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Company Announcement

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

Quote

During a meeting held on 28 August 2024, the Board of Directors of Lombard Bank Malta p.l.c. ('the Bank') approved the Group and Bank interim condensed financial statements for the six-month period 1 January 2024 to 30 June 2024.

2024 Interim Results – Highlights & Financial Performance

The Lombard Bank Group ('the Group') registered a solid performance in H1 2024 with Profit before Tax reaching €11.4 million, up from €5.4 million in the same period last year. Profit before Tax of the Bank at €10.5 million was up from €6.3 million in H1 2023, setting a new high.

The global economy expanded moderately in the first half of 2024, owing to solid consumer spending and robust service sector developments, while inflation remained high in several economies. To combat inflation, central banks maintained tight monetary policies, affecting investment and borrowing rates. Malta's economy grew steadily, with real GDP increasing by 4.6% year-on-year in the first quarter. This expansion was fuelled by a rise in private consumption, exports and a slight increase in government spending. The outlook for the rest of 2024 remains positive and better than that for other EU countries, with GDP predicted to expand by just over 4%.

Summary of Group Financial Performance for the period 1 January 2024 to 30 June 2024

	Group		**Bank**	
	Jun-24	Jun-23	**Jun-24**	Jun-23
€ 000				
Profit before taxation	**11,370**	5,401	**10,480**	6,340
Net interest income	**13,305**	12,690	**13,256**	12,662
Net fee and commission income	**2,803**	2,600	**2,323**	2,112
Operating income	**37,259**	35,252	**17,837**	16,891
Operating costs	**(25,923)**	(26,271)	**(8,615)**	(8,067)
Net movement in expected credit losses	**1,649**	(1,882)	**1,835**	(1,881)
Operating profit	**11,385**	5,535	**10,480**	6,340
Cost efficiency (%)	**73.8**	78.9	**51.5**	51.3
Post tax return on average equity (ROAE) (%)	**7.1**	4.6	**6.6**	5.2
	Jun-24	Dec-23	**Jun-24**	Dec-23
€ 000				
Loans and advances to customers	**803,978**	758,304	**803,983**	758,304
Total assets	**1,322,052**	1,265,134	**1,290,388**	1,236,321
Amounts owed to customers	**1,050,984**	1,019,075	**1,052,341**	1,021,254
Provision for liabilities and other charges	**1,474**	1,403	**353**	369
Equity attributable to equity holders of the Bank	**197,833**	190,383	**193,604**	186,003
Loan-to-Deposit (%)	**76.5**	74.4	**76.4**	74.3

Lombard Bank Malta p.l.c.
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Income Statement

The key drivers of the increase in this year's Group's financial performance were higher Net Interest Income, increased non-interest revenues, enhanced operational efficiency and a release in Expected Credit Losses. The Bank's subsidiary, MaltaPost p.l.c., also posted a higher Profit before Tax of €2.5 million, representing a 254% advance over the previous year. The Group performance is reflected in an increase of €0.02 in Earnings per Share for the period, which now stands at €0.04.

Gross interest revenues increased by 13% to reach €18.4 million (H1 2023: €16.3 million). This was driven by growth in customer lending. Treasury activities also contributed significantly to the rise in interest income, reflecting higher market interest rates.

Interest expense increased by 42% to €5.1 million (H1 2023: €3.6 million), mainly due to improved interest rates paid on longer-term fixed deposits.

Net interest income increased by 5% to reach €13.3 million (H1 2023: €12.7 million).

Net fee and commission income rose to €2.8 million (H1 2023: €2.6 million), an increase of 8% driven by higher activity across most business lines.

Postal sales and other revenues at €20.3 million increased by 3% compared with €19.8 million in the same period in 2023. MaltaPost revenues performed well in a challenging macroeconomic environment and despite increasing inflationary pressures. Focus on furthering total last-mile parcel volume deliveries remained, as significant Letter Mail declines year-on-year continued to be experienced.

Operating income increased by 6% to €37.3 million from €35.3 million in the same period in 2023.

Employee compensation and benefits rose by 8% to €13.2 million (H1 2023: €12.2 million), amid a tight labour market and inflationary pressures.

Other operating costs amounted to €12.8 million compared to €14.0 million in the same period in 2023, reflecting the implementation of efficiency measures. These costs include those directly related to increased Postal Sales and Other Revenues, as well as higher technology-related expenses.

Cost efficiency ratio of the Bank was 51.5% (H1 2023: 51.3%). For the Group, the ratio was 73.8% (H1 2023: 78.9%), reflecting the nature of the postal services industry, which is characterised by high volume, low margins, and significant human resource requirements.

Expected Credit Losses (ECL) as defined and determined by International Financial Reporting Standard 9 (IFRS 9) resulted in a release of €1.6 million in the first half of this year, compared to a net charge of €1.9 million in the corresponding period of the previous year. This release mainly resulted from lower charges taken on customer loans and advances classified in Stages 1 and 2 and was spread across the Bank's lending portfolio.

Financial Position and Capital

Loans and advances to customers increased by 6% to €804.0 million from €758.3 million in FYE 2023. The Bank continued to expand its business by addressing the needs of the local business community.

Amounts owed to customers increased by €31.9 million to €1,051.0 million from €1,019.1 million in FYE 2023.

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Group Loan-to-Deposit ratio at 76.5% (FYE 2023: 74.4%), provided a healthy liquidity buffer, as the Bank continued to rely on a diversified funding base, which over the years has proven to be stable. The Bank's liquidity ratios remained well in excess of minimum regulatory requirements.

Group Total assets rose to €1,322.1 million (FYE 2023: €1,265.1 million).

Equity attributable to equity holders of the Bank grew by an additional 4% to €197.8 million (FYE 2023: €190.4 million).

Group Net Asset Value (NAV) per share stood at €1.28 (FYE 2023: €1.23).

Group Earnings per Share (EPS) increased to 4 cents (H1 2023: 2 cents).

Group Return on Assets (ROA) rose to 1.1% (H1 2023: 0.6%) while **Group post tax Return on Average Equity** (ROAE) was 7.1% (H1 2023: 4.6%).

Total Capital Ratio at 20.1% (FYE 2023: 21.0%) exceeded the minimum regulatory requirements.

Following the successful November 2023 Rights Issue the Bank started 2024 with a stronger regulatory capital base. This allowed it to continue expanding its activities, meeting the growing demand for commercial and retail credit, as well as other banking services, always in line with its growth strategy.

