,183)
– other liabilities	**22,793**	40,859	**22,360**	41,039
Net cash from operating activities before tax	**37,840**	185,229	**29,569**	175,234
– tax paid net of refunds	**(6,849)**	(2,517)	**(8,790)**	(2,257)
Net cash from operating activities	**30,991**	182,712	**20,779**	172,977
Cash flows from investing activities				
Dividends received	**—**	—	**800**	700
Interest received from financial investments	**7,470**	8,740	**7,470**	8,740
Purchase of financial investments	**(444,571)**	(418,821)	**(444,571)**	(418,821)
Proceeds from sale and maturity of financial investments	**268,475**	34,181	**268,475**	34,181
Purchase of property, plant and equipment and intangible assets	**(10,615)**	(10,182)	**(10,615)**	(10,182)
Net cash from investing activities	**(179,241)**	(386,082)	**(178,441)**	(385,382)
Cash flows from financing activities				
Dividends paid	**(28,104)**	(21,078)	**(28,104)**	(21,078)
Proceeds from borrowings from a group undertaking	**60,000**	—	**60,000**	—
Net cash from financing activities	**31,896**	(21,078)	**31,896**	(21,078)
Net decrease in cash and cash equivalents	**(116,354)**	(224,448)	**(125,766)**	(233,483)
Cash and cash equivalents at beginning of period	**1,241,974**	1,825,691	**1,227,640**	1,821,340
Effect of exchange rate changes on cash and cash equivalents	**51,933**	(11,085)	**51,984**	(11,029)
Cash and cash equivalents at end of period	**1,177,553**	1,590,158	**1,153,858**	1,576,828

Notes on the interim condensed consolidated financial statements

1 Basis of preparation and material accounting policies

(a) Compliance with International Financial Reporting Standards

Our interim condensed consolidated financial statements have been prepared in accordance with Chapter 5 of the Capital Market Rules issued by the Listing Authority and the Prevention of Financial Markets Abuse Act 2005 and IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board ('IASB') and as endorsed by the EU. Therefore, they include an explanation of events and transactions that are significant to an understanding of the changes in HSBC Bank Malta p.l.c. (the 'bank') and its subsidiary undertakings (collectively referred to as the 'local group') financial position and performance since the end of 2024. These financial statements should be read in conjunction with the Annual Report and Accounts 2024.

The interim condensed financial information has been extracted from the unaudited group's management accounts for the six months ended 30 June 2025. It has not been subject to an audit in accordance with the requirements of International Standards on Auditing nor to a review in accordance with the requirements of ISRE 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

At 30 June 2025, there were no IFRS Accounting Standards effective for the half-year to 30 June 2025 affecting these financial statements, and there was no difference between IFRS Accounting Standards adopted by the EU and IFRS Accounting Standards issued by the IASB in terms of their application to the local group.

Standards applied during the half-year to 30 June 2025

There were no new standards or amendments to standards that had an effect on these interim condensed consolidated financial statements.

(b) Use of estimates and judgements

The preparation of financial information in accordance with the requirements of IFRS Accounting Standards as adopted by the EU requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items listed below, it is possible that the outcomes in the second half of 2025 could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of the 2025 Interim Financial Results. Management's selection of the local group's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied, the high degree of judgement and estimation of uncertainty involved.

Management believes that the local group's critical estimates and judgements are those that relate to:

- Expected credit loss allowances on loans and advances;
- Valuation of insurance contract liabilities;
- Valuation of financial instruments; and
- Measurement of post employment and other long-term employee benefits.

Excluding those related to the 'Measurement of the ECL estimates' as highlighted in Note 4, there were no changes in the current period to the other critical estimates and judgements disclosed in 2024, as set out in Note 52 of the Annual Report and Accounts 2024.

In management's view, apart from judgements involving estimations as reflected above, there are no material or critical judgements made in the process of applying the local group's accounting policies that have a more material effect on the amounts recognised in the financial statements.

(c) Composition of local group

There were no changes in the composition of the local group in the half-year to 30 June 2025.

(d) Future accounting developments

IFRS 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace IAS 1 'Presentation of Financial Statements' but carries over many requirements from that IFRS Accounting Standard unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information.

While IFRS 18 will not change recognition criteria or measurement bases, it might have a significant impact on presenting information in the financial statements, in particular the income statement. The local group is currently assessing any impacts as well as data readiness before developing a more detailed implementation plan.

Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'

In May 2024, the IASB issued amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on, or after, 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG-related contingencies, and financial assets with certain non-recourse features. The local group is undertaking an assessment of the potential impact.

(e) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the local group has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources. These considerations include stressed scenarios that reflect the uncertainty in the macroeconomic environment, as well considering potential impacts from other top and emerging risks, including climate change and environmental risk events, geopolitical risks, drops in asset prices, and local jurisdiction risks and the related impact on profitability, capital and liquidity.

(f) Accounting policies

The accounting policies that we applied for these interim condensed consolidated financial statements are consistent with those described on pages 110 to 127 of the Annual Report and Accounts 2024, as are the methods of computation.

2 Dividends

	Bank			
	30 Jun 2025	30 Jun 2024	**30 Jun 2025**	30 Jun 2024
	EUR per share	EUR per share	**€000**	€000
Gross of tax				
– prior year's final dividend	**0.12**	0.09	**43,237**	32,428
	0.12	0.09	**43,237**	32,428
Net of tax				
– prior year's final dividend	**0.08**	0.06	**28,104**	21,078
	0.08	0.06	**28,104**	21,078

The bank is proposing an interim net dividend of €23,420,000 in respect of the financial period ended 30 June 2025. The interim dividend will be paid on 23 September 2025 to shareholders who are on the bank's register of shareholders on 20 August 2025.

	Bank	
	30 Jun 2025	30 Jun 2024
	€000	€000
Proposed interim dividend		
Profit for the period (net of tax)	**38,271**	50,746
Proposed interim dividend	**23,420**	23,420
Available for distribution	**23,420**	23,420
Issued and fully paid up shares	**360,306,099**	360,306,099
	EUR per share	EUR per share
Proposed interim dividend		
– gross of tax per share	**0.10**	0.10
– net of tax per share	**0.07**	0.07

3 Net fee income

	Half-year to			
	Group		Bank	
	30 Jun 2025	30 Jun 2024	**30 Jun 2025**	30 Jun 2024
	€000	€000	**€000**	€000
Net fee income by product:				
Funds under management	**1,579**	1,365	**—**	—
Cards	**2,217**	2,337	**2,217**	2,337
Credit facilities	**1,029**	837	**1,029**	837
Broking income	**387**	357	**387**	357
Account services	**1,743**	1,666	**1,743**	1,666
Remittances	**1,184**	1,189	**1,184**	1,189
Imports/exports	**693**	759	**693**	759
Receivables finance	**325**	422	**325**	422
Distribution fees in relation to investment management services	**1,153**	1,429	**—**	—
Other	**2,061**	1,767	**2,942**	2,773
Fee income	**12,371**	12,128	**10,520**	10,340
Less: fee expense	**(1,221)**	(1,289)	**(1,038)**	(1,126)
Net fee income	**11,150**	10,839	**9,482**	9,214
Net fee income by global business				
Wealth and Personal Banking ('WPB')	**5,791**	5,506	**4,123**	3,881
Corporate and Institutional Banking ('CIB')	**5,359**	5,333	**5,359**	5,333

Net fee income amounting to €411,000 in 1H2025 (1H2024: €378,000) is derived from the investment services activities of the local group.

4 Summary of financial instruments to which the impairment requirements in IFRS 9 are applied

The bank's exposure to credit risk mainly arises from its lending activities. In this respect, all lending activities are classified under either wholesale or personal lending.

Wholesale lending includes both small business owners served through Personal Banking as well as the financing of corporate and non-bank financial institutions both from a working capital perspective and investing primarily in income producing assets and, to a lesser extent, construction and development of the same. The business focuses mainly on traditional core asset classes such as retail, offices, light industrial and residential building projects. In the following table, these wholesale lending exposures are presented as exposures to corporate and commercial entities as well as exposures to non-bank financial institutions. Non-bank financial institutions are mainly financial corporations other than banks and entities within the group of companies that are mainly engaged in financial and insurance activities including non-financial holding companies. Corporate and commercial entities are wholesale entities that have activities other than finance related.

The bank provides a broad range of secured and unsecured personal lending products to meet customer needs. Personal lending includes advances to customers for asset purchases such as residential property where the loans are secured by the assets acquired. The bank also offers loans secured on existing assets, such as first charges on residential property, and unsecured lending products such as overdrafts, credit cards and car loans.

The following disclosure presents the gross carrying/nominal amount of financial instruments measured at amortised cost to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL, as well as the fair value of debt instruments measured at fair value through other comprehensive income ('FVOCI') and the associated allowance for ECL.

All figures presented in this note exclude the balances relating to the insurance and the asset management subsidiaries, as the financial instruments subject to IFRS 9 impairment requirements for these subsidiaries are deemed immaterial.

