Company announcement

The following is a company announcement issued by MeDirect Bank (Malta) plc (the "Bank") pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority.

Quote

On 10 August 2023, the Board of Directors of MeDirect Bank (Malta) plc considered and approved the condensed Interim Financial Statements of the Bank for the six-month financial period ended 30 June 2023. These Interim Financial Statements are available for viewing and downloading on the Bank's website under the Investor Relations section (https://www.medirect.com.mt/about-us/investor-relations/).

2023 Interim Results – Highlights

"MeDirect continues to implement dynamically its tech-driven strategy, reporting €10.1 million profit after tax in the six months ended 30 June 2023."

Focus on clients: New products and services

MeDirect's investment in technology is producing tangible results for its clients, with a range of new products and services launched during the first half of 2023:

- MeDirect launched MeManaged, its online discretionary portfolio management service, in Belgium. Portfolio management is provided by MeDirect, using appropriate fund products managed by BlackRock, the world's largest asset manager.
- MeDirect also began to offer its MeMax instant savings account in Malta, offering attractive interest rates, paid monthly.
- In May, MeDirect began to offer in Malta a new Property Investment Loan product designed for clients who would like to purchase real estate as an investment.
- In June, MeDirect launched its debit card service, enabling customers to use their MeDirect accounts for their daily banking needs.
- MeDirect technology has also enabled it to streamline its mortgage application processes enabling it to offer €1,000 to any customer who applies for a home loan with MeDirect and does not receive a decision within 15 days.
- In addition to the new products described above, MeDirect continues to improve its payment hub platform to facilitate faster and easier payments, both in Malta and Belgium and internationally.

These products were made possible by the investments in technology made over the past few years by MeDirect.

Growing the MeDirect customer franchise

- In mid-May, MeDirect successfully launched its wealth platform in the Netherlands, introducing its Wealth SuperApp and dedicated Dutch language website and targeting customers in the Dutch market who are currently underserved by traditional banks and asset managers.
- MeDirect's retail franchise, focused on affluent customers, grew by 8% over the past twelve months to more than 114,000 retail clients, of whom 41,000 are wealth clients. The number of wealth clients increased by 12% over the past twelve months and total client financial assets increased by 4.5% year over year, notwithstanding very challenging market and macroeconomic conditions, reaching €4.5 billion.
- This geographic expansion and continued growth of MeDirect's retail franchise demonstrates its ongoing commitment to building a scalable pan-European platform, serving clients throughout the EU and the EEA, with a focus on digital wealth and banking solutions.

Focus on specialised lending solutions

Over the past twelve months, MeDirect has continued to de-risk and diversify its balance sheet, reducing its on-balance sheet exposure to international corporate loans to less than 10% of total assets whilst launching and enhancing mortgage products and services in Malta, Belgium and the Netherlands.

- MeDirect continued to grow its specialised lending platform, focusing on mortgages in Belgium, the Netherlands and Malta.
    - Over the past twelve months, MeDirect's total mortgage portfolios grew from €1.7 billion to €2.2 billion, an increase of more than 30%.
    - MeDirect's Dutch-government guaranteed NHG mortgage product continues to form the core of its international mortgage portfolio, growing by 13% during the past twelve months to more than €1.9 billion, and now comprising 34% of the Group's total balance sheet.
        - MeDirect's partnership with HollandWoont, a leading Dutch NHG origination and servicing platform, enables it to control the origination of NHG mortgages based on its strategic priorities and market conditions.
    - In the Netherlands, MeDirect's buy-to-let mortgage platform was established in October 2022 in partnership with Build Finance, a Dutch mortgage originator, reaching €41 million at 30 June 2023. Using the platform, MeDirect is building its Dutch buy-to-let business in a controlled manner and benefitting from attractive risk-adjusted returns.
- MeDirect's MeHomeLoans Belgian mortgage loan product, launched in partnership with Allianz in October 2021, has become a core part of its specialised lending business, totalling over €228 million as at 30 June 2023.

- MeDirect's Maltese mortgage portfolio reached €86 million by end June 2023 and now features a Property Investment Loan product to facilitate investment in the Maltese property markets by its customers.
- MeDirect continues to build its Maltese corporate lending business through its portfolio of carefully selected loans with attractive yields that are collateralised by real property assets and other collateral.
- The Group continues to de-risk its international corporate lending portfolio, which has been reduced from €593 million as at 30 June 2022 to €446 million as at 30 June 2023, a decrease of 25%.

Delivering sustainable profitability

- Profit after tax for the six months ended 30 June 2023 amounted to €10.1 million, compared to €0.5 million for the six months ended 30 June 2022. Operating income grew by 29% year over year whilst improved market conditions led to a €5.5 million net release of loan impairment charges.
- Net interest income increased by 36% compared with the same period last year, from €28.7 million in the first six months of 2022 to €39.1 million in the first six months of 2023.
- The Group's Non-Performing Loan ratio was reduced to 2.0% as at 30 June 2023, from 4.6% as at 30 June 2022.
- The Group's capital and liquidity positions remained strong. At 30 June 2023, taking into consideration the interim profits:
  - MeDirect's Tier 1 capital ratio stood at 16.2%, with a total capital ratio of 19.8%, both well above regulatory requirements; and
  - The Group's Liquidity Coverage Ratio (LCR) stood at 215% and its Net Stable Funding Ratio (NSFR) at 116%, both well above the minimum requirements.
- MeDirect continued its balance sheet de-risking strategy by increasing its aggregate mortgage portfolio by 30% to €2.2 billion and reducing its international corporate lending portfolio by 25% to €446 million over the past twelve months.

These financial results demonstrate the success of MeDirect's business transformation project, which was executed over the past three years in spite of extremely volatile macroeconomic conditions resulting from the Covid pandemic, the Russia-Ukraine war and severe supply chain disruption. MeDirect believes that it has now returned to sustainable profitability and is well positioned for the future.

Focus on ESG

- MeDirect continued integrating environmental, social and governance ("ESG") principles into its policies and day-to-day operations, improving its ESG disclosure and increasing ESG awareness across the Group.
- MeDirect's incorporation of ESG principles into its business were recognised and validated by the improvement of its EcoVadis overall sustainability rating score by 11%. MeDirect's overall score was amongst the top 7% of all companies rated by EcoVadis in the last year. Moreover, MeDirect Malta was once again awarded with the Equality Mark certification by the National Commission for the Promotion of Equality (NCPE) in Malta. In Belgium, MeDirect was rated as the third best bank in the country, according to a global survey by Forbes.

Outlook

MeDirect's efforts over the past three years in executing its ambitious business transformation plan are reflected in its financial results as well as the growth of its products, franchise and capabilities. Investment in technology has enabled MeDirect to launch a range of new products and services and to improve existing business processes. The de-risking and diversification of MeDirect's balance sheet has resulted in a better balanced, more conservative portfolio of assets and a return to sustainable profitability. The success of MeDirect's efforts are manifested in increasing client numbers, including more wealth clients, and successful expansion into the Dutch wealth market, demonstrating the scalability of MeDirect's platform.

MeDirect's Board, management and staff look forward to continuing to build toward a successful future.

Unquote

Henry Schmeltzer
Company Secretary
10 August 2023

MeDirect Bank (Malta) plc

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Technology driven growth

During the first half of the 2023 financial year, MeDirect benefited from the efforts made during the past three plus years. MeDirect's investment in technology enabled it to launch a range of new products and services during the first half of 2023. Its scalable platform facilitated ongoing growth of its customer franchise and expansion into the Dutch wealth market. Seamless integration with Dutch and Belgian mortgage originators and servicers has enabled MeDirect to de-risk its balance sheet by redeploying resources from leveraged international corporate lending to mortgage portfolios, including over €1.9 billion of Dutch government-guaranteed mortgages. Technology has also facilitated the development of a highly efficient Maltese mortgage platform, enabling MeDirect to move mortgages from application to closing as efficiently as any other mortgage lender in Malta. Technology has contributed strongly to the successful execution of MeDirect's business transformation plan, resulting in a scalable and sustainably profitable bank, capable of launching new products and services and well positioned for the future.

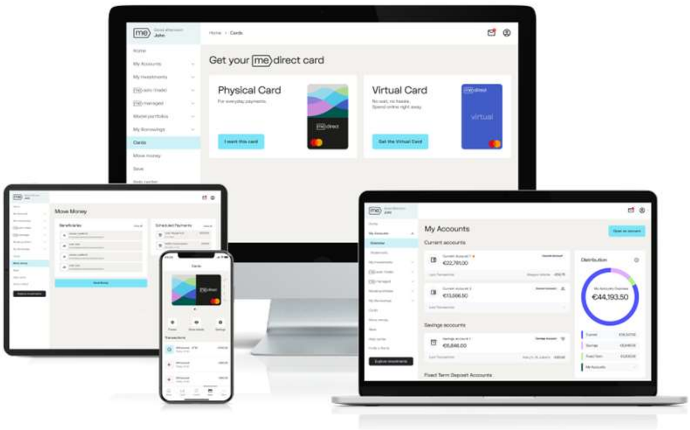
The Group's strategy is based on four pillars:

1. Building a world-class WealthTech platform;
2. Growing its retail franchise focused on affluent customers;
3. De-risking and diversifying its balance sheet, with a focus on mortgages; and
4. Improving the efficiency of its operating model.