The Bank continued to explore further avenues to enhance digitisation of its systems as well as increasing physical presence in line with its strategic priorities. Significant progress was also made by the Bank's dedicated ESG working group which focused on meeting the related obligations.

Although the level of the results for H1 2024 may not be repeated in the second half, the outlook for the rest of the year remains encouragingly positive as the Bank continues to maximise opportunities arising from the growing local economy. Its proven business model remains sound and capable of producing sustainable growth and consistently generating shareholder value, while preserving its prudent risk appetite.

The attached Interim Condensed Financial Statements of the Group and the Bank and the Directors' Report for the six-month period 1 January 2024 to 30 June 2024 may also be viewed on the Bank's website at https://www.lombardmalta.com/en/financial-results.

Unquote

Helena Said
Company Secretary
28 August 2024

[Ref. LOM309]

Lombard Bank Malta p.l.c.

Directors' Report &
Interim Condensed Financial Statements
30 June 2024

Company Registration Number: C 1607

Contents

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28 August 2024

Statements of Financial Position

	Group		Bank	
	30 June 2024	31 December 2023	**30 June 2024**	31 December 2023
	€ 000	€ 000	**€ 000**	€ 000
Assets				
Balances with Central Bank of Malta, treasury bills and cash	**111,875**	147,043	**111,144**	146,308
Cheques in course of collection	**5,668**	1,880	**5,668**	1,880
Financial investments	**222,596**	216,770	**220,273**	214,505
Loans and advances to banks	**74,940**	38,139	**67,966**	33,605
Loans and advances to customers	**803,978**	758,304	**803,983**	758,304
Trade and other receivables	**13,499**	11,369	**3,523**	3,405
Accrued income and other assets	**5,292**	5,203	**4,411**	4,537
Assets classified as held for sale	**703**	703	**703**	703
Current tax assets	**-**	643	**-**	-
Inventories	**1,388**	1,391	**500**	639
Investments in subsidiaries	**-**	-	**18,252**	17,135
Investments in associates	**3,277**	3,292	**1,645**	1,645
Intangible assets	**2,218**	2,192	**14**	19
Property, plant and equipment	**65,801**	66,511	**41,886**	42,255
Deferred tax assets	**10,817**	11,694	**10,420**	11,381
Total assets	**1,322,052**	1,265,134	**1,290,388**	1,236,321

Statements of Financial Position - *continued*

	Group		Bank	
	30 June 2024 € 000	31 December 2023 € 000	**30 June 2024 € 000**	31 December 2023 € 000
Equity and Liabilities				
Equity				
Share capital	**19,322**	19,322	**19,322**	19,322
Share premium	**56,534**	56,534	**56,534**	56,534
Revaluation and other reserves	**2,231**	1,420	**(523)**	(1,297)
Retained earnings	**119,746**	113,107	**118,271**	111,444
Equity attributable to equity holders of the Bank	**197,833**	190,383	**193,604**	186,003
Non-controlling interests	**8,652**	8,409	**-**	-
Total equity	**206,485**	198,792	**193,604**	186,003
Liabilities				
Amounts owed to banks	**643**	145	**643**	145
Amounts owed to customers	**1,050,984**	1,019,075	**1,052,341**	1,021,254
Current tax liabilities	**4,141**	1,556	**3,459**	1,556
Accruals and deferred income	**13,267**	11,302	**8,373**	7,958
Other liabilities	**40,959**	28,762	**28,815**	16,236
Provisions for liabilities and other charges	**1,474**	1,403	**353**	369
Deferred tax liabilities	**4,099**	4,099	**2,800**	2,800
Total liabilities	**1,115,567**	1,066,342	**1,096,784**	1,050,318
Total equity and liabilities	**1,322,052**	1,265,134	**1,290,388**	1,236,321
Memorandum items				
Contingent liabilities	**16,666**	14,315	**16,666**	14,315
Commitments	**330,759**	257,415	**331,865**	258,525

The notes on pages 14 to 27 are an integral part of these interim condensed financial statements.

These interim condensed financial statements on pages 5 to 27 were approved and authorised for issue by the Board of Directors on 28 August 2024 and signed on its behalf by:

Michael C. Bonello, *Chairman*

Joseph Said, *Director & Chief Executive Officer*

Income Statements

	Group		Bank	
	30 June 2024 € 000	30 June 2023 € 000	**30 June 2024 € 000**	30 June 2023 € 000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	**17,056**	14,987	**17,021**	14,973
- on debt and other fixed income instruments	**1,307**	1,270	**1,270**	1,232
Interest expense	**(5,058)**	(3,567)	**(5,035)**	(3,543)
Net interest income	**13,305**	12,690	**13,256**	12,662
Fee and commission income	**2,934**	2,777	**2,454**	2,289
Fee and commission expense	**(131)**	(177)	**(131)**	(177)
Net fee and commission income	**2,803**	2,600	**2,323**	2,112
Postal sales and other revenues	**20,343**	19,810	**131**	129
Dividend income	**176**	81	**1,620**	1,738
Net trading income	**332**	71	**339**	277
Other operating income/(charges)	**300**	-	**168**	(27)
Operating income	**37,259**	35,252	**17,837**	16,891
Employee compensation and benefits	**(13,158)**	(12,234)	**(4,668)**	(4,415)
Other operating costs	**(12,765)**	(14,037)	**(3,947)**	(3,652)
Depreciation and amortisation	**(1,569)**	(1,544)	**(577)**	(603)
Net movement in provisions for liabilities and other charges	**(31)**	(20)	**-**	-
Net movement in expected credit losses	**1,649**	(1,882)	**1,835**	(1,881)
Operating profit	**11,385**	5,535	**10,480**	6,340
Share of loss attributable to investment accounted for using the equity method, net of tax	**(15)**	(134)	**-**	-
Profit before taxation	**11,370**	5,401	**10,480**	6,340
Income tax expense	**(4,164)**	(2,023)	**(3,653)**	(2,309)
Profit for the period	**7,206**	3,378	**6,827**	4,031
Attributable to:				
Equity holders of the Bank	**6,707**	3,247	**6,827**	4,031
Non-controlling interests	**499**	131	**-**	-
Profit for the period	**7,206**	3,378	**6,827**	4,031
Earnings per share	**€0.04**	€0.02		

The notes on pages 14 to 27 are an integral part of these interim condensed financial statements.