Transactions and balances with Retail Business Banking ('RBB') customers are classified as wholesale in the following tables, whereas these are reported under Wealth and Personal Banking ('WPB') in Note 5 'Segmental analysis'.

All credit card balances are classified as personal, whereas some of the balances held by corporate customers are reported under Corporate and Institutional Banking ('CIB') in Note 5 'Segmental analysis'.

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

	At 30 Jun 2025		At 31 Dec 2024	
	Gross carrying/ nominal amount	**Allowance for ECL[1]**	Gross carrying/ nominal amount	Allowance for ECL[1]
	€000	**€000**	€000	€000
Loans and advances to customers at amortised cost:	**2,820,999**	**(30,159)**	2,905,333	(32,175)
– personal	**2,029,698**	**(13,931)**	2,087,071	(17,301)
– corporate and commercial	**753,831**	**(15,458)**	772,766	(14,057)
– non-bank financial institutions	**37,470**	**(770)**	45,496	(817)
Loans and advances to banks at amortised cost	**664,850**	**—**	601,032	—
Other financial assets measured at amortised cost	**2,086,139**	**(4,288)**	1,987,052	(4,820)
– balances at central banks	**762,107**	**(1)**	808,972	(1)
– items in the course of collection from other banks	**4,247**	**—**	4,061	—
– debt instruments measured at amortised cost	**1,286,567**	**(22)**	1,145,174	(46)
– accrued income and other assets[2]	**33,218**	**(4,265)**	28,845	(4,773)
Total gross carrying amount on balance sheet	**5,571,988**	**(34,447)**	5,493,417	(36,995)
Loans and other credit-related commitments	**1,128,911**	**(544)**	963,371	(854)
– personal	**285,785**	**(24)**	275,834	(24)
– corporate and commercial (including non-bank financial institutions)	**826,590**	**(520)**	668,200	(830)
– banks	**16,536**	**—**	19,337	—
Financial guarantees	**19,408**	**(50)**	12,788	(120)
– personal	**98**	**—**	102	—
– corporate and commercial (including non-bank financial institutions)	**9,474**	**(50)**	12,686	(120)
– banks	**9,836**	**—**	—	—
Total nominal amount off balance sheet[3]	**1,148,319**	**(594)**	976,159	(974)
Total	**6,720,307**	**(35,041)**	6,469,576	(37,969)

	Fair value	**Allowance for ECL[4]**	Fair value	Allowance for ECL
	€000	**€000**	€000	€000
Debt instruments measured at fair value through other comprehensive income	**1,201,177**	**(28)**	1,146,007	(36)
Treasury Bills measured at fair value through other comprehensive income	**251,021**	**(3)**	234,541	(2)
Total	**1,452,198**	**(31)**	1,380,548	(38)

1 The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.
2 Includes only those financial instruments that are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets' as presented within the statement of financial position on page 5, include both financial and non-financial assets.
3 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
4 Debt instruments measured at FVOCI continue to be measured at fair value with the change in ECL recognised in 'Change in expected credit losses and other credit impairment charges' in the income statement.

Summary of credit risk by stage distribution and ECL coverage by business segment

	Gross carrying/nominal amount				Allowance for ECL				ECL coverage %			
	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000	Stage 1 %	Stage 2 %	Stage 3 %	Total %
Loans and advances to customers at amortised cost:	2,548,298	202,051	70,650	2,820,999	(5,927)	(11,093)	(13,139)	(30,159)	0.2	5.5	18.6	1.1
– personal	1,838,588	147,090	44,020	2,029,698	(524)	(7,183)	(6,224)	(13,931)	—	4.9	14.1	0.7
– corporate and commercial	672,525	54,961	26,345	753,831	(4,633)	(3,910)	(6,915)	(15,458)	0.7	7.1	26.2	2.1
– non-bank financial institutions	37,185	—	285	37,470	(770)	—	—	(770)	2.1	—	—	2.1
Loans and advances to banks at amortised cost	664,850	—	—	664,850	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	2,077,762	1,011	7,366	2,086,139	(23)	—	(4,265)	(4,288)	—	—	57.9	0.2
Loan and other credit-related commitments:	1,101,657	26,747	507	1,128,911	(445)	(28)	(71)	(544)	—	0.1	14.0	—
– personal	278,379	7,140	266	285,785	(24)	—	—	(24)	—	—	—	—
– corporate and commercial (including non-bank financial institutions)	806,742	19,607	241	826,590	(421)	(28)	(71)	(520)	0.1	0.1	29.5	0.1
– banks	16,536	—	—	16,536	—	—	—	—	—	—	—	—
Financial guarantees:	19,321	87	—	19,408	(48)	(2)	—	(50)	0.2	2.3	—	0.3
– personal	98	—	—	98	—	—	—	—	—	—	—	—
– corporate and commercial (including non-bank financial institutions)	9,387	87	—	9,474	(48)	(2)	—	(50)	0.5	2.3	—	0.5
– banks	9,836	—	—	9,836	—	—	—	—	—	—	—	—
At 30 Jun 2025	6,411,888	229,896	78,523	6,720,307	(6,443)	(11,123)	(17,475)	(35,041)	0.1	4.8	22.3	0.5
Loans and advances to customers at amortised cost	2,692,845	143,585	68,903	2,905,333	(7,501)	(9,874)	(14,800)	(32,175)	0.3	6.9	21.5	1.1
– personal	1,926,496	118,130	42,445	2,087,071	(1,040)	(8,080)	(8,181)	(17,301)	0.1	6.8	19.3	0.8
– corporate and commercial	721,140	25,455	26,171	772,766	(5,644)	(1,794)	(6,619)	(14,057)	0.8	7.0	25.3	1.8
– non-bank financial institutions	45,209	—	287	45,496	(817)	—	—	(817)	1.8	—	—	1.8
Loans and advances to banks at amortised cost	601,032	—	—	601,032	—	—	—	—	—	—	—	—
Other financial assets measured at amortised cost	1,979,016	614	7,422	1,987,052	(47)	—	(4,773)	(4,820)	—	—	64.3	0.2
Loan and other credit-related commitments	929,635	32,337	1,399	963,371	(727)	(72)	(55)	(854)	0.1	0.2	3.9	0.1
– personal	271,901	3,807	126	275,834	(24)	—	—	(24)	—	—	—	—
– corporate and commercial (including non-bank financial institutions)	638,397	28,530	1,273	668,200	(703)	(72)	(55)	(830)	0.1	0.3	4.3	0.1
– banks	19,337	—	—	19,337	—	—	—	—	—	—	—	—
Financial guarantees	12,714	74	—	12,788	(118)	(2)	—	(120)	0.9	2.7	—	0.9
– personal	102	—	—	102	—	—	—	—	—	—	—	—
– corporate and commercial (including non-bank financial institutions)	12,612	74	—	12,686	(118)	(2)	—	(120)	0.9	2.7	—	0.9
At 31 Dec 2024	6,215,242	176,610	77,724	6,469,576	(8,393)	(9,948)	(19,628)	(37,969)	0.1	5.6	25.3	0.6

	Fair Value				Allowance for ECL				ECL coverage %			
	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000	Stage 1 %	Stage 2 %	Stage 3 %	Total %
Debt instruments measured at fair value through other comprehensive income	1,201,177	—	—	1,201,177	(28)	—	—	(28)	—	—	—	—
Treasury Bills measured at fair value through other comprehensive income	251,021	—	—	251,021	(3)	—	—	(3)	—	—	—	—
At 30 Jun 2025	1,452,198	—	—	1,452,198	(31)	—	—	(31)	—	—	—	—
Debt instruments measured at fair value through other comprehensive income	1,146,007	—	—	1,146,007	(36)	—	—	(36)	—	—	—	—
Treasury Bills measured at fair value through other comprehensive income	234,541	—	—	234,541	(2)	—	—	(2)	—	—	—	—
At 31 Dec 2024	1,380,548	—	—	1,380,548	(38)	—	—	(38)	—	—	—	—

Measurement uncertainty and sensitivity analysis of ECL estimates

Methodology

The recognition and measurement of ECL involves the use of significant judgement and estimation. The bank's methodology in relation to the adoption and generation of economic scenarios is described on pages 153 to 158 of the Annual Report and Accounts 2024.

Four economic scenarios are used to capture the current economic environment and to articulate management's view of the range of potential outcomes. The Central, Upside and Downside scenarios selected with reference to external forecast distributions are termed the 'consensus economic scenarios'. The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting, while the outer scenarios represent the tails of the distribution, which are less likely to occur.

There were changes in the probability % weighting for the Central, Upside, Downside and Downside 2 scenarios as described below.

How economic scenarios are reflected in the wholesale calculation of ECL

In line with HSBC's methodology, for the wholesale portfolio, forward economic guidance ('FEG') is incorporated into the calculation of ECL through the estimation of the term structure of probability of default ('PD') and loss given default ('LGD').

For the PD calculation, forward-looking PDs are approximated by using a proxy country's PDs and macroeconomic paths, shifted by a scalar. A suitable proxy is selected using the Bhattacharyya methodology which compares various proxy sites' principal component macroeconomic variables to local variables to determine the most suitable site. The scalar is then calculated, which is intended to capture the difference between the proxy and local sensitivities to economic shocks.