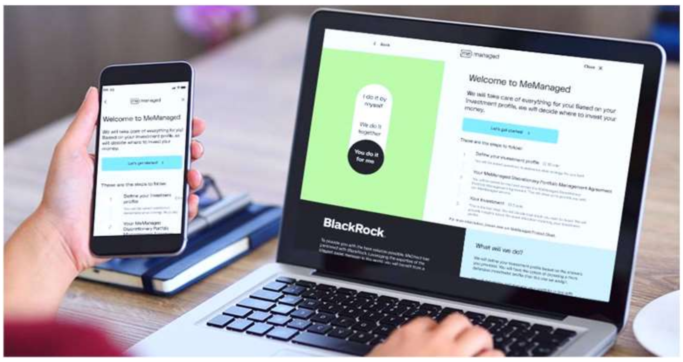
During the first half of 2023, MeDirect leveraged its technology platform to make progress in each of those areas.

Technology

MeDirect continued to build its WealthTech platform, adding new products and services such as cards, MeMax savings accounts and property investment loans, as well as launching its MeManaged discretionary portfolio management service in Belgium and improving existing platforms such as its proprietary payment hub, which is designed for easy integration with partner entities.



These products complement and enhance MeDirect's Wealth SuperApp, which offers its customers access, in a single app, a highly convenient daily banking offer (payments, FX and cards), plus a wide range of online investment services (currently brokerage and discretionary portfolio management). MeDirect's technology roadmap anticipates the revamp of the Group's model portfolios and the addition of guided investment tools such as its planned portfolio builder. The roadmap also anticipates continual evolution of the Wealth SuperApp with the aim of improving customer experience, user-friendliness and efficiency. Going forward, MeDirect plans to continue to add new features and products to enhance its offering.



MeDirect has also commenced the process, subject to receipt of appropriate regulatory approvals, of centralising its technology functions in a dedicated subsidiary, MeDirect Tech Limited ("MeDirect Tech").

In future, MeDirect Tech may also provide technology services to third-party financial institutions.

Franchise growth

MeDirect's technology platform and new products and services helped it to grow its retail franchise, both in Malta and Belgium. The Group's client base grew by 8% over the past twelve months and now totals more than 114,000 retail clients. Of its total retail client base, 41,000 are wealth clients, an increase of 12% over the past twelve months. Total client financial assets reached €4.5 billion, an increase of 4.5% year over year, notwithstanding very challenging market and macroeconomic conditions.

MeDirect's scalable platform enabled it to expand geographically, with the successful launch of its wealth platform in the Netherlands, targeting customers who are currently underserved by traditional banks and asset managers. MeDirect introduced its Wealth SuperApp in the Netherlands as well as a dedicated Dutch language website, enabling Dutch customers to access MeDirect's digital wealth products, including discretionary portfolio management, brokerage and execution.

Of its total retail client base, 41,000 are wealth clients, an increase of 12% over the past twelve months.

Balance sheet transformation

MeDirect continued to de-risk its balance sheet and successfully reduced its international corporate lending portfolio by 25% to €446 million over the past twelve months. During the same period,

it increased its aggregate mortgage portfolio by 30% to over €2.2 billion.

Dutch-government guaranteed NHG mortgages form the core of its international mortgage portfolio and grew by 16% during the past twelve months. NHG mortgages now comprise 34% of the Group's total balance sheet. MeDirect also continued to grow its Belgian and Maltese mortgage lending businesses and is building its Dutch buy-to-let business in a controlled manner. MeDirect's mortgage origination platform is highly scalable, and favourable market conditions have enabled it to originate mortgages at increasingly attractive levels, particularly in the Netherlands and Belgium. MeDirect focuses on niche market segments offering an attractive balance of risk and reward.

MeDirect's partnerships with HollandWoont (for Dutch NHG mortgages), Allianz (for Belgian mortgages) and Build (for Dutch buy-to-let mortgages) enable it to tailor its origination to address strategic priorities and market conditions. These platforms provide access to hundreds of mortgage brokers in Belgium and the Netherlands and enable MeDirect to originate mortgages to its specifications.

MeDirect's Maltese corporate lending business continued to grow at a controlled pace and facilitates the growth of MeDirect's corporate payments and services product lines, reinforcing its relationships with corporate clients and leading to multiple revenue streams from such clients.

The Group's international corporate lending portfolio continues to be reduced in line with MeDirect's de-risking and diversification strategy and totalled €446 million as at 30 June 2023, a decrease of 25% from 30 June 2022.

Efficient operations

Technology has enabled MeDirect to continue to refine and improve the efficiency of its operations. The time required for MeDirect to launch fully tested new products and services has continued to diminish as its platform matures and accommodates the integration of third-party software and systems into its technology eco-system. Technology has also facilitated the seamless integration of efficient mortgage origination platforms into the MeDirect platform.

Financial performance

The Group's profit after tax totalled €10.1 million during the financial reporting period ended 30 June 2023, as compared with €0.5 million for the equivalent period of the previous financial year. Operating income grew by 29% year over year, including a €5.5 million net release of loan impairment charges as a result of improved market conditions.

The Group's profit after tax totalled €10.1 million.

Total operating income growth was driven primarily by increases in net interest income, which increased by 36% compared with the same period last year, from €28.7 million in the first six months of 2022 to €39.1 million in the first six months of 2023.

Capital and liquidity position

MeDirect's capital and liquidity positions remained strong, supporting the continuation of its business transformation strategy and further growth.

As at 30 June 2023,

MeDirect's Tier 1 capital ratio stood at 16.2%, with a total capital ratio of 19.8%,

both well above regulatory requirements and recommendations (total capital SREP capital requirement benchmark of 11%).

As at 30 June 2023, the Group's Liquidity Coverage Ratio (LCR) stood at 215% (minimum requirement of 100%), and its Net Stable Funding Ratio (NSFR) stood at 116% (minimum requirement of 100%). Regulatory ratios as at 30 June 2023 include the benefit of the retained profit in the period as disclosed in note 14.

Asset quality

The Group has continued to execute its de-risking strategy and to improve its asset quality. Its Non-Performing Loan ("NPL") ratio was reduced to 2.0% as at 30 June 2023, from 4.6% as at 30 June 2022.

The Group continued to manage its NPL portfolio actively and to reduce its NPL ratio by implementing individual borrower loan resolution strategies to maximise recoveries and reduce the amount of NPLs through targeted sales.

Environmental, social and governance focus

ESG remains an important area of focus for MeDirect. The Group continues its efforts to integrate environmental, social and governance principles into its daily business and to increase ESG awareness across the Group.

During the first half of 2023, MeDirect implemented a range of new ESG initiatives. Amongst other initiatives, the Group:

- Published its first Pillar III report on ESG risks,
- Implemented its sustainability risk policy,
- Launched a sustainability section on its website,
- Updated its climate and environment-related risk materiality assessment,
- Incorporated sustainability preferences into client risk profiles,
- Improved SFDR disclosure in the investment process,
- Joined the Malta Housing Authority's New Hope Scheme to provide mortgage insurance to medically challenged borrowers,
- Provided finance and investment educational resources to its customers, including medirectalks, which give customers the ability to hear directly from top international fund managers, and
- Conducted ongoing ESG training for its board and employees.

MeDirect continues to improve the incorporation of sustainability principles in its credit and investment businesses, including through its Green Home Loan platform and by providing filters on its brokerage platform enabling investors to identify and filter funds which focus on sustainability.

medirectalk with Liontrust

The Group employs nationals from 31 different countries, and 38% of its employees are female - 15% serve in managerial positions whilst the remaining 23% serve in the officer level. MeDirect continues to operate through a hybrid working model, enabling its employees to work from home or from the office. MeDirect recognises that its employees are key to its success in implementing the Group's strategy.

World Autism Day

Malta Trust Foundation

Beach clean up

MeDirect supports a range of charities and talented individuals through sponsorships, donations and the voluntary actions of its employees.

MeDirect's efforts were rewarded with an improved EcoVadis Sustainability Rating, which placed MeDirect well within the top 10% of companies assessed.

EcoVadis is one of the world's most trusted providers of business sustainability ratings and rates over 85,000 companies globally. MeDirect was also awarded the Equality Mark Certification from Malta's National Commission for the Promotion of Equality. In Belgium, MeDirect was rated as the third best bank in the country, according to a global survey by Forbes.

Bright outlook

The MeDirect Board believes that the Group's combination of cutting-edge technology, a loyal and growing customer base, a transformed balance sheet producing sustainable profitability and a top-quality management team and staff have positioned MeDirect well. The Board looks forward to working with all its stakeholders to continue to build toward a bright and successful future.

Michael Bussey
Chairman

Arnaud Denis
Chief Executive Officer

Financial statements

Condensed consolidated interim statement of financial position

Assets	Notes	As at 30 June 2023 €000	As at 31 December 2022 €000
Balances with central banks and cash		**370,526**	149,929
Derivative financial instruments		**329,771**	363,382
Loans and advances to financial institutions		**332,258**	402,987
Loans and advances to customers		**2,568,870**	2,389,293
Investments			
• Securities portfolio		**600,268**	694,038
• Securitisation portfolio		**605,053**	574,001
Property and equipment		**6,610**	7,574
Intangible assets		**13,899**	13,306
Non-current assets classified as held for sale		**1,785**	1,785
Current tax assets		**190**	589
Deferred tax assets	6	**17,525**	17,524
Prepayments and accrued income		**23,836**	18,473
Other assets		**26,973**	28,978
Total assets		**4,897,564**	4,661,859
Equity			
Called up issued share capital	8	**117,450**	117,450
Share premium	8	**13,464**	13,464
Shareholders' contributions	8	**133,196**	133,196
Reserve for general banking risks	8	**-**	3,798
Other reserves	8	**224**	224
Accumulated losses		**(11,610)**	(25,538)
Total equity		**252,724**	242,594
Liabilities			
Derivative financial instruments		**4,147**	5,306
Amounts owed to financial institutions		**651,727**	545,135
Amounts owed to customers		**2,928,835**	2,787,600
Debt securities in issue		**933,475**	969,569
Subordinated liabilities		**54,993**	54,831
Current tax liabilities		**295**	2
Deferred tax liabilities	6	**349**	358
Provisions for liabilities and other charges		**606**	1,263
Accruals and deferred income		**32,286**	24,303
Other liabilities		**38,127**	30,898
Total liabilities		**4,644,840**	4,419,265
Total equity and liabilities		**4,897,564**	4,661,859
Memorandum items			
Commitments to extend credit, guarantees and other commitments	11	**371,328**	377,114