Statements of Comprehensive Income

	Group		Bank	
	30 June 2024 € 000	30 June 2023 € 000	**30 June 2024 € 000**	30 June 2023 € 000
Profit for the period	**7,206**	3,378	**6,827**	4,031
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Investments in debt securities measured at FVOCI				
Net gains from changes in fair value, before tax	**2,493**	527	**2,434**	612
Net amount reclassified to profit or loss on disposal, before tax	**-**	88	**-**	88
Net movements in credit losses released to profit or loss, before tax	**(225)**	42	**(225)**	42
Income taxes relating to these items	**(773)**	(260)	**(773)**	(260)
Items that will not be subsequently reclassified to profit or loss				
Net (losses)/gains from changes in fair value of investments in equity instruments designated at FVOCI, before tax	**(1,018)**	215	**(1,018)**	215
Remeasurements of defined benefit obligations, before tax	**(62)**	(9)	**-**	-
Income taxes relating to these items	**378**	(72)	**356**	(75)
Other comprehensive income for the period, net of income tax	**793**	531	**774**	622
Total comprehensive income for the period, net of income tax	**7,999**	3,909	**7,601**	4,653
Attributable to:				
Equity holders of the Bank	**7,495**	3,803		
Non-controlling interests	**504**	106		
Total comprehensive income for the period, net of income tax	**7,999**	3,909		

The notes on pages 14 to 27 are an integral part of these interim condensed financial statements.

Statements of Changes in Equity

Group

	Attributable to equity holders of the Bank						
	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total € 000	Non-controlling interests € 000	Total equity € 000
At 1 January 2023	11,341	18,530	4,639	101,700	136,210	8,090	144,300
Comprehensive income							
Profit for the period	-	-	-	3,247	3,247	131	3,378
Other comprehensive income							
Fair valuation of financial assets measured at FVOCI:							
Net movements in fair value arising during the period	-	-	476	-	476	(23)	453
Reclassification adjustments:							
- net amounts reclassified to profit or loss on disposal	-	-	57	-	57	-	57
- net movements attributable to changes in credit risk	-	-	27	-	27	-	27
Remeasurements of defined benefit obligations	-	-	(4)	-	(4)	(2)	(6)
Total other comprehensive income for the period	-	-	556	-	556	(25)	531
Total comprehensive income for the period	-	-	556	3,247	3,803	106	3,909
Transfers and other movements	-	-	288	(288)	-	-	-
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	-	-	(429)	(429)
Changes in ownership interests in subsidiaries that do not result in loss of control							
Impacts of change in non-controlling interests in subsidiary	-	-	18	(101)	(83)	204	121
Total transactions with owners	-	-	18	(101)	(83)	(225)	(308)
At 30 June 2023	11,341	18,530	5,501	104,558	139,930	7,971	147,901

Statements of Changes in Equity *– continued*

Group

	Attributable to equity holders of the Bank						
	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total € 000	Non-controlling interests € 000	Total equity € 000
At 1 January 2024	**19,322**	**56,534**	**1,420**	**113,107**	**190,383**	**8,409**	**198,792**
Comprehensive income							
Profit for the period	-	-	-	**6,707**	**6,707**	**499**	**7,206**
Other comprehensive income							
Fair valuation of financial assets measured at FVOCI:							
Net movements in fair value arising during the period	-	-	**963**	-	**963**	**16**	**979**
Reclassification adjustment:							
- net amounts reclassified to profit or loss on disposal	-	-	-	-	-	-	-
- net movements attributable to changes in credit risk	-	-	**(146)**	-	**(146)**	-	**(146)**
Remeasurements of defined benefit obligations	-	-	**(29)**	-	**(29)**	**(11)**	**(40)**
Total other comprehensive income for the period	-	-	**788**	-	**788**	**5**	**793**
Total comprehensive income for the period	-	-	**788**	**6,707**	**7,495**	**504**	**7,999**
Transfers and other movements	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	-	-	**(306)**	**(306)**
Changes in ownership interests in subsidiaries that do not result in loss of control							
Impacts of change in non-controlling interests in subsidiary	-	-	**23**	**(68)**	**(45)**	**45**	-
Total transactions with owners	-	-	**23**	**(68)**	**(45)**	**(261)**	**(306)**
At 30 June 2024	**19,322**	**56,534**	**2,231**	**119,746**	**197,833**	**8,652**	**206,485**

Statements of Changes in Equity *- continued*

Bank

	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total equity € 000
At 1 January 2023	11,341	18,530	1,918	100,204	131,993
Comprehensive income					
Profit for the period	-	-	-	4,031	4,031
Other comprehensive income					
Fair valuation of financial assets measured at FVOCI:					
Net movements in fair value arising during the period	-	-	538	-	538
Reclassification adjustment:					
- net amounts reclassified to profit or loss on disposal			57	-	57
- net movements attributable to changes in credit risk	-	-	27	-	27
Total other comprehensive income for the period	-	-	622	-	622
Total comprehensive income for the period	-	-	622	4,031	4,653
Transfers and other movements	-	-	286	(286)	-
At 30 June 2023	11,341	18,530	2,826	103,949	136,646

Statements of Changes in Equity - *continued*

Bank

	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total equity € 000
At 1 January 2024	19,322	56,534	(1,297)	111,444	186,003
Comprehensive income					
Profit for the period	-	-	-	6,827	6,827
Other comprehensive income					
Fair valuation of financial assets measured at FVOCI:					
Net movements in fair value arising during the period	-	-	920	-	920
Reclassification adjustment:					
- net amounts reclassified to profit or loss on disposal			-	-	-
- net movements attributable to changes in credit risk	-	-	(146)	-	(146)
Total other comprehensive income for the period	-	-	774	-	774
Total comprehensive income for the period	-	-	774	6,827	7,601
Transfers and other movements	-	-	-	-	-
At 30 June 2024	19,322	56,534	(523)	118,271	193,604