For the LGD calculation, the correlation of FEG, derived from the assumed macroeconomic paths of the proxy site, to collateral values, which are in turn derived from the bank's data, is taken into account.

For non-credit impaired loans, the local group uses the proxy country's real gross domestic product ('GDP') growth rate, unemployment rate, consumer price index, short-term interest rate and the house price index as the relevant macroeconomic variables to determine the term structure of PD and LGD. The macroeconomic paths modelled in respect of the macroeconomic variables used by the proxy country are assessed by management to be similar to those modelled in respect of the retail portfolios, with similar shocks and trajectories being applied for the proxy country's and Malta's economies.

For credit impaired loans, LGD estimates take into account independent recovery valuations provided by external consultants, or internal forecasts corresponding to anticipated economic conditions and individual company conditions. In estimating the ECL on credit impaired loans that are individually considered not to be significant, the model incorporates forward economic guidance proportionate to the probability weighted outcome and the consensus Central scenario outcome for individually significant stage 3 loans.

For PDs, the correlation of FEG to default rates is considered. In this respect, forward-looking PDs are approximated by using a proxy country's PDs and macroeconomic paths, shifted by a scalar. A suitable proxy is selected using the Bhattacharyya methodology which compares various proxy sites' principal component macroeconomic variables to local variables to determine the most suitable site. The scalar is then calculated, which is intended to capture the difference between the proxy and local sensitivities to economic shocks. For the LGD calculation, the correlation of FEG, derived from the assumed macroeconomic paths of the proxy site, to collateral values, which are in turn derived from the bank's data, is taken into account.

The projected economic paths in respect of each of the key macroeconomic variables specific to the Maltese economy across the four macroeconomic scenarios described above are presented in the tables below:

Malta: Consensus scenarios (average 2Q25-2Q30)

	Consensus scenarios			**Downside 2 scenario**
	Central	**Upside**	**Downside**	
Real GDP Growth rate (%)	**3.7**	**4.2**	**3.1**	**2.6**
Consumer price index (%)	**2.1**	**2.2**	**1.6**	**1.3**
Unemployment (%)	**3.1**	**3.0**	**3.1**	**3.5**
Short-term interest rate (%)	**2.1**	**2.3**	**1.6**	**0.6**
House price index (%)	**4.9**	**5.5**	**4.4**	**3.3**
Probability weights (%)	**65.0**	**10.0**	**20.0**	**5.0**

Malta: Consensus scenarios (average 2Q24-2Q29)

	Consensus scenarios			Downside 2 scenario
	Central	Upside	Downside	
Real GDP Growth rate (%)	3.7	4.3	2.9	2.0
Consumer price index (%)	2.1	2.0	2.1	0.9
Unemployment (%)	2.6	2.5	2.8	3.2
Short-term interest rate (%)	2.8	2.7	2.3	2.2
House price index (%)	6.0	6.8	5.1	(2.3)
Probability weights (%)	75.0	10.0	10.0	5.0

Malta: Real GDP growth rates – 1H2025 projections

	Consensus scenarios			**Downside 2 scenario**
	Central	**Upside**	**Downside**	
2025: Annual average growth rate (%)	**3.3**	**3.7**	**3.0**	**2.1**
2026: Annual average growth rate (%)	**3.6**	**4.8**	**2.2**	**(2.6)**
2027: Annual average growth rate (%)	**3.7**	**4.6**	**2.7**	**2.9**
2028: Annual average growth rate (%)	**3.4**	**3.6**	**3.2**	**5.5**
2029: Annual average growth rate (%)	**3.5**	**3.4**	**3.4**	**4.3**
Five year average growth rate (%)	**3.5**	**4.0**	**2.9**	**2.4**

Malta: Unemployment rate – 1H2025 projections

	Consensus scenarios			Downside 2 scenario
	Central	Upside	Downside	
2025: Annual average rate (%)	**3.1**	**3.0**	**3.1**	**3.1**
2026: Annual average rate (%)	**3.1**	**3.0**	**3.2**	**3.3**
2027: Annual average rate (%)	**3.1**	**3.0**	**3.2**	**3.5**
2028: Annual average rate (%)	**3.0**	**3.0**	**3.1**	**3.7**
2029: Annual average rate (%)	**3.0**	**3.0**	**3.0**	**3.5**
Five year average rate (%)	**3.1**	**3.0**	**3.1**	**3.4**

Malta: Consumer price index – 1H2025 projections

	Consensus scenarios			Downside 2 scenario
	Central	Upside	Downside	
2025: Annual average growth rate (%)	**2.0**	**2.1**	**1.7**	**1.6**
2026: Annual average growth rate (%)	**2.0**	**2.5**	**0.7**	**0.1**
2027: Annual average growth rate (%)	**2.1**	**2.4**	**1.4**	**1.2**
2028: Annual average growth rate (%)	**2.1**	**2.1**	**2.0**	**1.9**
2029: Annual average growth rate (%)	**2.1**	**2.1**	**2.1**	**1.8**
Five year average % change (%)	**2.1**	**2.2**	**1.6**	**1.3**

Malta: House price index – 1H2025 projections

	Consensus scenarios			Downside 2 scenario
	Central	Upside	Downside	
2025: Annual average growth rate (%)	**4.7**	**5.1**	**4.4**	**3.8**
2026: Annual average growth rate (%)	**4.7**	**6.0**	**3.3**	**(0.6)**
2027: Annual average growth rate (%)	**4.5**	**5.4**	**3.5**	**1.1**
2028: Annual average growth rate (%)	**5.0**	**5.2**	**4.8**	**4.4**
2029: Annual average growth rate (%)	**5.3**	**5.3**	**5.3**	**6.5**
Five year average % change (%)	**4.8**	**5.4**	**4.3**	**3.0**

Malta: Short-term interest rates – 1H2025 projections

	Consensus scenarios			Downside 2 scenario
	Central	Upside	Downside	
2025: Annual average rate (%)	**2.0**	**2.2**	**1.7**	**1.5**
2026: Annual average rate (%)	**1.7**	**2.1**	**0.4**	**(0.1)**
2027: Annual average rate (%)	**2.0**	**2.2**	**1.2**	**0.3**
2028: Annual average rate (%)	**2.3**	**2.3**	**2.2**	**0.7**
2029: Annual average rate (%)	**2.5**	**2.5**	**2.5**	**1.1**
Five year average rate (%)	**2.1**	**2.3**	**1.6**	**0.7**

Scenario weighting

In reviewing the economic conjuncture, the level of uncertainty and risk, management has considered both global and country-specific factors. This has led management to assign scenario probabilities that are tailored to its view of uncertainty which in the context of Malta, remain elevated due to the Europe's exposure to the military conflict between Russia and Ukraine and the conflicts in the Middle East, as well as continued differences between United States and other countries in respect of economic and trade policy, including higher tariffs, and the possibility of retaliatory measures.

Standard probabilistic assessments based on historical and observed macroeconomic experience are of limited value when extreme economic events occur, given that such events are poorly represented in historical macroeconomic data. As such, the historical distributions are only used as a guidance and less relied upon when determining the appropriate weights.

Management continues to review the weightings given that the macroeconomic outlook remains highly uncertain. In this respect during the period under review as highlighted below there were changes in the probability % weighting for the Central, Upside, Downside and Downside 2 scenarios as described below.

The combined probability assigned to the Downside scenarios as at 30 June 2025 is 20%, while the consensus Upside scenario at 30 June 2025 is 10%. As at 30 June 2025, the consensus Upside and Central scenarios had a combined weighting of 75% (31 December 2024: 85%). The probability weight assigned to the Downside 2 scenario has remain constant to 5% as at 30 June 2025, based on expert judgement applied in response to no changes in the severity of modelled scenarios since the prior year. The 20% probability weight assigned to the Downside scenarios reflects the uncertain economic outlook driven by the geopolitical environment which remains volatile and complex.

The probability weights assigned to the respective scenarios across all wholesale and retail portfolios as at 30 June 2025, 31 December 2024, 30 June 2024 and 31 December 2023 are presented in the table below:

	Consensus Scenarios			Downside 2 scenario
	Central	Upside	Downside	
Probability (%) – 30 June 2025	**65.0**	**10.0**	**20.0**	**5.0**
Probability (%) – 31 December 2024	75.0	10.0	10.0	5.0
Probability (%) – 30 June 2024	75.0	10.0	10.0	5.0
Probability (%) – 31 December 2023	75.0	10.0	10.0	5.0

How economic scenarios are reflected in the retail calculation of ECL

With respect to the retail portfolio, historical relationships between observed default rates and macroeconomic variables are integrated into IFRS 9 ECL estimates by leveraging economic response models. The impact of these scenarios on PDs is modelled over a period equal to the remaining maturity of underlying assets. In contrast, no FEG impact on LGD is modelled in respect of exposures classified within any of the retail portfolios. The key macroeconomic variables used for the retail portfolio are specific to Malta and have been calibrated in line with the methodology explained on previous pages.