The notes on pages 14 to 45 are an integral part of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements on pages 10 to 45 were approved and authorised for issue by the Board of Directors on 10 August 2023 and signed on its behalf by:

Michael Bussey
Chairman

Arnaud Denis
Chief Executive Officer

Condensed consolidated interim statement of comprehensive income

	Notes	Period from 1 January to 30 June 2023 €000	*Unreviewed* Period from 1 January to 30 June 2022 €000
Interest income	9	**73,408**	39,558
Interest expense		**(34,327)**	(10,856)
Net interest income		**39,081**	28,702
Fee and commission income	10	**3,391**	4,714
Fee and commission expense		**(1,454)**	(1,622)
Net fee and commission income		**1,937**	3,092
Net trading income		**27**	321
Other operating income			
• Realised losses on disposal of other investments		**(30)**	-
• Realised gains/(losses) on disposal of loans and advances		**88**	(172)
• Other income		**55**	13
Total operating income		**41,158**	31,956
Personnel expenses		**(11,611)**	(12,031)
Depreciation and amortisation		**(2,783)**	(3,136)
Other administrative expenses		**(21,662)**	(17,663)
Total operating expenses		**(36,056)**	(32,830)
Net operating profit/(loss) before changes in expected credit losses		**5,102**	(874)
Change in expected credit losses and other credit impairment charges		**5,453**	3,535
Profit before tax		**10,555**	2,661
Tax expense	6	**(425)**	(2,173)
Profit for the period – Attributable to equity holders of the parent		**10,130**	488
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair valuation of financial investments measured at fair value through other comprehensive income:			
• Net change in fair value, before tax		**-**	(29,957)
Income tax relating to other comprehensive income		**-**	8,285
Other comprehensive income, net of tax		**-**	(21,672)
Total comprehensive income, net of tax – Attributable to equity holders of the parent		**10,130**	(21,184)
Earnings per share		**9c**	0c

The notes on pages 14 to 45 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity

	Share capital €000	Share premium €000	Share-holders' contribu-tions €000	Reserves for general banking risks €000	Other reserves €000	Accumu-lated losses €000	Total €000
Balance at 1 January 2022	117,450	13,464	133,196	3,798	(785)	(34,199)	232,924
Total comprehensive income							
Profit for the period	-	-	-	-	-	488	488
Other comprehensive income, net of tax:							
Items that may be reclassified subsequently to profit or loss							
Fair valuation of financial investments measured at fair value through other comprehensive income:							
• Net change in fair value arising during the period, net of tax (Note 8)	-	-	-	-	(21,672)	-	(21,672)
Total other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**(21,672)**	**-**	**(21,672)**
Total comprehensive income, net of tax	**-**	**-**	**-**	**-**	**(21,672)**	**488**	**(21,184)**
Balance at 30 June 2022	**117,450**	**13,464**	**133,196**	**3,798**	**(22,457)**	**(33,711)**	**211,740**
Balance at 1 January 2023	**117,450**	**13,464**	**133,196**	**3,798**	**224**	**(25,538)**	**242,594**
Total comprehensive income							
Profit for the period	-	-	-	-	-	10,130	10,130
Release of reserve (Note 8)	**-**	**-**	**-**	**(3,798)**	**-**	**3,798**	**-**
Balance at 30 June 2023	**117,450**	**13,464**	**133,196**	**-**	**224**	**(11,610)**	**252,724**

The notes on pages 14 to 45 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows

	Period from 1 January to 30 June 2023 €000	*Unreviewed* Period from 1 January to 30 June 2022 €000
Cash flows from operating activities		
Interest and commission receipts	**72,040**	34,629
Interest and commission payments	**(23,893)**	(11,476)
Payments to employees and suppliers	**(36,035)**	(35,371)
Operating cash flows before changes in operating assets/liabilities	**12,112**	(12,218)
Increase in operating assets:		
• Reserve deposit with central banks	**(7)**	(2,053)
• Loans and advances to financial institutions and customers	**(91,452)**	(188,390)
Increase/(decrease) in operating liabilities:		
• Amounts owed to financial institutions and customers	**43,045**	306,656
• Other payables	**6,844**	(3,207)
Net tax refunded	**261**	391
Net cash (used in)/from operating activities	**(29,197)**	101,179
Cash flows from investing activities		
Acquisitions of property and equipment and acquisition and development of intangible assets	**(2,433)**	(2,436)
Acquisition of investments measured at amortised cost	**(77,494)**	(204,819)
Acquisition of investments measured at fair value through other comprehensive income	**-**	(67,000)
Redemption of investments measured at fair value through other comprehensive income	**-**	89,495
Redemption of investments measured at amortised cost	**135,222**	10,000
Redemption of investments measured at fair value through profit and loss	**5,301**	-
Net cash from/(used in) investing activities	**60,596**	(174,760)
Cash flows from financing activities		
Redemption of debt securities	**(36,018)**	(29,398)
Principal element of lease payments	**(952)**	(656)
Net advances from/(to) group companies	**1,466**	(307)
Net cash used in financing activities	**(35,504)**	(30,361)
Net decrease in cash and cash equivalents	**(4,105)**	(103,942)
Cash and cash equivalents at the beginning of the period	**(163,328)**	158,657
Cash and cash equivalents at the end of the period	**(167,433)**	54,715

The notes on pages 14 to 45 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Reporting entity

MeDirect Bank (Malta) plc ("MeDirect Malta" or the "Bank") is a limited liability company domiciled in Malta and incorporated in Malta with its registered address at The Centre, Tigne' Point, Sliema, Malta, TPO 0001.

These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended 30 June 2023 comprise MeDirect Malta and its principal subsidiaries MeDirect Bank SA ("MeDirect Belgium") and MeDirect Tech Limited ("MeDirect Tech"), formerly known as Medifin Leasing Limited, together referred to as the "Group".

Therefore, these financial statements report the consolidated financial results of MeDirect Malta for the financial period ended 30 June 2023, including the financial results of MeDirect Bank SA ("MeDirect Belgium"); Bastion 2020-1 NHG B.V. ("Bastion 2020-1"), Bastion 2021-1 NHG B.V. ("Bastion 2021-1") and Bastion 2022-1 NHG B.V. ("Bastion 2022-1"), three controlled special purpose entities utilised as part of the Group's funding strategy in respect of the Dutch Mortgage business; Grand Harbour I B.V. ("GH I"), a controlled special purpose entity that used to be utilised as part of the Group's funding strategy in respect of the International Corporate Lending portfolio; MeDirect Tech that leases computer hardware and software to MeDirect Malta and MeDirect Belgium; and Medifin Estates a property leasing partnership.

The financial statements of the Group as at and for the periods ended 30 June 2023 and 31 December 2022 are available upon request from MeDirect Malta's registered office, being The Centre, Tigné Point, Sliema TPO 0001, Malta, and are available for viewing on its website at www.medirect.com.mt.

MeDirect Belgium is a credit institution licensed in Belgium and is carrying out all of the Group's activities in Belgium.

The principal customer-related activities of MeDirect Malta and MeDirect Belgium include an easy-to-use wealth platform with access to fund houses and mutual funds, a suite of wealth products available through digital channels and attractive and innovative savings products in Malta, Belgium and as from May 2023 in the Netherlands.

MeDirect Malta continues to support the Maltese real economy through convenient banking services such as payment services and foreign exchange and through lending to Maltese corporates on projects and to small and medium-sized enterprises through fully collateralised lending facilities.

Following the Group's diversification strategy, both MeDirect Malta and MeDirect Belgium still hold a small portfolio of senior secured loans and revolving credit facilities to finance the business of European corporates.

The Group has retained substantially all risks and rewards pertaining to the activities of Bastion 2020-1, Bastion 2021-1, Bastion 2022-1 and GH I and hence to assets, liabilities and related income and expenditure attributable to these entities, and as such, all assets, liabilities and related income and expenditure have been reflected within the Group's consolidated financial statements.

MeDirect Tech Limited was set up with the object of acquiring immovable or movable property and rights and licences, including in particular software solutions and hardware, which such entity leases to MeDirect Malta and MeDirect Belgium.

2. Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU applicable to interim financial reporting (IAS 34 'Interim Financial Reporting'). They do not include all information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements as at and for the year ended 31 December 2022.

As required by IAS 34 'Interim Financial Reporting', adopted by the EU, these interim financial statements include a comparative statement of financial position presenting information as at the previous financial year end, and comparative statements of comprehensive income presenting information for the comparable interim periods of the immediately preceding financial year.

The condensed consolidated interim financial statements have been extracted from MeDirect Malta's unaudited Group management accounts for the six months ended 30 June 2023. These condensed consolidated interim financial statements have been reviewed in accordance with the requirements of ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The comparative statement of financial position has been extracted from the audited financial statements for the financial year ended 31 December 2022. The comparative information in relation to the six months ended 30 June 2022 were not subject to an interim review. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022.

The half-yearly results are being published in terms of Chapter 5 of the Capital Markets Rules, issued by the Malta Financial Services Authority, and the Prevention of Financial Markets Abuse Act, 2005. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

3. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies, effective 1 January 2023;
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, effective 1 January 2023;
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective 1 January 2023;
- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar II Model rules, effective 1 January 2023;
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information, effective 1 January 2023; and
- IFRS 17 Insurance Contracts, effective 1 January 2023.