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Statements of Cash Flows

	Group		Bank	
	30 June 2024 € 000	30 June 2023 € 000	**30 June 2024 € 000**	30 June 2023 € 000
Cash flows from operating activities				
Interest, fees and commission receipts	**19,295**	16,890	**19,326**	16,919
Receipts from customers relating to postal sales and other revenue	**18,807**	19,770	**131**	129
Interest, fees and commission payments	**(4,572)**	(3,609)	**(4,574)**	(3,610)
Payments to employees and suppliers	**(25,720)**	(29,209)	**(8,447)**	(8,858)
Cash flows attributable to funds collected on behalf of third parties	**730**	529	**-**	-
Cash flows from operating profit before changes in operating assets and liabilities	**8,540**	4,371	**6,436**	4,580
Movements in operating assets:				
Treasury bills	**2,935**	31,507	**2,935**	31,507
Balances with Central Bank of Malta	**133**	(5,794)	**133**	(5,794)
Loans and advances to banks and customers	**(43,722)**	(7,586)	**(44,222)**	(10,086)
Other receivables	**(3,769)**	(653)	**(3,767)**	(705)
Movements in operating liabilities:				
Amounts owed to banks and to customers	**31,914**	870	**31,086**	1,275
Other payables	**12,608**	411	**12,606**	463
Net cash generated from operating activities, before tax	**8,639**	23,126	**5,207**	21,240
Income tax paid	**(448)**	618	**(878)**	811
Net cash flows generated from operating activities	**8,191**	23,744	**4,329**	22,051
Cash flows from investing activities				
Dividends received	**176**	81	**176**	81
Interest received from debt securities	**1,996**	2,320	**1,925**	2,270
Purchase of financial investments	**(7,331)**	(1,000)	**(7,331)**	(1,000)
Proceeds from maturity/disposal of investments	**2,979**	3,963	**2,979**	3,963
Purchase of property, plant and equipment and intangible assets	**(749)**	(1,707)	**(202)**	(672)
Investments in associates	**-**	(500)	**-**	-
Net cash flows (used in) / generated from investing activities	**(2,929)**	3,157	**(2,453)**	4,642
Cash flows from financing activities				
Dividends paid to non-controlling interests	**(306)**	(299)	**-**	-
Principal element of lease payments	**(206)**	(221)	**(62)**	(79)
Net cash flows used in financing activities	**(512)**	(520)	**(62)**	(79)
Net movement in cash and cash equivalents	**4,750**	26,381	**1,814**	26,614
Cash and cash equivalents at beginning of period	**171,705**	105,818	**168,436**	100,898
Cash and cash equivalents at end of period	**176,455**	132,199	**170,250**	127,512

The notes on pages 14 to 27 are an integral part of these interim condensed financial statements.

Notes to the Condensed Interim Financial Statements

1. *Reporting Entity*

Lombard Bank Malta p.l.c. ('the Bank') is a credit institution incorporated and domiciled in Malta with its registered address at 67, Republic Street, Valletta. The condensed consolidated interim financial statements of the Bank as at and for the six month period ended 30 June 2024 include the Bank and its subsidiaries Redbox Limited, MaltaPost p.l.c. Group, Lombard Select SICAV p.l.c. and Lombard Capital Asset Management Limited (together referred to as 'the Group'). These financial statements should be read in conjunction with the Annual Report and Financial Statements 2023.

The audited financial statements of the Group for the year ended 31 December 2023 are available upon request from the Bank's registered office and are also available for viewing on its website at https://www.lombardmalta.com/en/financial-results.

The condensed interim financial statements have been extracted from the unaudited group's management accounts for the six months ended 30 June 2024 and have not been subjected to a review in accordance with the requirements of ISRE 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

The comparative statements of financial position have been extracted from the audited financial statements for the year ended 31 December 2023.

2. *Basis of preparation*

The condensed interim financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard 34 - 'Interim Financial Reporting'. These include the comparative statements of financial position as of 31 December 2023 and the comparative income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the six month period ended 30 June 2023. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The end of the reporting period for the condensed interim financial information of MaltaPost p.l.c. that has been utilised in the preparation of this condensed interim financial information is 31 March 2024, since the financial information prepared as of this date constitutes the most recent reviewed financial information of MaltaPost p.l.c.. The Bank has considered the utilisation of the subsidiary's consolidated financial information as at 30 June 2024 as impractical for the purposes of preparation of its condensed consolidated interim financial information.

3. *Accounting policies*

The accounting policies applied in the preparation of this interim financial information are consistent with those presented within the annual consolidated financial statements of Lombard Bank Malta p.l.c. for the year ended 31 December 2023, as described in those financial statements.

Standards, interpretations and amendments to published standards effective in 2024

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

3. *Accounting policies* - continued

Standards, interpretations and amendments to published standards that are not yet effective in 2024

Certain new amendments and interpretations to existing standards have been published by the date of authorisation of these interim financial statements but are not yet effective for the Group's current reporting period. The Group did not early adopt any new standards, amendments and interpretations to existing standards applicable to periods after 1 January 2024 and the Bank's management is of the opinion that there are no requirements that will have a possible significant impact on the Group's consolidated financial statements in the period of initial application.

4. *Accounting estimates and judgements*

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

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

In particular, the measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour, requiring a number of significant judgements. The critical accounting estimates and judgements as set out in Note 3 of the Annual Report and Financial Statements 2023 were applicable to the six-month period under review.

5. *The Group's financial position and appropriateness of the going concern assumption in the preparation of the interim financial information*

The Group continues to monitor the developments in the international and local economy with a view to take action in an agile manner as events which warrant action unfold.

The level of economic uncertainty continued to remain volatile during the financial period ended 30 June 2024, as risks arising from outside of the EU have increased amid the Russian invasion of Ukraine and the geopolitical conflict in the Middle East where the Group continued to restrict its direct exposure. Global trade and energy markets appear particularly vulnerable and the possible delay of the global economies to lower interest rates could hinder economic growth. Risks to inflation are balanced over the projection horizon though could be adversely affected by supply side disruptions due to ongoing geopolitical developments as well as the introduction of measures to combat extreme weather events. Moreover, the need for governments to curb expenditure to reduce public deficits and debts and hence pursue a more restrictive stance to come in line with the EU's fiscal rules could weigh on economic growth, though employment is expected to remain at record lows at least for the forecast horizon.

Locally, economic growth continued to remain resilient, spurred on by a strong rebound in the exports of services, record unemployment levels and a lowering inflation rate as a result of the implementation of price-mitigating fiscal measures to support households and firms, continuing to remain in place, and with energy prices in Malta remaining constant and the production of essential foodstuffs being subsidised. To complement this, a price stability scheme introduced earlier this year also assisted in lowering the effects of food inflation.

5. *The Group's financial position and appropriateness of the going concern assumption in the preparation of the interim financial information* - continued

Notwithstanding the above, the Bank continues to closely monitor activities on its loan portfolio and, where required, continues to provide support to customers that may experience liquidity pressures as a result of the prevailing macro-economic scenario, though to a much lesser extent than previous years.

Having taken into consideration the Group's performance and its future strategic goals and current economic climate, the Directors are of the opinion that the Group is able to continue operating as a going concern for the foreseeable future.

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

The Group is exposed to a number of risks, which it manages at different organisational levels, in particular credit risk, which stems from the possible non-prompt repayment or non-payment of existing and contingent obligations by the Group's counterparties, resulting in the loss of equity and profit.