Based on an assessment performed by the local group in respect of the correlation between historical observed default rates and various macroeconomic variables, it was determined that the most relevant macroeconomic variables to use within the ECL calculation in respect of mortgages were unemployment and real GDP growth rates. A relative 80:20 weighting was assigned to unemployment and real GDP growth rates respectively. Expert judgement was applied in the selection of the macroeconomic variables as well as the assignment of the relative weightings. In view of the fact that the loan-to-value ('LTV') ratio represents one of the criteria used for segmentation purposes in respect of exposures classified within the mortgage portfolio, the house price index ('HPI') is also considered in the estimation of forward-looking point-in-time ('PIT') PDs, with exposures migrating between segments on the basis of forecasted shocks to the HPI, which in turn impact the LTV segmentation.

In contrast, the modelling of forward-looking macroeconomic scenarios in respect of exposures classified within unsecured retail portfolios is linked to a singular macroeconomic variable. In this respect, the key macroeconomic variable used in the estimation of ECLs in respect of retail overdrafts and personal loans is the unemployment rate, whereas the real GDP growth rate is used as the key macroeconomic variable for credit cards.

Economic scenarios sensitivity analysis of ECL estimates

The ECL outcome is sensitive to judgement and estimations made with regards to the formulation and incorporation of multiple forward-looking economic conditions described on previous pages. As a result, management assessed and considered the sensitivity of the ECL outcome to the forward-looking economic conditions as part of the ECL governance process.

As at 30 June 2025 and 31 December 2024, the sensitivity of the ECL outcome to the economic forecasts was assessed by recalculating the ECL under the scenarios described on previous pages for the wholesale and retail portfolios, applying a 100% weighting to each scenario in turn. In this respect, the credit loss allowances estimated on the basis of an assumption that the ECL outcome was determined solely on the basis of each respective scenario are presented in the table below.

The ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible ECL outcomes. The impact of defaults that might occur in the future under different economic scenarios is captured by recalculating ECL for loans at the balance sheet date. There is a particularly high degree of estimation uncertainty in numbers representing more severe risk scenarios when assigned a 100% weighting.

For wholesale credit risk exposures, the sensitivity analysis excludes the ECL related to defaulted (stage 3) obligors. It is generally impracticable to separate the effect of macroeconomic factors in individual assessments of obligors in default. The measurement of stage 3 ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios, and loans to defaulted obligors are a small portion of the overall wholesale lending exposure, even if representing the majority of the allowance for ECL. Therefore, the ECL in respect of wholesale stage 3 exposures is assumed to remain constant across the sensitivity outcomes presented in the table below.

For retail credit risk exposures, the sensitivity analysis includes ECL for loans and advances to customers related to defaulted obligors. This is because the retail ECL for secured mortgage portfolios including loans in all stages is sensitive to macroeconomic variables.

The wholesale and retail sensitivity analysis is stated inclusive of management judgemental adjustments, as appropriate to each scenario. Accordingly, the management judgemental adjustments modelled in respect of both comparative periods and referred to previously are assumed to remain constant across the sensitivity outcomes presented in the table below.

ECL sensitivity: Applying a 100% weighting to each respective scenario – June 2025

	Weighted average ECL	**Consensus scenarios**			**Downside 2 scenario**
		Central	**Upside**	**Downside**	
	€000	**€000**	**€000**	**€000**	**€000**
Wholesale lending	**9,813**	**8,732**	**8,165**	**11,504**	**12,137**
Personal lending	**16,652**	**16,635**	**16,601**	**16,686**	**16,782**

ECL sensitivity: Applying a 100% weighting to each respective scenario – December 2024

	Weighted average ECL	Consensus scenarios			Downside 2 scenario
		Central	Upside	Downside	
	€000	€000	€000	€000	€000
Wholesale lending	9,150	8,889	8,044	9,998	13,587
Personal lending	20,150	20,070	19,967	20,249	21,537

Post-model adjustments

In the context of IFRS 9, post-model adjustments are short-term increases or decreases to the ECL at either a customer or portfolio level to account for late-breaking events, model deficiencies and expert credit judgement applied following management review and challenge. Internal governance is in place to regularly monitor post-model adjustments and where possible to reduce the reliance on these through model recalibration or redevelopment, as appropriate.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers, including loan and other credit-related commitments, acceptances, accrued income and financial guarantees and similar contracts

	Non–credit impaired				Credit–impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	€000	€000	€000	€000	€000	€000	€000	€000
At 1 Jan 2025	3,624,195	(8,346)	176,610	(9,948)	77,724	(19,628)	3,878,529	(37,922)
Transfers of financial instruments:	(65,683)	(1,860)	58,378	2,613	7,305	(753)	—	—
– transfers from stage 1 to stage 2	(101,390)	318	101,390	(318)	—	—	—	—
– transfers from stage 2 to stage 1	37,609	(1,789)	(37,609)	1,789	—	—	—	—
– transfers from stage 3	914	(391)	2,057	(239)	(2,971)	630	—	—
– transfers to stage 3	(2,816)	2	(7,460)	1,381	10,276	(1,383)	—	—
Net remeasurement of ECL arising from stage transfers	—	2,079	—	(6,473)	—	(231)	—	(4,625)
Changes in risk parameters	—	1,368	—	2,505	—	2,005	—	5,878
Net new and further lending/ repayments	102,920	339	(5,092)	180	(6,289)	915	91,539	1,434
Assets written off	—	—	—	—	(217)	217	(217)	217
At 30 Jun 2025	3,661,432	(6,420)	229,896	(11,123)	78,523	(17,475)	3,969,851	(35,018)
ECL charge for the period								2,904
Assets written off								(217)
Change in expected credit losses excluding effect of write-offs								2,687
Recoveries								418
Other								(95)
Change in expected credit losses and other credit impairment charges								3,010

	At 30 Jun 2025		6 months ended 30 Jun 2025
	Gross carrying/ nominal amount	Allowance for ECL	ECL (charge)/ release
	€000	€000	€000
As above	3,969,851	(35,018)	3,010
Balances at central banks	762,107	(1)	—
Loans and advances to banks measured at amortised cost	664,850	—	—
Debt instruments measured at amortised cost	1,286,567	(22)	24
Items in course of collection from other banks	4,247	—	—
Accrued interest on debt instruments and other accrued income	16,149	—	—
Loan and other credit related commitments – banks	16,536	—	—
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied through the Income Statement	6,720,307	(35,041)	3,034
Debt instruments and Treasury Bills measured at fair value through other comprehensive income	1,452,198	(31)	7
Total allowance for ECL/total income statement ECL release for the period	N/A	(35,072)	3,041

Changes in ECL for the period comprise the reclassification of the discount unwind element to interest income, amounting to €0.2m for the period ended 30 June 2025 and included in 'Other' along with the effects of foreign exchange adjustments in the above reconciliation.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers, including loan and other credit-related commitments, acceptances, accrued income and financial guarantees and similar contracts (continued)

	Non–credit impaired				Credit–impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	€000	€000	€000	€000	€000	€000	€000	€000
At 1 Jan 2024	3,681,745	(15,479)	190,654	(13,544)	112,428	(22,446)	3,984,827	(51,469)
Transfers of financial instruments	(8,657)	(3,496)	5,720	3,651	2,937	(155)	—	—
– transfers from stage 1 to stage 2	(62,460)	881	62,460	(881)	—	—	—	—
– transfers from stage 2 to stage 1	56,111	(4,129)	(56,111)	4,129	—	—	—	—
– transfers from stage 3	1,214	(288)	8,445	(1,168)	(9,659)	1,456	—	—
– transfers to stage 3	(3,522)	40	(9,074)	1,571	12,596	(1,611)	—	—
Net remeasurement of ECL arising from stage transfers	—	3,191	—	(2,741)	—	(758)	—	(308)
Changes in risk parameters	—	7,029	—	2,209	—	(2,429)	—	6,809
Net new and further lending/ repayments	(48,893)	409	(19,764)	477	(36,625)	5,144	(105,282)	6,030
Assets written off	—	—	—	—	(1,016)	1,016	(1,016)	1,016
At 31 Dec 2024	3,624,195	(8,346)	176,610	(9,948)	77,724	(19,628)	3,878,529	(37,922)
ECL charge for the year								13,547
Assets written off								(1,016)
Change in expected credit losses excluding effect of write-offs								12,531
Recoveries								1,759
Other								340
Change in expected credit losses and other credit impairment charges								14,630

	At 31 Dec 2024		12 months ended 31 Dec 2024
	Gross carrying/ nominal amount	Allowance for ECL	ECL (charge)/ release
	€000	€000	€000
As above	3,878,529	(37,922)	14,630
Balances at central banks	808,972	(1)	20
Loans and advances to banks measured at amortised cost	601,032	—	—
Debt instruments measured at amortised cost	1,145,174	(46)	(17)
Items in course of collection from other banks	4,061	—	—
Accrued interest on debt instruments and other accrued income	12,471	—	—
Loan and other credit-related commitments – banks	19,337	—	—
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied through the Income Statement	6,469,576	(37,969)	14,633
Debt instruments and Treasury Bills measured at fair value through other comprehensive income	1,380,548	(38)	11
Total allowance for ECL/total income statement ECL release for the year	N/A	(38,007)	14,644

The above disclosure provides a reconciliation by stage of the bank's gross carrying/nominal amount and allowances for loans and advances to customers, including the portion of loan and other credit-related commitments relating solely to loans and advances to customers excluding loans and other credit-related commitments to banks.