4. Critical accounting estimates and judgements in applying the Group's accounting policies

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 are, by definition, seldom equal to 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The significant judgements/assumptions made by management in applying the Group's accounting policies and the key sources of estimation uncertainty impacting the preparation of these interim financial statements are the same as those that applied to the preparation of the financial statements as at and for the year ended 31 December 2022, as disclosed in those financial statements.

Expected credit losses on loans and advances to customers

The measurement of credit loss allowances in respect of loans and advances to customers in line with IFRS 9 principles requires complex statistical analyses and modelling assumptions, with ECL models built and calibrated principally by reference to historical information in respect of default levels and loss severities. However, due to the inherent level of estimation uncertainty in modelling such aspects of the ECL calculation, a significant element of expert judgement is required to ensure that model parameters produce an ECL output which is reasonable and appropriate in light of existing conditions.

As mentioned in "7.4 Current Conditions and Forward-looking information incorporated in the ECL model", the Group's IFRS 9 models for estimating credit risk parameters, Expected Default Frequency data was used for modelling point-in-time, forward-looking parameters, and these were conditioned with forecasted macroeconomic variable data starting from 30 June 2023 onwards. Adjustments (downgrades) were applied to internal risk ratings (and indirectly to the underlying PDs) on exposures identified as having experienced an increase in credit risk identified through qualitative factors not yet captured by internal rating models using latest available and supportable information and expert judgment.

The methodology together with the assumptions and parameterisation used in the calibration of the ECL models are reviewed on a regular basis by management in order to ensure that the model output remains appropriate in view of the Group's observed default and credit loss history. A significant level of judgement is required in order to assess the continuing appropriateness and reasonableness of the PiT PDs and LGDs being determined by the statistical models. In this respect, it is noteworthy to mention that the Group's International Corporate Lending IFRS 9 model for determining PiT PDs is particularly sensitive to equity market data. As a result, given that equity prices are driven by factors unrelated to creditworthiness, a significant level of expert judgement is required to determine the reasonableness of ECL model outputs.

Significant judgement is also required in the modelling of macroeconomic forecasts, including the selection of macroeconomic variables, as well as calibration of the severities and respective probability weights of macroeconomic scenarios. In this respect, a number of modelling assumptions are required, based on expert judgement, in order to form a view on the resolution of Russia's invasion of Ukraine; the impact of the geopolitical tensions, inflation and global energy and commodity prices as a result of the war; and the impact of sanctions causing supply-chain bottlenecks. The development of multiple forward-looking macroeconomic scenarios taking into consideration all these variables represent a key element of estimation uncertainty in the measurement of credit loss allowances as at 30 June 2023.

Given the increased level of model uncertainty, an important part of the internal governance and review process involved reviewing modelled outputs against market data, credit spread trends, outputs using challenger default risk models to act as benchmarks and thereby inform any model adjustments.

The underlying models and their calibration, including how they react to forward-looking macroeconomic conditions, remain subject to review and refinement. Depending on the resulting effects on key model inputs (market signal data and change in forecasts of macroeconomic variables), collectively modelled ECL may require further adjustments during the second half of 2023.

Valuation of derivatives and hedge accounting

The level of subjectivity and degree of management judgment required is more significant for those derivative financial instruments valued using specialised and sophisticated models and where some or all of the parameter inputs are less observable. Management judgment is required in the selection and application of appropriate parameters, assumptions and modelling techniques. Where no market data are available for a particular instrument then pricing inputs are determined by assessing other relevant sources of information such as historical data and making appropriate adjustment to reflect the actual instrument being valued and current market conditions. Further, some valuation adjustments may require the exercise of management judgment to achieve fair value.

5. Segmental information

The Group engages primarily in the business of lending in Dutch, Belgian and Maltese mortgage lending conducted from Malta and Belgium together with the investment in high credit quality collateralised instruments such as covered bonds, guaranteed senior bank debt, sovereign related debt and investment in AAA tranches of securitisation special purpose entities. The Group also has a lending portfolio consisting of international corporate lending and Malta corporate lending. Revenues secured through the abovementioned assets are complemented by the revenues generated by the Group on its wealth management business.

The Group's internal management reporting to the Board of Directors and Senior Management, is mainly analysed by jurisdiction. For each jurisdiction, the Senior Management, reviews internal management reports in order to make decisions about allocating resources and assessing performance. Where applicable, such as in the case of international corporate lending, these internal management reports are also supplemented by reports in respect of the Group's revenue streams on a consolidated basis.

The investment portfolio is spread across a large number of exposures diversified in government, financial institutions and other corporates.

	Period ended 30 June 2023			Period ended 30 June 2022		
	Malta €000	Belgium €000	Total €000	*Unreviewed* Malta €000	*Unreviewed* Belgium €000	*Unreviewed* Total €000
Turnover*	24,606	52,333	76,939	22,778	21,656	44,434
Profit/(loss) after tax	8,321	1,809	10,130	5,684	(5,196)	488

	As at 30 June 2023			As at 31 December 2022		
	Malta	Belgium	Total	Malta	Belgium	Total
Total assets (€ million)	1,133	3,765	4,898	1,131	3,531	4,662
Total liabilities (€ million)	1,066	3,579	4,645	1,072	3,347	4,419

* Turnover is defined as interest income, fee and commission income, net trading income and other operating income. The turnover allocated to Belgium in the financial period ended 30 June 2023 includes interest charged to MeDirect Malta amounting to €0.3 million (Period ended 30 June 2022: €0.5 million).

The Group carried out its activities in the countries listed above under the name of MeDirect Malta in Malta and MeDirect Belgium in Belgium. Activities in Malta and Belgium include banking and wealth management.

6. Taxation

Current income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the financial year applied to the pre-tax income of the interim period.

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been substantively enacted by the end of the reporting period. The principal tax rates used are 35% in relation to the Maltese jurisdiction and 25% in respect of the Belgian fiscal authority. In applying judgement in recognising deferred tax assets, the Group's management has assessed all available information, in particular future business growth and profit projections.

7. Financial instruments

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

The following disclosures present 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 credit loss allowance.

	As at 30 June 2023		As at 31 December 2022	
	Gross carrying/ nominal amount €000	Credit loss Allowance €000	Gross carrying/ nominal amount €000	Credit loss Allowance €000
Financial assets measured at amortised cost				
Balances with central banks	**370,524**	**(2)**	149,927	(2)
Loans and advances to financial institutions	**332,259**	**(1)**	402,988	(1)
Loans and advances to customers	**2,580,381**	**(11,511)**	2,404,714	(15,421)
• International Corporate Lending portfolio	**456,724**	**(10,296)**	526,813	(14,699)
• Dutch Mortgage portfolio	**1,928,142**	**(255)**	1,818,186	(184)
• Belgian Mortgage portfolio	**228,728**	**(396)**	132,130	(130)
• IFRS basis adjustment*: International Mortgage Portfolio	**(247,699)**	**-**	(271,273)	-
• Maltese Business Lending portfolio	**128,060**	**(262)**	131,065	(213)
• Maltese Mortgage portfolio	**86,426**	**(302)**	67,793	(195)
Investments measured at amortised cost	**1,204,960**	**(225)**	1,262,550	(375)
• Securities portfolio	**600,311**	**(43)**	688,942	(196)
• Securitisation portfolio	**604,649**	**(182)**	573,608	(179)
Accrued income	**20,018**	**(65)**	14,392	(295)
Loans to related parties (included in other assets)	**876**	**-**	654	-
Other receivables (included in other assets)	**1,904**	**-**	27,680	-
	4,510,922	**(11,804)**	4,262,905	(16,094)
Off balance sheet at nominal amount				
Commitments to extend credit, guarantees and other commitments	**371,940**	**(612)**	378,377	(1,263)
Total	**4,882,862**	**(12,416)**	4,641,282	(17,357)

* IFRS basis adjustment attributable to interest rate swaps entered into as part of the interest rate risk management in the ALM process to hedge the risk of change in fair value of the mortgage portfolios (hedged items) attributable to movements in market interest rates (the hedged risk).

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment.

Instruments mandatorily measured at fair value through profit or loss	**As at 30 June 2023 €000**	**As at 31 December 2022 €000**
Held for trading derivative financial instruments	73,346	82,075
Investments – Securities portfolio	-	5,292
Investments – Securitisation portfolio	587	572
Total	**73,933**	**87,939**

7.2 Summary of credit risk (excluding derivative financial instruments and debt instruments measured at FVTPL) by stage distribution and ECL coverage

The following table provides an overview of the Group's credit risk by stage and business segment, and the associated ECL coverage.