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from the Bank's consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees and letters of credit.

The Group is also exposed to other credit risks arising from the Bank's investments in debt securities and other exposures arising from its investing activities.

Credit risk constitutes the Bank's largest risk in view of its significant lending and securities portfolios, which is monitored in a structured and formal manner through several mechanisms and procedures. The credit risk management and control functions are centralised.

As part of the ECL model, the Bank classifies its exposures to loans and advances to customers into homogeneous groups with similar credit risk characteristics that include instrument type and credit risk gradings.

In this respect, the Bank considers the following categories for ECL measurement:

- personal portfolio, which includes loans and advances to individual customers such as mortgages, credit cards and other consumer credit;
- construction and real estate portfolio, which includes loans and advances to customers in respect of financing construction of real estate projects for the purpose of re-sale or rental; and
- corporate and commercial portfolio, which includes loans and advances to business entities, other than construction and real estate related borrowers.

The Bank's maximum credit risk with respect to on and off-balance sheet items can be classified into the following categories:

- Financial assets recognised on-balance sheet comprising principally of balances with Central Bank of Malta, financial investments and loans and advances to banks and customers. The maximum exposure to credit risk of these financial assets equals their gross carrying amounts.
- Documentary credits and guarantee obligations incurred on behalf of third parties. The latter carry the same credit risk as loans, whilst documentary credits are collateralised by the underlying shipments of goods to which they relate, and therefore carry less risk than a loan to a customer. The maximum exposure to credit risk is the full amount that the Bank would have to pay if the guarantees are called upon or if documentary credits are exercised.

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied* - continued

- Loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities. The maximum exposure to credit risk is the full amount of the committed facilities. However, the likely amount of loss is less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. These exposures are monitored in the same manner in respect of loans and advances.

The following is a summary of financial instruments to which impairment requirements in IFRS 9 were applied for the Bank.

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

The following tables set out information about the credit quality of the Bank's financial assets measured at amortised cost and financial investments at FVOCI excluding equity investments.

	30 June 2024			
	Stage 1 12-month ECL € 000	**Stage 2 Lifetime ECL € 000**	**Stage 3 Lifetime ECL € 000**	**Total € 000**
Loans and advances to customers at amortised cost	**647,370**	**137,102**	**29,472**	**813,944**
Loans and advances to banks at amortised cost	**68,013**	**-**	**-**	**68,013**
Accrued income and other financial assets	**122,683**	**295**	**84**	**123,062**
Debt securities measured at FVOCI	**197,049**	**-**	**-**	**197,049**
Debt securities measured at amortised cost	**15,623**	**-**	**-**	**15,623**
Gross carrying amount	**1,050,738**	**137,397**	**29,556**	**1,217,691**
Contingent liabilities	**12,158**	**-**	**-**	**12,158**
Undrawn commitments	**311,813**	**19,594**	**378**	**331,785**
Total	**1,374,709**	**156,991**	**29,934**	**1,561,634**

	31 December 2023			
	Stage 1 12-month ECL € 000	Stage 2 Lifetime ECL € 000	Stage 3 Lifetime ECL € 000	Total € 000
Loans and advances to customers at amortised cost	611,313	129,224	29,218	769,755
Loans and advances to banks at amortised cost	33,605	-	-	33,605
Accrued income and other financial assets	153,966	215	85	154,266
Debt securities measured at FVOCI	197,700	-	-	197,700
Debt securities measured at amortised cost	8,357	-	-	8,357
Gross carrying amount	1,004,941	129,439	29,303	1,163,683
Contingent liabilities	11,286	-	-	11,286
Undrawn commitments	248,981	8,969	498	258,448
Total	1,265,208	138,408	29,801	1,433,417

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied* - continued

The following tables set out information on the allowance for expected credit losses of the Bank's financial assets measured at amortised cost and financial investments at FVOCI excluding equity investments.

	30 June 2024			
	Stage 1 12-month ECL € 000	**Stage 2 Lifetime ECL € 000**	**Stage 3 Lifetime ECL € 000**	**Total € 000**
Loans and advances to customers at amortised cost	**679**	**1,258**	**8,024**	**9,961**
Loans and advances to banks at amortised cost	**47**	**-**	**-**	**47**
Accrued income and other financial assets	**84**	**-**	**-**	**84**
Debt securities measured at FVOCI	**246**	**-**	**-**	**246**
Debt securities measured at amortised cost	**22**	**-**	**-**	**22**
Allowance for expected credit losses	**1,078**	**1,258**	**8,024**	**10,360**
Contingent liabilities	**12**	**-**	**-**	**12**
Undrawn commitments	**-**	**-**	**1**	**1**
Total	**1,090**	**1,258**	**8,025**	**10,373**

	31 December 2023			
	Stage 1 12-month ECL € 000	Stage 2 Lifetime ECL € 000	Stage 3 Lifetime ECL € 000	Total € 000
Loans and advances to customers at amortised cost	1,580	1,887	7,984	11,451
Loans and advances to banks at amortised cost	-	-	-	-
Accrued income and other financial assets	84	-	-	84
Debt securities measured at FVOCI	471	-	-	471
Debt securities measured at amortised cost	72	-	-	72
Allowance for expected credit losses	2,207	1,887	7,984	12,078
Contingent liabilities	23	-	-	23
Undrawn commitments	-	5	1	6
Total	2,230	1,892	7,985	12,107

Measurement of expected credit losses

Methodology

The recognition and measurement of expected credit losses involves the use of significant judgement and estimation. The Bank's methodology in relation to the generation and adoption of economic scenarios is described in Note 2.3.4 on pages 93 to 100 of the Bank's 2023 Annual Report and Financial Statements.

Forward-looking information incorporated in the ECL model

The calculation of ECL incorporates forward-looking information. As explained in the Note 2.3.4.4 in the Bank's Annual Report and Financial Statements, the Group has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has analysed relationships between macro-economic variables, credit risk and credit losses. The key drivers constitute Gross Domestic Product ('GDP') at constant prices, unemployment rates and inflation rates.

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied* - continued

Modelling of the economic scenarios, i.e. the forecast values of these variables for optimistic and pessimistic scenarios, is performed on the basis of the historical values while annual forecast values for base scenario is based on the published three-year forecasts of the Central Bank of Malta.

The pessimistic and optimistic scenarios are deemed to represent management's best forecast of an economically plausible upside and downside scenario.