The transfers of financial instruments represent the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL. The 'Net remeasurement of ECL arising from stage transfers' represents the increase or decrease due to these transfers, for example, moving from a 12-month (stage 1) to a lifetime (stage 2) ECL measurement basis, including the underlying customer risk rating ('CRR') movements of the financial instruments transferring stage. Movements in ECL arising as a result of changes to the underlying PDs and LGDs, including as a result of changes in macroeconomic scenarios, are captured in the 'changes in risk parameters' line item. The 'Net new and further lending/repayments' represent the gross carrying/nominal amount and associated allowance ECL impact from volume movements within the bank's lending portfolio.

The ECL release for the period ended 30 June 2025 amounted to €3.0m when compared to a release of €14.6m for the year ended 31 December 2024. The release for the period ended 30 June 2025 was primarily attributable to the changes in risk parameters during the period amounting to €5.9m, mainly from a refresh of the mortgages model. There was also a decrease of €1.4m relating to the ECL reversed on net repayments. These releases were partially offset by the deterioration in credit quality, which resulted in an increase in ECL amounting to €4.6m for the period ended 30 June 2025. This was driven by a particular wholesale exposure which moved to Stage 2. The release of €14.6m for the year ended 31 December 2024 was mainly attributable to significant repayments effected during the year 2024 and changes in risk parameters, leading to a reduction in credit allowances amounting to €6.0m and €6.8m respectively.

5 Segmental analysis

Our business segments

Following HSBC Group's organisational announcement in October 2024, effective from 1 January 2025, the local group's reporting segments under IFRS 8 'Operating Segments' comprise the following two businesses, along with Corporate Centre:

- Wealth and Personal Banking ('WPB') comprises Personal banking including Premier and our wealth manufacturing businesses of Asset Management and Insurance.
- Corporate and Institutional Banking ('CIB') is formed from the integration of Commercial Banking business with Global Banking and Markets business.

These replace our previously reported operating segments up to 31 December 2024.

The local group provides a comprehensive range of banking and related financial services to its customers. The products and services offered to customers are organised by these two businesses as follows:

- Wealth and Personal Banking ('WPB') provides a full range of products and services to meet the personal banking and wealth management needs of individual customers. Typically, customer offerings include retail banking products such as current and savings accounts, mortgages and personal loans, credit cards, debit cards and local and international payment services. WPB also provide wealth management services, including insurance and investment products, global asset management services and financial planning services.
- Corporate and Institutional Banking ('CIB') offers a broad range of products and services to serve the needs of our commercial customers, including small and medium-sized enterprises, mid-market enterprises and corporates. These include credit and lending, international trade and receivables finance. CIB also provides its corporate and institutional clients with tailored financial solutions, including assistance with managing risk via interest rate derivatives, the provision of foreign exchange spot and derivative products.

The local group's internal reporting to the Board of Directors and Senior Management is analysed according to these business lines. For each of the businesses, the Senior Management, in particular the Chief Executive Officer ('CEO'), reviews internal management reports in order to make decisions about allocating resources and assessing performance.

The Board considers that business segments represent the most appropriate information for the users of the financial statements to best evaluate the nature and financial effects of the business activities in which the local group engages, and the economic environments in which it operates. As a result, the local group's operating segments are considered to be the global businesses.

Business segments' results are assessed by the CEO on the basis of adjusted performance that removes the effects of notable items. 'Notable items' are components of our income statement that management would consider as outside the normal course of business and generally non-recurring in nature. As a result, management and investors would ordinarily identify and consider notable items separately to improve the understanding of the underlying trends in the business.

Results are presented in the tables below on an adjusted basis as required by IFRS Accounting Standards. As required by IFRS 8, reconciliation of the reported results to adjusted results by business segments, excluding notable items, is also presented when applicable. The local group's operations are closely integrated and, accordingly, the presentation of data includes internal allocations of certain items of income and expense. These allocations include the costs of certain support services and global functions to the extent that they can be meaningfully attributable to business segments. While such allocations have been made on a systematic and consistent basis, they necessarily involve a degree of subjectivity. Where relevant, income and expense amounts presented include the results of inter-segment funding. All such transactions are undertaken on arm's length terms.

Reported profit before tax and balance sheet data

During the periods ended 30 June 2025 and 30 June 2024 there were no notable items requiring adjustment. Accordingly, the adjusted profit by business segments reported below is the same as the reported profit.

	Group					
	Wealth and Personal Banking		Corporate and Institutional Banking		Group total	
	Half-year to					
	30 Jun 2025	30 Jun 2024	**30 Jun 2025**	30 Jun 2024	**30 Jun 2025**	30 Jun 2024
	€000	€000	**€000**	€000	**€000**	€000
Net interest income	**61,385**	73,388	**28,458**	33,245	**89,843**	106,633
– external	**59,976**	75,098	**29,867**	31,535	**89,843**	106,633
– internal	**1,409**	(1,710)	**(1,409)**	1,710	**—**	—
Net non-interest income	**6,634**	6,184	**10,109**	9,713	**16,743**	15,897
Insurance service result	**3,380**	4,815	**—**	—	**3,380**	4,815
Net income from assets and liabilities of insurance businesses, measured at fair value through profit or loss	**13,615**	18,791	**—**	—	**13,615**	18,791
Insurance finance expense	**(9,477)**	(18,388)	**—**	—	**(9,477)**	(18,388)
Net operating income before change in expected credit losses and other credit impairment charges	**75,537**	84,790	**38,567**	42,958	**114,104**	127,748
Change in expected credit losses and other credit impairment charges	**3,338**	4,439	**(297)**	2,547	**3,041**	6,986
Net operating income	**78,875**	89,229	**38,270**	45,505	**117,145**	134,734
Employee compensation and benefits	**(17,639)**	(16,491)	**(5,100)**	(4,901)	**(22,739)**	(21,392)
General and administrative expenses	**(22,508)**	(23,233)	**(7,606)**	(6,591)	**(30,114)**	(29,824)
Depreciation and impairment of property, plant and equipment and right-of-use assets	**(1,601)**	(1,365)	**(437)**	(296)	**(2,038)**	(1,661)
Amortisation and impairment of intangible assets	**(2,584)**	(2,446)	**(959)**	(804)	**(3,543)**	(3,250)
Total operating expenses	**(44,332)**	(43,535)	**(14,102)**	(12,592)	**(58,434)**	(56,127)
Reported profit before tax	**34,543**	45,694	**24,168**	32,913	**58,711**	78,607

	30 Jun 2025	31 Dec 2024	**30 Jun 2025**	31 Dec 2024	**30 Jun 2025**	31 Dec 2024
	€000	€000	**€000**	€000	**€000**	€000
Reported balance sheet data						
Loans and advances to customers (net)	**2,017,293**	2,071,356	**773,547**	801,802	**2,790,840**	2,873,158
Financial assets mandatorily measured at fair value through profit and loss	**709,254**	714,949	**—**	—	**709,254**	714,949
Total external assets	**5,930,302**	5,994,480	**1,970,175**	1,747,246	**7,900,477**	7,741,726
Customer accounts	**4,608,380**	4,535,973	**1,594,396**	1,622,297	**6,202,776**	6,158,270
Liabilities under investment contracts	**161,682**	165,677	**—**	—	**161,682**	165,677
Insurance contract liabilities	**523,560**	519,177	**—**	—	**523,560**	519,177

6 Fair value of financial and non-financial instruments

(a) Valuation of financial instruments

All financial instruments are recognised initially at fair value. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Fair values are determined according to the following hierarchy:

- Level 1 – valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets.
- Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using models where one or more significant inputs are unobservable.

The valuation techniques utilised in preparing these interim condensed consolidated financial statements are consistent with those applied in the preparation of financial statements for the year ended 31 December 2024. There were no transfers between levels of the fair value hierarchy during the period under review.