	Gross carrying/nominal amount					**Credit loss allowance**					**ECL coverage**				
	Stage 1 €000	**Stage 2 €000**	**Stage 3 €000**	**POCI €000**	**Total €000**	**Stage 1 €000**	**Stage 2 €000**	**Stage 3 €000**	**POCI €000**	**Total €000**	**Stage 1 %**	**Stage 2 %**	**Stage 3 %**	**POCI %**	**Total %**
As at 30 June 2023															
On balance sheet at amortised cost															
Balances with central banks	370,524	-	-	-	370,524	(2)	-	-	-	(2)	-	-	-	-	-
Loans and advances to financial institutions	332,259	-	-	-	332,259	(1)	-	-	-	(1)	-	-	-	-	-
Loans and advances to customers															
• International Corporate Lending portfolio	386,263	31,595	38,451	415	456,724	(3,269)	(1,487)	(5,330)	(210)	(10,296)	0.8	4.7	13.9	50.6	2.3
• Dutch Mortgage portfolio	1,920,191	7,080	871	-	1,928,142	(111)	(122)	(22)	-	(255)	-	1.7	2.5	-	-
• Belgian Mortgage portfolio	225,903	2,162	663	-	228,728	(289)	(39)	(68)	-	(396)	0.1	1.8	10.3	-	0.2
• IFRS basis adjustment: International Mortgage portfolio	(247,699)	-	-	-	(247,699)	-	-	-	-	-	-	-	-	-	-
• Maltese Business Lending portfolio	100,983	11,568	15,509	-	128,060	(254)	(7)	(1)	-	(262)	0.3	0.1	-	-	0.2
• Maltese Mortgage portfolio	86,279	114	33	-	86,426	(293)	(4)	(5)	-	(302)	0.3	3.5	15.2	-	0.3
Investments measured at amortised cost															
• Securities portfolio	600,311	-	-	-	600,311	(43)	-	-	-	(43)	-	-	-	-	-
• Securitisation portfolio	604,122	527	-	-	604,649	(61)	(121)	-	-	(182)	-	23.0	-	-	-
Accrued income	17,800	164	2,033	21	20,018	(33)	(8)	(15)	(9)	(65)	0.2	4.9	0.7	42.9	0.3
Loans to related parties (included in other assets)	876	-	-	-	876	-	-	-	-	-	-	-	-	-	-
Other receivables (included in other assets)	1,904	-	-	-	1,904	-	-	-	-	-	-	-	-	-	-
Off balance sheet at nominal amount															
Commitments to extend credit, guarantees and other commitments	348,713	21,727	1,500	-	371,940	(272)	(186)	(154)	-	(612)	0.1	0.9	10.3	-	0.2
Total	**4,748,429**	**74,937**	**59,060**	**436**	**4,882,862**	**(4,628)**	**(1,974)**	**(5,595)**	**(219)**	**(12,416)**	**0.1**	**2.6**	**9.5**	**50.2**	**0.3**

	Gross carrying/nominal amount					Credit loss allowance					ECL coverage				
	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000	Stage 1 %	Stage 2 %	Stage 3 %	POCI %	Total %
As at 31 December 2022															
On balance sheet at amortised cost															
Balances with central banks	149,927	-	-	-	149,927	(2)	-	-	-	(2)	-	-	-	-	-
Loans and advances to financial institutions	402,988	-	-	-	402,988	(1)	-	-	-	(1)	-	-	-	-	-
Loans and advances to customers															
• International Corporate Lending portfolio	405,406	77,591	43,381	435	526,813	(5,165)	(2,942)	(6,368)	(224)	(14,699)	1.3	3.8	14.7	51.5	2.8
• Dutch Mortgage portfolio	1,810,834	6,846	506	-	1,818,186	(106)	(71)	(7)	-	(184)	-	1.0	1.4	-	-
• Belgian Mortgage portfolio	130,342	1,788	-	-	132,130	(114)	(16)	-	-	(130)	0.1	0.9	-	-	0.1
• IFRS basis adjustment: International Mortgage portfolio	(271,273)	-	-	-	(271,273)	-	-	-	-	-	-	-	-	-	-
• Maltese Business Lending portfolio	103,242	11,662	16,161	-	131,065	(208)	(4)	(1)	-	(213)	0.2	-	-	-	0.2
• Maltese Mortgage portfolio	67,793	-	-	-	67,793	(195)	-	-	-	(195)	0.3	-	-	-	0.3
Investments measured at amortised cost															
• Securities portfolio	676,805	12,137	-	-	688,942	(94)	(102)	-	-	(196)	-	0.8	-	-	-
• Securitisation portfolio	573,085	523	-	-	573,608	(58)	(121)	-	-	(179)	-	23.1	-	-	-
Accrued income	13,650	454	283	5	14,392	(44)	(16)	(235)	-	(295)	0.3	3.5	83.0	-	2.0
Loans to related parties (included in other assets)	654	-	-	-	654	-	-	-	-	-	-	-	-	-	-
Other receivables (included in other assets)	27,680	-	-	-	27,680	-	-	-	-	-	-	-	-	-	-
Off balance sheet at nominal amount															
Commitments to extend credit, guarantees and other commitments	364,987	7,781	5,609	-	378,377	(560)	(63)	(640)	-	(1,263)	0.2	0.8	11.4	-	0.3
Total	**4,456,120**	**118,782**	**65,940**	**440**	**4,641,282**	**(6,547)**	**(3,335)**	**(7,251)**	**(224)**	**(17,357)**	**0.1**	**2.8**	**11.0**	**50.9**	**0.4**

7.3 Reconciliation of changes in gross carrying/nominal amount and credit loss allowances for loans and advances to customers, including accrued income, and other credit-related commitments

The following disclosure provides a reconciliation by stage of the Group's gross carrying/nominal amounts and credit loss allowances for loans and advances to customers for the International Corporate Lending portfolio, including credit-related commitments. On-balance sheet exposures are shown at their gross carrying amounts whereas off-balance sheet exposures are shown at their nominal amounts.

Within the following tables, the line items "New business" and "Repayments and disposals" represent movements within the Group's International Corporate Lending portfolio in respect of gross carrying/nominal amounts and associated credit loss allowances. "New business" represents new lending sanctioned during the financial reporting period ended 30 June 2023. Meanwhile, "Repayments and disposals" reflect loan repayments and disposals that occurred during the financial reporting period ended 30 June 2023, which however, would only have existed on the Group's balance sheet as at 31 December 2022. Accordingly, repayments and disposals relating to loans sanctioned during the financial reporting period are netted off against new lending included within "New business".

The line item "Transfers of financial instruments" represents the impact of stage transfers on gross carrying/nominal amounts and associated credit loss allowances determined as at 30 June 2023. The line item "Net re-measurement of ECL arising from stage transfers and changes in risk parameters" represents the increase or decrease in credit loss allowances due to modified measurement basis from 12-month to lifetime in relation to stage transfers. It also includes the effects of changes in other expected credit loss measurement factors and model parameters such as, but not limited to, change in time to maturity of assets; changes in underlying credit ratings; changes in measurement of loss given default and changes in respect of multiple economic scenarios. Finally, this line item also comprises the increase in ECL in respect of assets written off during the period measured as the movement between 1 January and the date of write off.

The following table provides a reconciliation of movements in gross carrying/nominal amounts and credit loss allowances, by stage, for the International Corporate Lending portfolio.

	Non-credit impaired				Credit-impaired					
	Stage 1		Stage 2		Stage 3		POCI assets		Total	
	Gross carrying/ nominal amount €000	Credit loss allow-ance €000	Gross carrying/ nominal amount €000	Credit loss allow-ance €000	Gross carrying/ nominal amount €000	Credit loss allow-ance €000	Gross carrying/ nominal amount €000	Credit loss allow-ance €000	Gross carrying/ nominal amount €000	Credit loss allow-ance €000
International Corporate Lending portfolio										
Period ended 30 June 2023										
At beginning of period	522,548	(5,731)	83,716	(3,021)	49,068	(7,243)	435	(224)	655,767	(16,219)
Repayments and disposals	(70,209)	377	(21,700)	203	(7,277)	1,181	-	-	(99,186)	1,761
Transfers of financial instruments										
• Transfers from Stage 2 to Stage 1	10,141	(433)	(10,141)	433	-	-	-	-	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	2,237	-	705	-	562	-	6	-	3,510
At end of period	462,480	(3,550)	51,875	(1,680)	41,791	(5,500)	435	(218)	556,581	(10,948)
ECL released for the period										5,271
Assets written off										(5)
Other										511
Change in expected credit losses and other credit impairment charges for the period										5,777

	As at 30 June 2023		Period ended 30 June 2023
	Gross carrying/ nominal amount €000	**Credit loss allowance €000**	**ECL release/ (charge) €000**
As per preceding table	556,582	(10,948)	5,777
Balances at central banks	370,524	(2)	-
Loans and advances to financial institutions	332,259	(1)	-
Loans and advances to customers			
• Dutch Mortgage portfolio: drawn exposures	1,928,142	(255)	(72)
• Dutch Mortgage portfolio: undrawn commitments	156,142	(4)	(3)
• Belgian Mortgage portfolio: drawn exposures	228,728	(396)	(266)
• Belgian Mortgage portfolio: undrawn commitments	11,961	(19)	23
• IFRS basis adjustment – International Mortgage portfolio	(247,699)	-	-
• Maltese Business Lending portfolio: drawn exposures	128,060	(262)	(49)
• Maltese Business Lending portfolio: undrawn commitments	67,784	-	-
• Maltese Mortgage portfolio: drawn exposures	86,426	(302)	(107)
• Maltese Mortgage portfolio: undrawn commitments	24,634	-	-
Investments measured at amortised cost			
• Securities portfolio	600,311	(43)	153
• Securitisation portfolio	604,649	(182)	(3)
Other accrued income	20,018	(2)	-
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied through the profit or loss	4,868,521	(12,416)	5,453
Total credit loss allowance/total income statement ECL release for the period		**(12,416)**	**5,453**

The table below provides a reconciliation of movements in gross carrying/nominal amounts and credit loss allowances by stage for the International Lending portfolio for the financial period ended 30 June 2022:

	Non-credit impaired				Credit-impaired					
	Stage 1		Stage 2		Stage 3		POCI assets		Total	
	Gross carrying/ nominal amount €000	Credit loss allow-ance €000	Gross carrying/ nominal amount €000	Credit loss allow-ance €000	Gross carrying/ nominal amount €000	Credit loss allow-ance €000	Gross carrying/ nominal amount €000	Credit loss allow-ance €000	Gross carrying/ nominal amount €000	Credit loss allow-ance €000
International Corporate Lending portfolio										
Period ended 30 June 2022 ***(Unreviewed)***										
At beginning of period	522,117	(2,455)	215,631	(4,226)	101,296	(16,038)	-	-	839,044	(22,719)
New business	97,931	(383)	-	-	-	-	458	-	98,389	(383)
Repayments and disposals	(106,442)	507	(21,268)	421	(2,467)	(6,092)	-	-	(130,177)	(5,164)
Transfers of financial instruments										
• Transfers from Stage 2 to Stage 1	77,272	(2,614)	(77,272)	2,614	-	-	-	-	-	-
• Transfers from Stage 3	-	-	11,481	(2,929)	(11,481)	2,929	-	-	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	3,141	-	3,073	-	(6,575)	-	-	-	(361)
Uncertainty adjustments	-	(1,823)	-	(968)	-	-	-	-	-	(2,791)
Change in ECL through restructuring and disposals	-	-	-	-	-	6,092	-	-	-	6,092
At end of period	590,878	(3,627)	128,572	(2,015)	87,348	(19,684)	458	-	807,256	(25,326)
ECL released for the period										(2,607)
Effect of foreign exchange differences										(74)
Change in ECL through restructurings and disposals										6,092
Change in expected credit losses and other credit impairment charges for the period										3,411

	(Unreviewed) As at 30 June 2022		*(Unreviewed)* Period ended 30 June 2022
	Gross carrying/ nominal amount €000	**Credit loss allowance €000**	**ECL release/ (charge) €000**
As per preceding table	807,256	(25,326)	3,411
Balances at central banks	193,061	(2)	-
Loans and advances to financial institutions	285,144	(1)	-
Loans and advances to customers			
• Dutch Mortgage portfolio: drawn exposures	1,667,655	(192)	(43)
• Dutch Mortgage portfolio: undrawn commitments	68,705	(2)	-
• Belgian Mortgage portfolio: drawn exposures	8,585	(11)	(11)
• Belgian Mortgage portfolio: undrawn commitments	26,646	(8)	(8)
• Maltese Business Lending portfolio: drawn exposures	113,165	(85)	150
• Maltese Business Lending portfolio: undrawn commitments	41,041	-	-
• Maltese Mortgage portfolio: drawn exposures	43,514	(105)	(28)
• Maltese Mortgage portfolio: undrawn commitments	66,857	-	-
Investments measured at amortised cost			
• Securities portfolio	312,764	(35)	68
• Securitisation portfolio	179,248	(140)	-
Other accrued income	8,181	(2)	-
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied through the profit or loss	3,821,822	(25,909)	3,539
Investments measured at fair value through other comprehensive income			
• Securities portfolio	541,830	(23)	3
• Securitisation portfolio	377,705	(39)	(7)
Total credit loss allowance/total income statement ECL release for the period		**(25,971)**	**3,535**

Movements in expected credit losses measured in respect of exposures within the Maltese Business Lending portfolio classified as Stage 1 and Stage 2 exposures, resulted in an increase in related credit loss allowances from €0.1 million to €0.3 million during the twelve-month period ending 30 June 2023 (Twelve-month period ending 30 June 2022: decrease from €0.3 million to €0.1 million). The Group's credit risk on this portfolio is also mitigated through the maintenance of adequate levels of collateralisation, typically by charges on real estate properties. In this regard, movements in expected credit losses were largely driven by model and risk parameter changes, primarily due to the economic recovery during the period, improving macroeconomic scenarios and to a lesser extent due to stage transfers and net book movements during the period.

The table also includes the credit loss allowances attributable to the Dutch Mortgage portfolio backed by the NHG guarantee scheme, the Belgian Mortgage portfolio and the Maltese Mortgage portfolio, the credit loss allowances attributable to the Securitisation Investment portfolio, which comprises the Group's investments in CLOs (5% vertical slice in each of the Grand Harbour CLO 2019-1 Designated Activity Company "GH1 – 2019" structured note tranches and acquired portions in CLO transactions managed by third party entities), included within "Investments measured at amortised cost". The ECL charge for the Group in respect of these portfolios is not considered significant in absolute terms and, as a result, no further disclosures were deemed necessary.

7.4 Current conditions and forward-looking information incorporated in the ECL model. Point-in-time, forward-looking PD and LGD modelling methodology

The modelling methodology used by the Group in the measurement of credit loss allowances in respect of Stage 1 and Stage 2 exposures leverages current and multiple scenarios of future projections of macroeconomic data beyond the reporting date in order to determine point-in-time PDs and incorporate forward-looking information. Statistical models used are developed by an external vendor.

For the International and Maltese Corporate Lending and Securities portfolios the models use rating scale to TTC PD matrices calibrated on the basis of an underlying dataset of market observations to firstly determine a TTC PD and accordingly an implied rating for each borrower. The TTC PD/implied rating is determined by calibrating borrowers' financial and non-financial profile with those of observable rated peers. An exposure's implied rating is then converted to an unconditional PiT PD using a methodology which utilises market capitalisation/equity volatility and leverage of comparable firms, with shocks to a firm's stock price translated into corresponding shocks to the credit risk metric attributable to the underlying exposure. Therefore, equity market performance is a key variable for incorporating current conditions into the Group's ECL modelling methodology, particularly in the conversion from TTC to PiT PDs.

The methodology then utilises macroeconomic correlation models in order to determine the historical correlation of a borrower's financial performance with overall country or region-level macroeconomic conditions, with the correlation factors estimated principally by reference to borrower size as well as the industry in which the borrower operates. Multiple macroeconomic forecasts developed by an external vendor are then applied to PiT PDs to produce probability-weighted forward-looking conditioned PiT PDs in line with the requirements of IFRS 9. The conditioning of PDs by reference to multiple macroeconomic scenarios reflects forecasted quarter-on-quarter changes in macroeconomic variables (such as GDP, unemployment and HPI) over the PD term structure of the exposure. The Group's modelling methodology therefore estimates a point-in-time and forward-looking measure of default risk. The same methodology is also used to estimate PiT LGDs.

Input parameters similar to those of the Corporate and Securities portfolios do not exist for determining implied ratings of the Maltese Business Lending portfolio, mainly due to existing data limitations within the Maltese market. Therefore, implied ratings are assigned by the Credit Risk team using professional judgement by reference to default rates experienced in similar markets as well as the financial performance and position of the borrower in relation to financial performance and position at origination. A similar approach to that adopted for Corporate and Securities portfolios is applied to determine conditional PiT PDs, using the TTC implied risk ratings based on internal risk classifications by the Credit Risk team which are then adjusted to PiT forward looking PDs as described above.

The model used to measure credit loss allowances in respect of all exposures classified within the Dutch, Belgian and Maltese Mortgage portfolio estimates PDs and LGDs by reference to historical information observed in that jurisdiction for similar assets as well as multiple forward-looking macroeconomic forecasts for the respective economy developed by the external vendor.

Forecasts of future economic conditions

The Group applies macroeconomic scenarios sourced from an external vendor to the PD and LGD term structures for the estimation of credit loss allowances in respect of Stage 1 and Stage 2 exposures.

The macroeconomic scenarios represent the Group's view of the range of potential outcomes, and application of these scenarios captures the non-linearity of expected credit losses under different scenarios for all portfolios.

The Group has chosen three macroeconomic scenarios that include a central, or baseline, scenario and two "alternative" scenarios to reflect upside and downside scenarios. The scenarios are constructed by the external vendor based on a target severity for each of the scenarios. While the baseline scenario is by design in the middle of possible future economic outcomes, the alternative scenarios capture alternative economic conditions that are equally distanced from the baseline in terms of their severity as per the assumptions of the external vendor. After their construction, the scenarios are each assigned probability weights based on the external vendor's severity distribution and on how well they approximate (simulated) possible future economic developments. The scenarios are generated/refreshed on a quarterly basis.

The macroeconomic scenarios used in the Group's modelling of credit loss allowances reflect possible macroeconomic paths taking into consideration monetary policy assumptions regarding the ECB tightening of the policy rates, as well as the continuation of the conflict between Russia and Ukraine. Therefore, economic forecasts remain subject to a high degree of uncertainty in the current environment.

The following table presents the year-on-year growth rates for the key macroeconomic variables ("MEVs") provided by the external vendor under the baseline and the alternative scenarios for the measurement of ECL for all portfolios as at 30 June 2023 and 31 December 2022.

For the International Corporate Lending and Securities portfolios, MEVs are determined for each country, with the forecasted MEV data in respect of the countries to which the Group is mostly exposed being presented in the tables below. Eurozone MEVs are used in some cases, rather than country-level MEVs, as the former are deemed to have a higher correlation to the country specific portfolio assets. For exposures within the Maltese Business Lending portfolio and the Maltese Mortgages portfolio, Malta-specific MEVs are used for the measurement of credit loss allowances. The key MEVs used for the estimation of ECL for exposures classified within the Corporate and Securities portfolios comprise real GDP growth, the performance of stock market indices and unemployment rates.

With respect to the Dutch Mortgage portfolio, the Group utilises regional-level as well as national-level MEVs as appropriate in order to capture regional level peculiarities. The key MEVs used for the estimation of ECL in respect of exposures classified within the Dutch Mortgage portfolio comprise the House Price Index, unemployment rates and 10-year treasury rates, with the national level forecasts used in the ECL calculation being disclosed in the table hereunder.

For the Belgian Residential Mortgages portfolio, the key MEVs used for the estimation of ECL are national levels of House Price Index and Unemployment Rate, and real GDP growth.

With respect to the Maltese Residential Mortgages portfolio, the key MEVs used for the estimation of ECL are national levels of House Price Index, Unemployment Rate and real GDP growth, and actual six months lagged NPL ratio published by the Central Bank of Malta in its Financial Stability Report.

The ECL model for the measurement of credit loss allowances in respect of exposures classified within the Securitisation Investment portfolio uses Euribor and GBP Libor 3-month and 1-month rates as well as the same MEVs used for the purposes of the International Corporate Lending portfolio, since the pool of underlying assets securing the Group's investment in CLO structured tranches is similar to the exposures classified within the International Corporate Lending portfolio.