GDP growth for the EU is expected to be 1.0% for 2024 where all Member States are expected to record growth, though economic expansion in the southern part still outweighing that of Northern and Western Europe. The labour market in the EU remains tight amid an unemployment rate at record lows. This strong labour market performance reflecting the favourable developments in labour demand, supply and migration. HICP inflation in the EU is set to decrease from 6.4% to 2.7% as the disinflationary drive in energy prices fizzled out. Notwithstanding the above, the international economic climate remains volatile as risks arising from outside of the EU have increased amid the Russian invasion of Ukraine and the geopolitical conflict in the Middle East. Global trade and energy markets appear particularly vulnerable and the persistence of inflation in the US may delay further rate cuts in the US and beyond. Moreover, the need to reduce public deficits and place debt ratios on a declining path may require some Member States to purse a more restrictive fiscal stance, weighing on economic growth. Risks associated with climate change continue to increase, even more so since Europe is the continent experiencing the fastest increase in temperature.

However, during the second quarter of 2024, the Central Bank of Malta forecasted Malta's GDP to moderate to 4.3% in 2024, 3.5% in 2025 and 3.5% in 2026. This mainly due to the exceptionally high growth experienced in the years mainly reflecting the recovery of the economic from the COVID-19 pandemic. Locally, economic activity remained strong in recent months. In particular, the hospitality sector has more than fully recovered its pre-pandemic levels and though growth in this sector is expected to decelerate, it is still expected to remain strong. Significant underlying currents within the international economic environment continue to persist. The exports of goods is expected to decline as international demand is expected to hamper growth this year. The labour market remains strong and going forward over the forecast horizon is expected to remain high. In this respect we anticipate that the unemployment rate to remain at 3.1% over the forecast horizon. Inflation is set to ease, reflecting a decline in food and services inflation. This has also been aided through price mitigating fiscal measures for energy and cereals as well as the introduction of the retail price stability scheme introduced by the Government during February 2024 which are expected to continue to remain in place at least for the medium term. In this regard, inflation is set to fall to 2.4% in 2024 before falling to 2.0% and 1.9% in 2025 and 2026 respectively.

On the downside, possible persistent supply bottlenecks stemming from effects of geopolitical developments and the possible of extreme weather events could adversely affect growth throughout the projection horizon.

Significant judgement in the estimation of ECL impairment allowances as of 30 June 2024 continues to relate to the determination of forward-looking scenarios reflecting potential future economic conditions under different scenarios and their impact on PDs and LGDs.

The ‘base’, ‘upside’ and ‘downside’ scenarios were used for all portfolios:

- The ‘Base’ Scenario captures business-as-usual macro-economic expectations, whereby the current rhythm of economic activity is maintained;
- The ‘Downside’ Scenario is based on a subdued level of economic activity hypothesised to correspond to prolonged period of an economic contraction;
- The ‘Upside’ Scenario is based on the assumption that it would be possible to marginally improve further over the already benign economic conditions considered in the ‘Base’ Scenario.

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied* - continued

	As of 30 June 2024		
	2024	**2025**	**2026**
Gross Domestic Product, constant prices (YoY)*			
'Base'	**4.30%**	**3.50%**	**3.50%**
Range of forecasts for alternative scenarios	**[1.3 – 7.3]%**	**[0.5 - 6.5]%**	**[0.5 - 6.5]%**
Unemployment rate (YoY)*			
'Base'	**3.10%**	**3.10%**	**3.10%**
Range of forecasts for alternative scenarios	**[1.8 – 4.4]%**	**[1.8 – 4.4]%**	**[1.8 – 4.4]%**
Inflation rate (YoY)*			
'Base'	**2.40%**	**2.00%**	**1.90%**
Range of forecasts for alternative scenarios	**[1.0 – 3.8]%**	**[0.6 – 3.4]%**	**[0.5 – 3.3]%**

	As of 31 December 2023		
	2024	2025	2026
Gross Domestic Product, constant prices (YoY)*			
'Base'	3.80%	3.60%	3.30%
Range of forecasts for alternative scenarios	[0.8 - 6.8]%	[0.6 - 6.6]%	[0.3 - 6.3]%
Unemployment rate (YoY)*			
'Base'	2.9%	2.9%	3.0%
Range of forecasts for alternative scenarios	[0.1 - 5.9]%	[0.1 - 5.9]%	[0 – 6.0]%
Inflation rate (YoY)*			
'Base'	3.0%	2.3%	2.0%
Range of forecasts for alternative scenarios	[0 - 6.0]%	[0.30 - 5.3]%	[1 - 5]%

*YoY = year on year % change

As of 30 June 2024, the weightings assigned to each economic scenario were 68% for the 'Base' Scenario, 16% for the 'Downside' scenario and 16% for the 'Upside' scenario. The weightings assigned as of 31 December 2023 were 68% for the 'Base' Scenario, 16% for the 'Downside' scenario and 16% for the 'Upside' scenario.

Economic scenarios sensitivity analysis of ECL estimates

The outcome of the Bank's credit loss allowances estimation process is sensitive to judgements and estimations made through the reflection of several forward-looking economic conditions. Management has assessed the sensitivity of the Bank's expected credit losses by assigning a 100% weighting to the baseline, downside and upside scenarios respectively. The Bank's credit loss allowances would decrease by €4.1 million if the provisions had to be calculated solely on the baseline scenario; ECLs would increase by €1.4 million if these had to be estimated using only the downside scenario and would reduce by €5.1 million if the upside scenario only were to be taken into consideration. This demonstrates the Bank's resilience in overcoming negative shocks and its ability to absorb such allowance changes, if necessary.