(b) Disclosures in respect of fair values of financial instruments carried at fair value

The following table sets out the financial instruments by fair value hierarchy other than assets and liabilities attributable to the insurance business within the scope of IFRS 17:

Financial instruments carried at fair value and bases of valuation

	Group							
	At 30 Jun 2025				At 31 Dec 2024			
		Valuation techniques				Valuation techniques		
	Quoted market price Level 1	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Recurring fair value measurements	**€000**	**€000**	**€000**	**€000**	€000	€000	€000	€000
Assets								
Treasury Bills	**—**	**251,021**	**—**	**251,021**	49,629	184,912	—	234,541
Derivatives	**—**	**11,854**	**—**	**11,854**	—	17,242	—	17,242
Financial assets mandatorily measured at fair value through profit or loss	**702,241**	**—**	**7,013**	**709,254**	707,902	—	7,047	714,949
Financial investments measured at fair value through other comprehensive income	**1,201,177**	**—**	**47**	**1,201,224**	1,146,007	—	45	1,146,052
	1,903,418	**262,875**	**7,060**	**2,173,353**	1,903,538	202,154	7,092	2,112,784
Liabilities								
Derivatives	**—**	**10,394**	**—**	**10,394**	—	13,747	—	13,747
Liabilities under investment contracts	**161,682**	**—**	**—**	**161,682**	165,677	—	—	165,677
	161,682	**10,394**	**—**	**172,076**	165,677	13,747	—	179,424

	Bank							
	At 30 Jun 2025				At 31 Dec 2024			
		Valuation techniques				Valuation techniques		
	Quoted market price Level 1	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Recurring fair value measurements	**€000**	**€000**	**€000**	**€000**	€000	€000	€000	€000
Assets								
Treasury Bills	**—**	**251,021**	**—**	**251,021**	49,629	184,912	—	234,541
Derivatives	**—**	**11,854**	**—**	**11,854**	—	17,242	—	17,242
Financial investments measured at fair value through other comprehensive income	**1,201,177**	**—**	**45**	**1,201,222**	1,146,007	—	43	1,146,050
	1,201,177	**262,875**	**45**	**1,464,097**	1,195,636	202,154	43	1,397,833
Liabilities								
Derivatives	**—**	**10,394**	**—**	**10,394**	—	13,747	—	13,747
	—	**10,394**	**—**	**10,394**	—	13,747	—	13,747

Reconciliation of the fair value measurements in Level 3 of the fair value hierarchy

	Group	
	2025	2024
	€000	€000
Level 3		
Financial assets mandatorily measured at fair value through profit or loss		
At 1 Jan	**7,047**	8,203
Disposal/redemptions	**—**	(1,070)
Transfer from Level 1 to Level 3	**—**	—
Changes in fair value (recognised in profit or loss)	**(34)**	(86)
At 30 Jun	**7,013**	7,047

The financial assets mandatorily measured at fair value through profit or loss are principally attributable to insurance operations and those categorised within Level 3 mainly comprise holdings in units in collective investment schemes. These holdings consist of shares in alternative funds which are unlisted and have illiquid price sources. In view of the absence of quoted market prices or observable inputs for modelling value, the fair value of the shares held is derived using the net asset value as sourced from the respective custodians, which is not necessarily supported by audited financial statements.

In view of the insignificance of the Level 3 assets in the context of the local group's total assets, the disclosure of key unobservable inputs to Level 3 financial instruments and the sensitivity of Level 3 fair value to reasonably possible alternatives in respect of significant unobservable assumptions was not deemed necessary and relevant.

There has been no change to the key unobservable inputs to Level 3 financial instruments as disclosed in the bank's Annual Report and Accounts 2024.

(c) Disclosures in respect of fair values of non-financial instruments carried at fair value

The local group's land and buildings, within property, plant and equipment, comprises commercial branches, bank offices and other operational premises. All the recurring property fair value measurements use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

	Group/Bank	
	30 Jun 2025	31 Dec 2024
	€000	€000
Assets		
Property	**45,646**	44,644

The local group's land and buildings within property, plant and equipment are fair valued annually by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. Valuations are made based on open market value taking cognisance of the specific location of the properties, the size of the sites together with their development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location.

Valuations are carried out on a regular basis so that the carrying amount of property would not differ materially from that which would be determined using fair values at the end of the reporting period.

(d) Disclosures in respect of fair values of financial instruments not carried at fair value

Certain financial instruments are carried at amortised cost.

The following table sets out the carrying amounts of these financial instruments:

	Group		Bank	
	30 Jun 2025	31 Dec 2024	**30 Jun 2025**	31 Dec 2024
	€000	€000	**€000**	€000
Assets				
Balances with Central Bank of Malta and cash	**789,880**	839,129	**789,880**	839,129
Items in the course of collection from other banks	**4,247**	4,061	**4,247**	4,061
Loans and advances to banks	**688,545**	615,367	**664,850**	601,032
Loans and advances to customers	**2,790,840**	2,873,158	**2,790,840**	2,873,158
Financial investments measured at amortised cost	**1,286,545**	1,145,128	**1,286,545**	1,145,128
Accrued interest	**27,531**	24,683	**23,813**	22,067
Other assets	**17,151**	11,723	**20,302**	10,214
	5,604,739	5,513,249	**5,580,477**	5,494,789
Liabilities				
Deposits by banks	**1,237**	2,398	**1,237**	2,398
Customer accounts	**6,202,776**	6,158,270	**6,225,024**	6,175,829
Items in the course of transmission to other banks	**16,466**	10,872	**16,466**	10,872
Borrowings from a group undertaking	**150,000**	90,000	**150,000**	90,000
Subordinated liabilities	**65,000**	65,000	**65,000**	65,000
Accrued interest	**5,118**	3,949	**5,118**	3,949
Other liabilities	**38,954**	10,532	**33,405**	6,132
	6,479,551	6,341,021	**6,496,250**	6,354,180

As at 30 June 2025, financial instruments measured at amortised cost comprise debt instruments amounting to €1,286,545,000 (31 December 2024: €1,145,128,000). The fair value of these financial instruments as at 30 June 2025, determined by reference to quoted market prices is €1,295,504,000 (31 December 2024: €1,148,520,000).

The fair value for debt instruments is categorised as Level 1, given that the fair value is determined by reference to quoted bid market prices in active markets.

The fair values of the other financial instruments measured at amortised cost are not disclosed given that the carrying amount is a reasonable approximation of fair value because these are either re-priced to current market rates frequently or the local group has the ability to re-price them at its own discretion, or because these are short-term in nature. Fair values for these financial instruments (other than for cash) are estimated using discounted cash flows applying current market interest rates for instruments with similar remaining maturities and hence utilising mainly Level 3 inputs.

Fair values in relation to loans and advances to customers and in relation to customer accounts repayable on demand are deemed to be fairly close to carrying amounts principally in view of the local group's ability to reprice at its discretion. The majority of customer term deposit accounts are held for a period of less than 12 months and therefore their fair value is also deemed to closely approximate the carrying amount due to their short-term nature. These estimates are considered Level 3 fair value estimates.

Similarly deposits by banks are principally repayable on demand and, as a result, their fair value is approximated by their carrying amount. The fair value of balances with the Central Bank of Malta, loans and advances to banks, borrowings from a group undertaking and subordinated liabilities is deemed to approximate the carrying amount due to the fact that they are short-term in nature and/or reprice frequently.

7 Derivatives

The local group transacts derivatives primarily to create risk management solutions for clients, referred to as 'trading derivatives', and derivatives to manage and hedge own risks, referred to as 'hedge accounting derivatives'.

Trading derivatives

Trading derivative transactions relate mainly to sales activities. These activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks.

All of the positions held for trading purposes are covered by back-to-back derivative transactions with HSBC Group entities, managing the market risk arising from these positions. Any market risk retained locally is managed within approved local trading mandates. Therefore, revenue is generated based on volume and spread.

Hedge accounting derivatives

The local group uses derivatives (principally interest rate swaps) for hedging purposes in the management of its own asset portfolio. This enables the local group to optimise the overall cost of accessing debt capital markets, and to mitigate the market risk which would otherwise arise from structural imbalances in the maturity and other profiles of its assets and liabilities.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and the type of hedge transactions. Derivatives may qualify as hedges for accounting purposes if they are fair value hedges, or cash flow hedges, or hedges in net investment of foreign operations. During the financial year ended 31 December 2022, the local group has entered into fair value hedges, which consisted of interest rate swaps that are used to protect against changes in the fair value of fixed-rate-long-term debt instruments due to the movements in market interest rates. The local group did not enter into new fair value hedges during the period ended 30 June 2025 and the financial year ended 31 December 2024. For qualifying fair value hedges, all changes in the fair value of the derivatives (the 'hedging instrument') and in the fair value of the item in relation to the risk being hedged (the 'hedged item') are recognised in the income statement.

Hedge effectiveness is determined at inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and the hedging instrument.

The local group entered into interest rate swaps that had similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The local group matched the nominal amount of the hedged item with the notional amount of the interest rate swaps. As all critical terms matched since the inception of the fair value hedge, the hedging instruments share the same risk exposures as the hedged items and, as a result, an economic relationship is deemed to exist.

Hedge effectiveness for interest rate swaps was also assessed by reference to qualitative tests, including both retrospective and prospective effectiveness tests. However, to the extent hedging instruments are exposed to different risks than hedged items, this could result in hedge ineffectiveness. This may occur due to the credit value/debit value adjustment on the interest rate swaps which is not matched by the hedged item.

The hedge ratio in respect of the hedge accounting derivatives for the period ended 30 June 2025 and 31 December 2024 was 1:1. The weighted average swap rate in respect of the hedge accounting derivatives as at June 2025 was 1.44% per annum (2024: 2.62%).