Economic scenarios: Year-on-year Forecasts (2023-2026) for key MEVs

		International Lending & Treasury												Local Lending				Dutch Mortgages				Belgian Mortgages			
		UK %				US %				Eurozone %				Malta %				Netherlands %				Belgium %			
Key drivers	ECL scenario	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
Real GDP – growth %	Upside	0.4	4.4	1.4	1.2	2.1	3.4	2.4	2.5	0.8	3.7	1.7	1.8	3.5	10.2	4.5	4.1	-	-	-	-	0.3	3.1	4.1	2.8
	Baseline	0.4	0.8	1.1	1.2	2.1	1.2	2.4	2.8	0.8	1.5	1.9	2.0	3.5	7.0	5.0	4.5	-	-	-	-	0.3	1.6	2.7	2.8
	Downside 2	0.4	-5.2	1.5	2.6	2.1	-2.2	1.9	3.5	0.8	-4.7	2.6	3.3	3.5	0.2	5.6	5.8	-	-	-	-	0.3	-4.8	3.4	4.1
Unemploy-ment rate – average %	Upside	3.9	3.9	3.7	3.8	3.3	3.2	3.5	3.6	6.6	6.5	6.5	6.5	3.1	3.4	3.6	3.6	3.5	3.2	3.3	3.7	6.1	6.9	7.2	7.3
	Baseline	4.1	4.4	4.5	4.5	3.6	4.1	4.2	4.1	6.7	6.9	6.9	6.9	3.1	3.5	3.7	3.6	3.5	3.7	3.8	4.0	6.2	7.0	7.3	7.3
	Downside 2	4.4	6.5	7.2	7.2	4.7	7.6	6.9	5.8	7.1	8.9	9.1	8.4	3.1	3.9	4.2	3.8	3.6	5.0	5.7	4.8	6.3	8.8	10.3	10.1
Stock Market Index – growth %	Upside	4.9	14.5	-0.3	3.5	0.6	12.9	1.4	3.7	12.6	13.3	0.2	3.5	-2.0	18.7	7.2	9.7	-	-	-	-	-	-	-	-
	Baseline	4.9	4.0	2.4	6.2	0.6	6.6	1.9	4.9	12.6	3.4	0.4	5.2	-2.0	6.0	9.1	12.3	-	-	-	-	-	-	-	-
	Downside 2	4.9	-16.2	11.3	12.7	0.6	-35.0	11.0	22.3	12.6	-30.6	22.3	16.3	-2.0	-24.6	9.7	26.1	-	-	-	-	-	-	-	-
10yr Treasury Rate – average %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.8	2.8	2.9	2.9	-	-	-	-
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.8	2.8	2.7	2.7	-	-	-	-
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.5	1.7	1.6	1.6	-	-	-	-
House Price Index %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	-2.6	5.0	7.5	4.2	-11.5	-3.4	2.7	4.3	-2.6	-2.1	0.5	1.9
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	-2.6	2.2	3.1	4.0	-11.5	-5.3	0.3	3.5	-2.6	-3.2	-0.1	2.0
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	-2.6	-3.7	-12.7	-2.2	-11.5	-9.4	-7.2	0.0	-2.6	-5.1	-1.9	0.5

With the current Russia-Ukraine conflict, more rigorous monitoring of macroeconomic forecasts developed by an external vendor is being performed by the Group in order to challenge the adequacy and reasonableness of the developed scenarios. The macroeconomic scenarios used in the Group's modelling of credit loss allowances reflect possible macroeconomic paths. Therefore, economic forecasts remain subject to a high degree of uncertainty in the current environment.

The scenarios have been benchmarked and assessed against the macroeconomic forecasts for the Euro area published by the ECB, in line with ECB guidance. In this respect, the Group's forward-looking macroeconomic scenarios are deemed to be aligned with the ECB's macroeconomic forecasts for the Euro area.

As at 30 June 2023 and 31 December 2022, Management selected to use three scenarios developed and recommended by the external vendor which are deemed to be mostly aligned with the ECB Staff projections. Specifically, Management selected the Baseline, the Upside, and the Downside 2 scenarios.

Model adjustments

ECB guidance states that subjective model inputs in-model and post-model adjustments (overlays) may be applied in times of uncertainties. These need to be directionally consistent with objective and verifiable evidence such as observable macroeconomic variables and forward-looking forecasts.

To ensure that the Group is adequately capturing the level of credit risk in its International Corporate Lending portfolio, an assessment was performed and the Group introduced caps to implied internal ratings to borrowers that have undergone distressed restructuring and where necessary have applied notch downgrades to exposures that are classified as "Under Surveillance" through qualitative factors not captured by the models to reflect the increase in credit risk since origination.

7.5 Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if the transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The judgement as to whether a market is active may include, but is not restricted to, the consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by the quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

7.5.1 Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments. These market prices are derived from Bloomberg.

- Level 2: inputs other than quoted market prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. Financial instruments which are generally included in this category include certain loans and advances to customers and over-the-counter derivatives where the fair value is based on observable inputs.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

7.5.2 Use of valuation techniques

In the event that the market for a financial instrument is not active, a valuation technique is used. Valuation techniques may incorporate assumptions about factors that other market participants would use in their valuations, including:

- The likelihood and expected timing of future cash flows from the instrument;
- Selecting an appropriate discount rate for the instrument; and
- Judgement to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective.

A range of valuation techniques is employed, dependent on the instrument type and available market data. Most valuation techniques are based upon discounted cash flow analyses, in which expected future cash flows are calculated and discounted to present value using a discounting curve. Prior to considering credit risk, the expected future cash flows may be known, as would be the case for the fixed leg of an interest rate swap, or may be uncertain and require projection, as would be the case for the floating leg of an interest rate swap. Projections utilise market forward curves, if available.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and foreign currency exchange rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps, that use only observable market data and require minimal management judgement and estimation.

Fair value of investment securities in inactive markets are based on:

- Quoted prices of similar instruments, performing numerical procedures such as interpolation when input values do not directly correspond to the most active market trade parameters; or
- Price quotations in respect of orderly transactions between market participants provided by reputable dealers.

Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

7.5.3 Financial instruments measured at fair value

The following table analyses financial instruments measured at fair value at the end of the reporting period, in terms of the respective levels within the fair value hierarchy into which the respective fair value measurement is categorised. The fair value amounts are based on the carrying amounts reflected in the condensed consolidated interim statement of financial position.

	As at 30 June 2023				As at 31 December 2022			
	Level 1 €000	Level 2 €000	Level 3 €000	Total €000	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Assets								
Instruments mandatorily measured at fair value through profit or loss								
• Securitisation investment portfolio	**-**	**-**	**587**	**587**	-	-	572	572
• Derivative financial instruments	**-**	**255,914**	**73,857**	**329,771**	-	282,810	80,572	363,382
• Securities investment portfolio – Equity instruments	**-**	**-**	**-**	**-**	-	-	5,292	5,292
Total financial assets	**-**	**255,914**	**74,444**	**330,358**	-	282,810	86,436	369,246
Liabilities								
Derivative financial instruments	**-**	**4,147**	**-**	**4,147**	-	5,306	-	5,306

Level 2 assets principally comprise derivatives held for risk management that are fair valued based on valuation models with the key methodology utilised comprising the calculation of the net present value of a series of expected cash flows, considering the different terms of each specific contract/instrument (discounted cash flow approach). These models use as their basis independently sourced market parameters including, for example, interest rate yield curves. Market parameters are either directly observable or are implied from observable instrument prices. The model may perform numerical procedures in respect of pricing such as interpolation when input values do not directly correspond to the most active market trade parameters.

Level 3 assets include the following:

- The Group's investment in the equity tranche of GH1 – 2019 with a carrying amount of €0.6 million (31 December 2022: €0.6 million), for which a fair value is determined using third party valuation models to estimate the net present value of a series of expected cash flows, taking into consideration instrument-specific contractual terms (discounted cash flow approach). Amongst other things, these models take into consideration the characteristics of the underlying portfolio of assets (including quality of underlying assets), historical portfolio performance, and the liability structure of the CLO transaction. These models also make use of independently sourced market parameters including, for example, interest rate yield curves.

- MeDirect has entered into back-to-back structured interest rate swaps that reinternalise interest rate risk of the securitised mortgage loan receivables. The valuation of these derivatives is performed based on the expected cashflows on the swap transaction measured until the First Optional Redemption Date (FORD) of these related securitisations transactions. The valuation includes both market observable inputs (interest rate curves) as well as mortgage loan prepayment estimates consistent with MeDirect IRRBB assumptions. In the process of valuing the back-to-back swaps, the Group employs a Constant Prepayment Rate to forecast the expected mortgage balance of securitised mortgages. The Constant Prepayment Rate is derived through the application of expert judgement, considering the broader market conditions, and undergoes regular evaluation.
- Tax warrants and contingent value notes resulting from a loan restructuring arrangement, classified as derivative financial instruments amounting to €0.5 million (31 December 2022: €0.5 million).
- As part of a derecognition of loans and advances to a European corporation as a result of restructuring procedures that occurred in 2021, the Group obtained equity instruments as part of this restructuring procedure which it initially held at nil value due to the unlikely scenario of recovering any value on the equity at that time. During 2022, the Group was notified of an agreement to sell the corporation against which the Group would be receiving proceeds for the equity positions it held. As at 31 December 2022 the fair value of this instrument was €5.3 million and these were received following the closing of this transaction in 2023.