The following tables explain the changes in the loss allowance on loans and advances to customers between the beginning and end of the reporting period:

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied* – continued

	2024			
	Stage 1 12-month ECL € 000	**Stage 2 Lifetime ECL € 000**	**Stage 3 Lifetime ECL € 000**	**Total € 000**
Loans and advances to customers at amortised cost				
Loss allowance as at 1 January 2024	**1,580**	**1,887**	**7,984**	**11,451**
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	**(5)**	**5**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(1)**	**-**	**1**	**-**
Transfer from Stage 2 to Stage 1	**31**	**(31)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(51)**	**51**	**-**
Transfer from Stage 3 to Stage 1	**2**	**-**	**(2)**	**-**
Net remeasurement of ECL arising from stage transfers	**-**	**2**	**(1)**	**1**
Total remeasurement of loss allowance arising from transfers in stages	**27**	**(75)**	**49**	**1**
New financial assets originated	**190**	**156**	**6**	**352**
Changes to risk parameters (model inputs PDs/LGDs/EADs)	**(880)**	**(629)**	**19**	**(1,490)**
Financial assets derecognised	**(238)**	**(81)**	**(91)**	**(410)**
Total net income statement credit during the period	**(901)**	**(629)**	**(17)**	**(1,547)**
Other movements				
Write-offs	**-**	**-**	**(78)**	**(78)**
Unwinding of discount	**-**	**-**	**135**	**135**
Loss allowance as at 30 June 2024	**679**	**1,258**	**8,024**	**9,961**

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied* – continued

	2023			
	Stage 1 12-month ECL € 000	Stage 2 Lifetime ECL € 000	Stage 3 Lifetime ECL € 000	Total € 000
Loans and advances to customers at amortised cost				
Loss allowance as at 1 January 2023	2,339	1,614	5,996	9,949
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(566)	566	-	-
Transfer from Stage 1 to Stage 3	(4)	-	4	-
Transfer from Stage 2 to Stage 1	20	(20)	-	-
Transfer from Stage 2 to Stage 3	-	(1)	1	-
Transfer from Stage 3 to Stage 1	198	-	(198)	-
Transfer from Stage 3 to Stage 2	-	1	(1)	-
Net remeasurement of ECL arising from stage transfers	(2)	295	-	293
Total remeasurement of loss allowance arising from transfers in stages	(354)	841	(194)	293
New financial assets originated	321	48	1	370
Changes to risk parameters (model inputs PDs/LGDs/EADs)	(489)	727	1,205	1,443
Financial assets derecognised	(52)	(304)	(16)	(372)
Total net income statement (credit)/charge during the period	(574)	1,312	996	1,734
Other movements				
Write-offs	-	-	-	-
Unwinding of discount	-	-	111	111
Loss allowance as at 30 June 2023	1,765	2,926	7,103	11,794

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied* – continued

The following tables explain the changes in the gross carrying amounts of loans and advances to customers between the beginning and end of the reporting period:

	2024			
	Stage 1 12-month ECL € 000	**Stage 2 Lifetime ECL € 000**	**Stage 3 Lifetime ECL € 000**	**Total € 000**
Loans and advances to customers at amortised cost				
Gross carrying amount as at 1 January 2024	**611,313**	**129,224**	**29,218**	**769,755**
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	**(19,122)**	**19,122**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(25)**	**-**	**25**	**-**
Transfer from Stage 2 to Stage 1	**6,862**	**(6,862)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(1,222)**	**1,222**	**-**
Transfer from Stage 3 to Stage 1	**3**	**-**	**(3)**	**-**
Transfer from Stage 3 to Stage 2	**-**	**-**	**-**	**-**
Total changes in gross carrying amounts arising from transfers in stages	**(12,282)**	**11,038**	**1,244**	**-**
New financial assets originated	**75,717**	**11,216**	**2,030**	**88,963**
Changes in gross carrying amount in respect of facilities present as at 1 January 2024	**(7,442)**	**(9,994)**	**(411)**	**(17,847)**
Financial assets derecognised	**(19,936)**	**(4,382)**	**(2,361)**	**(26,679)**
Write-offs	**-**	**-**	**(248)**	**(248)**
Total net change during the period	**36,057**	**7,878**	**254**	**44,189**
Gross carrying amount as at 30 June 2024	**647,370**	**137,102**	**29,472**	**813,944**

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied* – continued

	2023			
	Stage 1 12-month ECL € 000	Stage 2 Lifetime ECL € 000	Stage 3 Lifetime ECL € 000	Total € 000
Loans and advances to customers at amortised cost				
Gross carrying amount as at 1 January 2023	526,199	167,551	27,812	721,562
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(49,664)	49,664	-	-
Transfer from Stage 1 to Stage 3	(2,268)	-	2,268	-
Transfer from Stage 2 to Stage 1	50,578	(50,578)	-	-
Transfer from Stage 2 to Stage 3	-	(96)	96	-
Transfer from Stage 3 to Stage 1	548	-	(548)	-
Transfer from Stage 3 to Stage 2	-	1	(1)	-
Total changes in gross carrying amounts arising from transfers in stages	(806)	(1,009)	1,815	-
New financial assets originated	41,138	660	96	41,894
Changes in gross carrying amount in respect of facilities present as at 1 January 2023	(1,156)	(10,212)	135	(11,233)
Financial assets derecognised	(12,843)	(6,655)	(1,063)	(20,561)
Total net change during the period	26,333	(17,216)	983	10,100
Gross carrying amount as at 30 June 2023	552,532	150,335	28,795	731,662

7. *Segmental information*

	Banking services		Postal services		Group	
	30 June 2024 € 000	30 June 2023 € 000	**30 June 2024 € 000**	30 June 2023 € 000	**30 June 2024 € 000**	30 June 2023 € 000
Operating income	**16,118**	15,006	**21,141**	20,246	**37,259**	35,252
Segment result - profit before taxation	**8,886**	4,699	**2,484**	702	**11,370**	5,401

	Banking services		Postal services		Group	
	30 June 2024 € 000	31 December 2023 € 000	**30 June 2024 € 000**	31 December 2023 € 000	**30 June 2024 € 000**	31 December 2023 € 000
Segment total assets	**1,271,435**	1,217,744	**50,617**	47,390	**1,322,052**	1,265,134

8. *Fair values of financial assets and liabilities*

The Group's financial instruments categorised as Investments within the Statement of Financial Position are measured at fair value. The Group is required to disclose fair value measurements according to the following hierarchy:

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

As at 30 June 2024 and 31 December 2023, investments were principally valued using Level 1 inputs. No transfers of financial instruments measured at fair value between different levels of the fair value hierarchy have occurred during the interim period under review.

As at 30 June 2024, investments measured at amortised cost comprise debt instruments amounting to €15,601,000 (2023: €8,285,00). The fair value of these financial instruments as at 30 June 2024, determined by reference to quoted market prices is €15,670,000 (2023: €8,447,000).

The fair values of all the Group's other financial assets and liabilities that are not measured at fair value are considered to approximate their respective carrying values due to their short-term nature, short periods to repricing or because they are repriceable at the Group's discretion. The current market interest rates utilised for fair value estimation, which reflect essentially the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2.

The valuation techniques utilised in preparing these condensed interim financial statements were consistent with those applied in the preparation of the financial statements as at and for the year ended 31 December 2023.