Derivatives

	Group/Bank							
	Notional contract amount		Fair value – Assets			Fair value – Liabilities		
	Trading	Hedging	Trading	Hedging	Total	Trading	Hedging	Total
	€000	€000	€000	€000	€000	€000	€000	€000
Foreign exchange derivatives								
Foreign exchange	**374,233**	**—**	**9,616**	**—**	**9,616**	**9,364**	**—**	**9,364**
Interest rate derivatives								
Interest rate swaps	**59,727**	**271,000**	**1,042**	**1,196**	**2,238**	**1,030**	**—**	**1,030**
At 30 Jun 2025	**433,960**	**271,000**	**10,658**	**1,196**	**11,854**	**10,394**	**—**	**10,394**
Foreign exchange derivatives								
Foreign exchange	344,085	—	12,689	—	12,689	12,364	—	12,364
Interest rate derivatives								
Interest rate swaps	75,936	271,000	1,400	3,153	4,553	1,383	—	1,383
At 31 Dec 2024	420,021	271,000	14,089	3,153	17,242	13,747	—	13,747

The notional contract amounts of derivatives held for trading purposes and derivatives designated in hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date. They do not represent amounts at risk.

Foreign exchange derivatives represent commitments to purchase and sell pre-established amounts of currencies and are gross settled.

Interest rate swaps are commitments to exchange one set of cash flows for another (for example, fixed rate for floating rate). Usually, no exchange of principal takes place.

Fair value hedges

The local group enters into fixed-for-floating interest rate swaps to hedge the exposure to change in fair value caused by the movement in interest rates on certain fixed-rate debt securities that are measured at FVOCI. Therefore, the hedges provide protection for changes in fair value of the relevant securities.

Hedging instrument and hedged item by hedged risk

	Group/Bank					
	Notional[1] €000	Accumulated fair value movements since hedge inception €000	Balance sheet presentation	Change in fair value for the year[2,3] €000	Hedge ineffectiveness recognised in profit and loss €000	Profit or loss presentation
Hedging instrument	**271,000**	**1,045**	**Derivatives**	**(1,588)**	**61**	**Net profit/(loss) representing ineffective portion of fair value hedges**
Hedged item	**N/A**	**(1,067)**	**Financial investments**	**1,649**		
At 30 Jun 2025	**271,000**	**(22)**		**61**	**61**	
Hedging instrument	271,000	2,633	Derivatives	(3,927)	92	Net profit/(loss) representing ineffective portion of fair value hedges
Hedged item	N/A	(2,716)	Financial investments	4,019		
At 31 Dec 2024	271,000	(83)		92	92	

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.
2 Used in effectiveness assessment; comprising amount attributable to the designated hedged risk that can be a risk component in respect of hedged item.
3 Used in effectiveness testing; comprising the full fair value change of hedging instrument not excluding any component.

The carrying amount of the hedged item as at 30 June 2025 amounted to €265,165,000 (2024: €261,387,000).

8 Financial investments

	Group		Bank	
	30 Jun 2025 €000	31 Dec 2024 €000	**30 Jun 2025 €000**	31 Dec 2024 €000
Measured at fair value through other comprehensive income:				
Debt instruments	**1,201,177**	1,146,007	**1,201,177**	1,146,007
Equity and other non-fixed income instruments	**47**	45	**45**	43
Measured at amortised cost:				
Debt instruments	**1,286,545**	1,145,128	**1,286,545**	1,145,128
	2,487,769	2,291,180	**2,487,767**	2,291,178

The financial investments which are denominated in currencies other than the reporting currency are economically hedged through balances in corresponding currencies mainly forming part of customer accounts and deposits by banks.

Credit loss allowances in respect of debt instruments measured at fair value through other comprehensive income and at amortised cost amounted to €28,000 and €22,000 as at 30 June 2025 respectively (2024: €36,000 and €46,000 respectively).

Debt securities measured at fair value through other comprehensive income with a carrying amount of €33,990,000 (2024: €33,488,000) have been pledged against the provision of credit lines by the Central Bank of Malta. At 30 June 2025 and 31 December 2024, no balances were outstanding against these credit lines.

Debt securities measured at amortised cost with a carrying amount of €121,324,000 (2024: €55,287,000) have been pledged against the provision of credit lines by the Central Bank of Malta. At 30 June 2025 and 31 December 2024, no balances were outstanding against these credit lines.

In addition, debt securities measured at fair value through other comprehensive income with a carrying amount of €13,664,000 (2024: €14,319,000) have been pledged in terms of the Depositor Compensation Scheme ('DCS').

9 Provisions

	Group				
	Termination benefits	Litigation provision	Post employment and other long-term employee benefits	Other provisions	Total
	€000	€000	€000	€000	€000
Provisions (excluding contractual commitments)					
At 31 Dec 2024	794	738	16,027	2,135	19,694
Additions	**126**	**116**	**1,200**	**—**	**1,442**
Amounts utilised	**(920)**	**(25)**	**(482)**	**(50)**	**(1,477)**
Unused amounts reversed	**—**	**(85)**	**—**	**(7)**	**(92)**
At 30 Jun 2025	**—**	**744**	**16,745**	**2,078**	**19,567**

	Loan commitments and financial guarantees	Performance and other guarantees	Total
	€000	€000	€000
Provisions in respect of contractual commitments			
At 31 Dec 2024	974	140	1,114
Movement during the period	**(380)**	**(27)**	**(407)**
At 30 June 2025	**594**	**113**	**707**
Total Provisions			
At 31 Dec 2024			20,808
At 30 Jun 2025			**20,274**

	Group				
	Termination benefits	Litigation provision	Post employment and other long-term employee benefits	Other provisions	Total
	€000	€000	€000	€000	€000
Provisions (excluding contractual commitments)					
At 31 Dec 2023	942	1,957	14,629	2,478	20,006
Additions	311	440	1,213	567	2,531
Amounts utilised	(459)	(489)	(470)	(228)	(1,646)
Unused amounts reversed		(1,170)	(70)	(682)	(1,922)
Remeasurement of post employment and other long-term employee benefits	—	—	725	—	725
At 31 Dec 2024	794	738	16,027	2,135	19,694

	Loan commitments and financial guarantees	Performance and other guarantees	Total
	€000	€000	€000
Provisions in respect of contractual commitments			
At 31 Dec 2023	1,318	525	1,843
Movement during the year	(344)	(385)	(729)
At 31 Dec 2024	974	140	1,114
Total Provisions			
At 31 Dec 2023			21,849
At 31 Dec 2024			20,808

	Bank				
	Termination benefits	Litigation provision	Post employment and other long-term employee benefits	Other provisions	Total
	€000	€000	€000	€000	€000
Provisions (excluding contractual commitments)					
At 31 Dec 2024	794	738	16,027	1,381	18,940
Additions	**126**	**116**	**1,200**	**—**	**1,442**
Amounts utilised	**(920)**	**(25)**	**(482)**	**(7)**	**(1,434)**
Unused amounts reversed	**—**	**(85)**	**—**	**(50)**	**(135)**
At 30 Jun 2025	**—**	**744**	**16,745**	**1,324**	**18,813**

	Loan commitments and financial guarantees	Performance and other guarantees	Total
	€000	€000	€000
Provisions in respect of contractual commitments			
At 31 Dec 2024	974	140	1,114
Movement during the period	**(380)**	**(27)**	**(407)**
At 30 Jun 2025	**594**	**113**	**707**
Total Provisions			
At 31 Dec 2024			20,054
At 30 Jun 2025			**19,520**

	Bank				
	Termination benefits	Litigation provision	Post employment and other long-term employee benefits	Other provisions	Total
	€000	€000	€000	€000	€000
Provisions (excluding contractual commitments)					
At 31 Dec 2023	942	1,957	14,629	1,348	18,876
Additions	311	440	1,213	567	2,531
Amounts utilised	(459)	(489)	(470)	(228)	(1,646)
Unused amounts reversed		(1,170)	(70)	(306)	(1,546)
Remeasurement of post employment and other long-term employee benefits	—	—	725	—	725
At 31 Dec 2024	794	738	16,027	1,381	18,940

	Loan commitments and financial guarantees	Performance and other guarantees	Total
	€000	€000	€000
Provisions in respect of contractual commitments			
At 31 Dec 2023	1,318	525	1,843
Movement during the year	(344)	(385)	(729)
At 31 Dec 2024	974	140	1,114
Total Provisions			
At 31 Dec 2023			20,719
At 31 Dec 2024			20,054

Termination benefits refer to outstanding payments due to employees who applied for voluntary redundancy schemes issued by the bank to support a number of strategic initiatives to further improve its operational structure, benefiting from the Group's operating models, as the bank aims to drive efficiencies and enhance customer experience, and create a leaner working model that is externally-focused, performance-led, customer centred and fit for the future.

Litigation provision includes civil court, arbitration or tribunal proceedings brought against the local group (whether by claim or counterclaim), or civil disputes that may, if not settled, result in court, arbitration or tribunal proceedings. This provision is expected to be settled after more than one year from the reporting date and the impact of discounting is not considered to be significant.