9. *Financial investments*

Financial investments include the following:

	Group		Bank	
	30 June 2024	31 December 2023	**30 June 2024**	31 December 2023
	€ 000	€ 000	**€ 000**	€ 000
Debt instruments measured at FVOCI				
Government debt securities				
- local and listed on the Malta Stock exchange	**157,823**	156,209	**156,646**	155,075
- foreign government and listed on other exchanges	**6,596**	6,534	**6,596**	6,534
- supranational and listed on other exchanges	**6,671**	7,304	**6,671**	7,304
	171,090	170,047	**169,913**	168,913
Other debt securities				
- local and listed on the Malta Stock Exchange	**15,522**	15,302	**14,376**	14,171
- foreign and listed on other exchanges	**12,760**	14,616	**12,760**	14,616
	28,282	29,918	**27,136**	28,787

9. Financial investments - continued

	Group		Bank	
	30 June 2024	31 December 2023	**30 June 2024**	31 December 2023
	€ 000	€ 000	**€ 000**	€ 000
Debt instruments measured at amortised cost				
Government debt securities				
- local and listed on the Malta Stock exchange	**7,018**	7,020	**7,018**	7,020
- foreign government and listed on other exchanges	**2,783**	-	**2,783**	-
	9,801	7,020	**9,801**	7,020
Other debt securities				
- local and listed on the Malta Stock Exchange	**1,336**	1,337	**1,336**	1,337
- foreign and listed on other exchanges	**4,486**	-	**4,486**	-
Less: Expected credit loss allowances	**(22)**	(72)	**(22)**	(72)
	5,800	1,265	**5,800**	1,265
Equity instruments	**7,623**	8,520	**7,623**	8,520

10. Earnings per share

Earnings per share is based on the net profit for the year divided by the weighted average number of ordinary shares in issue during the period.

	Group	
	2024	2023 Restated
Net profit attributable to equity holders of the Bank (€ 000)	**6,707**	3,247
Weighted average number of ordinary shares in issue	**154,572,263**	154,572,263
Earnings per share	**€0.04**	€0.02

The Bank's issued share capital did not change during the reporting period ended 30 June 2024.

The Bank has no instruments or arrangements which give rise to dilutive potential ordinary shares, and accordingly diluted earnings per share is equivalent to basic earnings per share.

11. Dividends

	Bank	
	30 June 2024	30 June 2023
Dividends (net) declared and paid by the Bank (€ 000)	**-**	-
€ cent per share – gross	**-**	-
€ cent per share – net	**-**	-

No dividend in respect of the financial year ended 31 December 2022 was proposed by the Board of Directors.

In respect of the financial year ended 31 December 2023, a gross dividend of 1.63 cent per nominal €0.125 share (net dividend of 1.06 cent for a total amount of €1,638,000) was proposed by the Board of Directors and approved by the shareholders at the Annual General Meeting held on 27 June 2024.

12. Related party transactions

During the financial period from 1 January to 30 June 2024, the Group did not enter into any related party transactions which had a material effect on the financial results and financial position of the Group.

1. *Asset encumbrance*

Banking Rule 07 transposed the provisions of the EBA Guidelines on Disclosure of Encumbered and Unencumbered Assets (EBA/GL/2014/03) and introduced the requirement to disclose information about asset encumbrance.

This disclosure is meant to facilitate an understanding of available and unrestricted assets of the Bank 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 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.

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	€ 000	€ 000	€ 000	€ 000
Bank				
At 30 June 2024				
Equity instruments	**-**	**-**	**7,623**	**7,623**
Debt securities	**7,621**	**7,621**	**205,995**	**206,064**
Other assets	**2,503**	**2,503**	**1,066,646**	**1,066,646**
	10,124	**10,124**	**1,280,264**	**1,280,333**
At 31 December 2023				
Equity instruments	-	-	8,520	8,520
Debt securities	7,950	7,950	199,015	199,177
Other assets	2,319	2,319	1,018,517	1,018,517
	10,269	10,269	1,226,052	1,226,214

The Bank does not encumber any collateral received. As at 30 June 2024, the Bank did not have any outstanding liabilities associated with encumbered assets and collateral received.

The Bank undertakes the following types of encumbrance:

- Pledging of a deposit with the Central Bank of Malta in favour of the Depositor Compensation Scheme.
- Pledging of Malta Government Stocks held in terms of Directive No. 8 (Chapter 204 of the Central Bank of Malta Act) as security for a facility not currently utilised.

2. *Key Metrics (EU KM1)*

	Amounts in €000s	Jun-24	Dec-23
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	182,910	182,099
2	Tier 1 capital	182,910	182,099
3	Total capital	182,910	182,099
	Risk-weighted exposure amounts		
4	Total risk exposure amount	909,398	868,827
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	20.11%	20.96%
6	Tier 1 ratio (%)	20.11%	20.96%
7	Total capital ratio (%)	20.11%	20.96%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.25%	3.25%
7d	Total SREP own funds requirements (%)	11.25%	11.25%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	0.01%	0.01%
9a	Systemic risk buffer (%)	0.17%	0.10%
11	Combined buffer requirement (%)	2.68%	2.61%
11a	Overall capital requirements (%)	13.93%	13.86%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.86%	9.71%
	Leverage ratio		
13	Total exposure measure	1,351,331	1,285,729
14	Leverage ratio (%)	13.54%	14.16%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
14e	Overall leverage ratio requirement (%)	3.00%	3.00%
	Liquidity Coverage Ratio[1]		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	311,294	302,700
16a	Cash outflows - Total weighted value	188,220	185,860
16b	Cash inflows - Total weighted value	62,275	54,720
16	Total net cash outflows (adjusted value)	125,945	131,140
17	Liquidity coverage ratio (LCR) (%)	247.17%	230.82%
	Net Stable Funding Ratio[1]		
18	Total available stable funding	1,052,931	1,029,217
19	Total required stable funding	701,250	660,905
20	NSFR ratio (%)	150.15%	155.73%

[1]In line with EU Regulation No. 575/2013 LCR is disclosed as an average over 12 months, whereas NSFR is disclosed as at the reporting date.

Statement pursuant to Capital Markets Rules issued by MFSA

I confirm that to the best of my knowledge:

- The interim condensed financial statements, prepared in accordance with IAS 34 give a true and fair view of the financial position of the Group and the Bank as at 30 June 2024, as well as of their financial performance and cash flows for the six-month period then ended, in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting, IAS 34' Interim Financial Reporting'; and

- The Director's Report includes a fair review of the information required in terms of Capital Markets Rules.

Joseph Said, *Chief Executive Officer*