Post–employment and other long-term employee benefits relate to obligations emanating from the provisions of the Collective Agreement. The local group has a present obligation towards its employees in respect of long service bonuses, bonuses on retirement due to age and compensation paid upon retirement for medical grounds. This provision is principally non-current in nature, with the maturity profile of the obligation spanning over the estimated remaining working life.

Other provisions represent mainly an onerous contract provision resulting from a closed investment product held by one of the subsidiary companies whereby future losses were estimated and a provision for obligations in respect of medical insurance cost for employees who retired under previous voluntary schemes.

The component of provisions for liabilities and other charges in respect of contractual commitments represents expected credit losses in relation to off-balance sheet financial guarantee contracts and commitments where the local group has become party to an irrevocable commitment, as defined under IFRS 9 'Financial Instruments'. The movement in expected credit losses in respect of such instruments is disclosed within the 'Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers, including loan and other credit-related commitments, acceptances, accrued income and financial guarantees' table within Note 4.

Contractual commitments also comprise performance and other guarantee contracts that fall outside the scope of IFRS 9, including standby letters of credit and non-financial guarantees, such as performance guarantees. Further details in this respect are set out in Note 10.

For more details on the above provisions please refer to Note 38 'Provisions' on page 201 of the Annual Report and Accounts 2024.

10 Contingent liabilities, contractual commitments and guarantees

	Group Contract amount		Bank Contract amount	
	30 Jun 2025	31 Dec 2024	**30 Jun 2025**	31 Dec 2024
	€000	€000	**€000**	€000
Guarantees and other contingent liabilities:				
– financial guarantees	**19,408**	12,788	**19,408**	12,788
– performance and other guarantees	**174,913**	171,476	**174,913**	171,476
– standby letters of credit	**14,851**	15,411	**14,851**	15,411
– other contingent liabilities	**15,938**	16,224	**15,888**	16,174
At the end of the period	**225,110**	215,899	**225,060**	215,849
Commitments:				
– documentary credits	**2,481**	4,695	**2,481**	4,695
– standby facilities, credit lines and other commitments to lend	**1,126,430**	958,676	**1,126,430**	958,676
At the end of the period	**1,128,911**	963,371	**1,128,911**	963,371

The local group provides guarantees and standby letters of credit on behalf of third party customers. These are generally provided in the normal course of the local group’s banking business. The maximum potential amount of future payments which the local group could be required to make at the end of the period is disclosed in the table above. The risks and exposures arising from guarantees and standby letters of credit are captured and managed in accordance with the local group’s overall credit risk management policies and procedures. Guarantees and standby letters of credits have a term of less than one year.

Guarantees provided by the local group comprise financial guarantees, as well as performance and other guarantees. Financial guarantees are within the scope of the impairment requirements emanating from IFRS 9 in view of the fact that these represent irrevocable commitments which exposes the local group to credit risk. In contrast, performance and other guarantees represent transaction-related guarantees and, as such, do not meet the definition of financial guarantees in accordance with IFRS 9. Similarly, standby letters of credit represent exposures relating to particular contracts or to non-financial transactions. In this respect, performance guarantees and standby letters of credit fall outside the scope of the impairment requirements emanating from IFRS 9 in view of the fact that such contracts do not give rise to credit risk. Consequently, the local group assesses whether such contracts give rise to provisions or contingent liabilities in line with the requirements emanating from IAS 37.

The above table discloses the nominal principal amounts, which represents the maximum amounts at risk should the contracts be fully drawn upon. As a significant portion of guarantees and standby letters of credit is expected to expire without being drawn upon, the total of the nominal principal amounts is not indicative of future liquidity requirements.

Other contingent liabilities relate to possible future contributions payable to the DCS and the Single Resolution Fund ('SRF'), as well as legal claims against the bank. The DCS provides compensation, up to certain limits, to eligible customers of credit institutions that are unable, or likely to be unable, to pay claims against them. The DCS may impose a further contribution on the bank to the extent the contributions imposed to date are not sufficient to cover the compensation due to customers in any future possible collapse. The ultimate contribution to the industry as a result of a collapse cannot be estimated reliably. It is dependent on various uncertain factors including the potential recovery of assets by the DCS, changes in the level of protected products (including deposits and investments) and the population of DCS members at the time. At 30 June 2025, assets pledged in favour of the DCS comprised debt securities measured at fair value through other comprehensive income with a carrying amount of €13,664,000 (2024: €14,319,000). The Depositor Compensation Scheme reserve amounts to €12,719,000 (2024: €12,982,000). A contingent liability for an identical amount is disclosed in the table above to reflect the possibility that this commitment becomes payable.

In addition, in accordance with article 70(3) of Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, the available financial means of the SRF may include irrevocable payment commitments which are fully backed by unencumbered collateral of low-risk assets. The share of irrevocable payment commitments cannot exceed 30% of the total amount of contributions. At 30 June 2025, irrevocable payment commitments to the SRF amounted to €1,760,000 (2024: €1,760,000), reflecting cash collateral in respect of the total payment commitment obligation to the SRF. The cash collateral is classified within 'Other assets' in the statement of financial position. In addition, a contingent liability for an identical amount is disclosed in the table above to reflect the possibility that this commitment becomes payable.

Other contingent liabilities also include legal claims against the local group and the bank amounting to €1,459,000 (2024: €1,482,000) and €1,409,000 (2024: €1,432,000) respectively. Based on legal advice, it is not considered probable that settlement will require the outflow of economic benefits in the case of these legal claims, or the amount of the obligation cannot be reliably measured. The above commitments exclude commitments in relation to capital expenditure.

The local group also enters into loan commitments in the form of documentary credits, undrawn formal standby facilities and credit lines and other commitments to lend. These represent irrevocable commitments to lend and, as such, give rise to an exposure to credit risk in the event that these contracts are fully drawn and the client defaults. The local group measures ECL in respect of such commitments in accordance with the impairment requirements emanating from IFRS 9.

The expected credit loss allowances relating to guarantees, standby letters of credit and loan commitments is disclosed in Note 4.

11 Asset encumbrance

The objective of this disclosure is to facilitate an understanding of available and unrestricted assets that could be used to support potential future funding and collateral needs.

An asset is defined as encumbered if it has been pledged as collateral against an existing liability, and as a result is no longer available to the local group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. The disclosure is not designed to identify assets which would be available to meet the claims of creditors or to predict assets that would be available to creditors in the event of a resolution or bankruptcy.

Encumbered and unencumbered assets

	Group		Bank	
	30 Jun 2025	31 Dec 2024	**30 Jun 2025**	31 Dec 2024
	€000	€000	**€000**	€000
Total assets	**7,900,477**	7,741,726	**7,191,968**	7,035,525
Less:				
Debt securities pledged in terms of Depositor Compensation Scheme	**13,664**	14,319	**13,664**	14,319
Less:				
Cash pledged in terms of the Recovery and Resolution Regulations	**1,760**	1,760	**1,760**	1,760
Less:				
Other assets that cannot be pledged as collateral	**860,231**	859,895	**179,224**	171,247
Assets available to support funding and collateral needs	**7,024,822**	6,865,752	**6,997,320**	6,848,199

Out of the €7,025,000,000 (2024: €6,866,000,000) assets available for the local group and €6,997,000,000 (2024: €6,848,000,000) for the bank, €3,453,000,000 (2024: €3,292,000,000) form part of the local group's and the bank's High Quality Liquid Assets ('HQLA'). Debt securities and loans and advances to customers pledged against the provision of credit lines by the Central Bank of Malta amounting to €155,314,000 and €79,356,000 respectively (2024: €88,775,000 and €78,770,000) are being treated as unencumbered assets since the nature of these exposures makes them available for immediate release.

There were no Irrevocable Payment Commitments ('IPC') made during the period ended 30 June 2025 and 31 December 2024.

The debt securities pledged in terms of the DCS decreased by €655,000 during the period ended 30 June 2025 and increased by €1,057,000 during the financial year ended 31 December 2024.

12 Transactions with related parties

There were no changes in the related party transactions described in the Annual Report and Accounts 2024 that have a material effect on the financial position or performance of HSBC in the half-year to 30 June 2025. All related party transactions that took place in the half-year to 30 June 2025 were similar in nature to those disclosed in the Annual Report and Accounts 2024.

Statement pursuant to Capital Markets Rule 5.75.3 issued by the Malta Financial Services Authority

I confirm that to the best of my knowledge:

- the interim condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position of the local group and the bank as at 30 June 2025, as well as of their financial performance and cash flows for the period then ended, in accordance with IAS 34 Interim Financial Reporting, adopted by the EU; and
- the Directors' Report includes a fair review of the information required under Capital Markets Rules 5.81 to 5.84.

Geoffrey Fichte
Chief Executive Officer

HSBC Bank Malta p.l.c.

116 Archbishop Street
Valletta VLT 1444
Malta
Telephone: 356 2380 2380
www.hsbc.com.mt