The following table shows a reconciliation of the fair value measurements in Level 3 of the fair value hierarchy:

	Securitisation investment portfolio measured at fair value through other comprehensive income		**Securitisation investment portfolio measured at fair value through profit or loss**	
Period ended 30 June	**2023 €000**	**2022 €000**	**2023 €000**	**2022 €000**
At beginning of period	-	327,110	**572**	1,145
Additions	-	67,000	-	-
Amortisation of premium/discount	-	(10)	-	-
Changes in fair value	-	(16,395)	**15**	(564)
At end of period	-	377,705	**587**	581

	Securitisation investment portfolio measured at fair value through profit or loss		**Derivative financial instruments measured at fair value through profit or loss**	
Period ended 30 June	**2023 €000**	**2022 €000**	**2023 €000**	**2022 €000**
At beginning of period	**5,292**	-	**80,572**	5,560
Redemptions	**(5,292)**	-	-	-
Changes in fair value	-	-	**(6,715)**	(650)
At end of period	-	-	**73,857**	4,910

As previously mentioned, the Group's main exposure to Level 3 assets consists of derivative assets as part of back-to-back structured interest swaps. It has been determined that any changes to the unobservable inputs to the underlying models will result in changes to the value of the back-to-back structured interest swaps, but this will result in a corresponding change in the valuation of the derivative liabilities off-set with the loans and advances to financial institutions.

Accordingly, a sensitivity analysis of the fair value measurement to changes in observable inputs is not deemed relevant.

7.5.4 Transfers between levels

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred.

There were no transfers between levels of the fair value hierarchy during the period from 1 January 2023 to 30 June 2023 and during the financial year ended 31 December 2022.

7.6 Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them in terms of the respective level within the fair value hierarchy into which the respective fair value measurement is categorised. This table includes only financial instruments in respect of which fair value is estimated to be materially different than the carrying amounts.

	As at 30 June 2023				
	Level 1 €000	Level 2 €000	Level 3 €000	Total fair values €000	Total carrying amount €000
Assets					
Loans and advances to customers	-	65,912	1,864,924	1,930,836	2,286,671
• International Corporate Lending portfolio	-	65,912	55,048	120,960	130,452
• Dutch Mortgage portfolio*	-	-	1,600,858	1,600,858	1,927,878
• Belgium Mortgage portfolio*	-	-	209,018	209,018	228,332
Investments	557,227	-	588,689	1,145,916	1,204,729
• Securities portfolio	557,227	-	-	557,227	600,263
• Securitisation portfolio	-	-	588,689	588,689	604,466
Total financial assets	557,227	65,912	2,453,613	3,076,752	3,491,400
Liabilities					
Debt securities in issue	-	-	937,778	937,778	933,475
Subordinated liabilities	53,154	-	-	53,154	54,993
Total financial liabilities	53,154	-	937,778	990,932	988,468

	As at 31 December 2022				
	Level 1 €000	Level 2 €000	Level 3 €000	Total fair values €000	Total carrying amount €000
Assets					
Loans and advances to customers	-	51,724	1,736,937	1,788,661	2,132,516
• International Corporate Lending portfolio	-	51,724	118,152	169,876	182,384
• Dutch Mortgage portfolio*	-	-	1,486,918	1,486,918	1,818,002
• Belgium Mortgage portfolio*	-	-	131,867	131,867	132,130
Investments	639,503	-	550,433	1,189,936	1,250,141
• Securities portfolio	639,503	-	-	639,503	676,711
• Securitisation portfolio	-	-	550,433	550,433	573,430
Total financial assets	639,503	51,724	2,287,307	2,978,597	3,382,657
Liabilities					
Debt securities in issue	-	-	971,209	971,209	969,569
Subordinated liabilities	53,827	-	-	53,827	54,831
Total financial liabilities	53,827	-	971,209	1,025,036	1,024,400

* The International mortgage portfolios disclosed in the preceding tables are presented exclusive of the IFRS basis negative adjustment equivalent to €247.7 million (31 December 2022: €271.3 million).

In addition to the above, in February 2021 MDB Group Limited issued €11 million fixed rate reset callable subordinated notes due on 10 February 2031. The Notes bear a fixed rate of 9.75% per annum and thereafter at a fixed rate of interest which will reset on 10 February 2026 and were admitted to the Official List of Euronext Dublin and to trading on the Global Exchange Market of Euronext Dublin.

The proceeds from the issuance of these notes, which qualify as Tier 2 capital, have been lent to MeDirect Malta as a subordinated loan for general corporate purposes, including to strengthen and optimise its capital and to support the execution of its business strategy. As at 30 June 2023, the carrying amount of this loan, included by the Bank within “Other liabilities”, amounted to €10.4 million (31 December 2022: €10.3 million) and its fair value as at the same date was €10.5 million (31 December 2022: €10.0 million). The fair value was determined by projecting the cashflows to the first call date and discounting with January-end ESTR curves to obtain the spread over the said curve. In the absence of trades since issue of this these loans in February 2021, the fair value calculation considers the impact of the rise in interest rates throughout this period which is the most likely meaningful contribution to the change in fair value. The spread over the ESTR curves during this period was utilised to measure the present values of future cashflows.

The Level 1 fair values reflected in the tables above consist of the closing bid price quoted in an active market in respect of debt securities classified under the Securities Investment portfolio and subordinated bonds issued by the Group.

The Level 2 and Level 3 fair value disclosures of the International Corporate Lending portfolio mainly comprise price quotations sourced from an online platform in respect of internationally traded loans and advances, consisting of the Group's international loan book with foreign corporates. Loans and advances to customers forming part of the International Corporate Lending portfolio amounting to €316.0 million (31 December 2022: €329.7 million), net of expected credit losses, have not been reflected within the preceding table given that there were no observable market prices or any public information available but the contractual terms of these instruments, that mainly re-price within three months, and the nature of the borrowers, are similar to those of the instruments in the preceding table and thus their fair valuation characteristics would not differ significantly from those of the instruments included in the preceding table.

The Level 3 assets also include the following:

- Dutch mortgages with a carrying amount (exclusive of IFRS basis adjustment) of €1,927.9 million (31 December 2022: €1,818.0 million) and Belgium mortgages with a carrying amount (exclusive of IFRS basis adjustment) of €228.3 million (31 December 2022: €132.1 million) included in Loans and advances to customers. In order to derive their fair value as at 30 June 2023 and 31 December 2022, the Group bootstraps the average of the top three interest rate quotes offered by Dutch government-backed mortgage loan lenders in the Netherlands and Belgian mortgage loan lenders in Belgium respectively for every mortgage fixed rate tenor to create a zero coupon discount curve and applies this curve to discount the projected future cashflows. In addition, to estimate the future cashflows, the Group considers both instrument-specific contractual terms and estimated conditional prepayment rates.
- The Group's investments in tranches of securitisation structures with a carrying amount of €604.5 million (31 December 2022: €573.4 million) which are mainly

rated AAA, and for which a fair value is determined using third party valuation models to estimate the net present value of a series of expected cash flows, taking into consideration instrument-specific contractual terms (discounted cash flow approach). Amongst other things, these models take into consideration the characteristics of the underlying portfolio of assets (including quality of underlying assets), historical portfolio performance, and the liability structure of the CLO transaction. These models also make use of independently sourced market parameters including, for example, interest rate yield curves.

As at 30 June 2023, the carrying amount for loans and advances to customers classified under the Maltese Business Lending portfolio amounting to €127.8 million (31 December 2022: €130.9 million) and Maltese mortgages amounting to €86.1 million (31 December 2022: €67.6 million) approximates their fair value because these loans are repriceable at the Group's discretion.

The Group's financial instruments not measured at fair value also comprise balances with central banks, loans and advances to financial institutions and amounts owed to financial institutions and customers. The fair values of these financial assets and liabilities 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 are short-term in nature.

As at 30 June 2023, all exposures classified under loans and advances to financial institutions amounting to €332.3 million (31 December 2022: €403.0 million), and balances with central banks amounting to €370.5 million as at 30 June 2023 (31 December 2022: €149.9 million), reprice or mature in less than one year. Hence their fair value is not deemed to differ materially from their carrying amount at the reporting date.

Fair values referred to above are estimated using discounted cash flows, applying market rates. These estimates are considered Level 3 fair value estimates.

The majority of the 'Amounts owed to financial institutions' of the Group as at 30 June 2023 amounting to €651.7 million (31 December 2022: €545.1 million) and 'Amounts owed to customers' of the Group amounting to €2.7 billion (31 December 2022: €2.6 billion), sourced from the Maltese and Belgian markets, re-price or mature in less than one year. Hence their fair value is not deemed to differ materially from their carrying amount at the reporting date. Fair values of these liabilities are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. These are considered Level 3 fair value estimates. The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount payable is required to be paid.

8. Capital and reserves

Share capital

	30 June 2023 No.	31 December 2022 No.
Issued and fully paid up:		
Ordinary "A" shares of €1 each	**117,450,106**	117,450,106
Ordinary "B" shares of €1 each	**1**	1
Total	**117,450,107**	117,450,107

As at 30 June 2023 and 31 December 2022, the authorised share capital consisted of 299,999,999 Ordinary 'A' shares of €1 each and 1 Ordinary 'B' share of €1 each.

Rights and entitlements attached to ordinary shares

The holders of Ordinary 'A' shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Bank. Ordinary 'B' shareholders are not entitled to vote and do not carry any dividend entitlement. The holders of the Ordinary 'A' shares and the holders of the Ordinary 'B' shares shall be equally entitled to receive notice of general meetings of the Bank.

Share premium

Share premium as at the reporting date represents the issue of shares in prior periods as follows:

			Share premium	
Issue Date	**Number of shares**	**Premium share €**	**30 June 2023 €000**	31 December 2022 €000
10 August 2010	10,000,000	0.9155	**9,155**	9,155
20 September 2010	19,119,470	0.2254	**4,309**	4,309
			13,464	13,464

Shareholders' contributions

The terms and conditions of the contributions granted render these instruments equity in nature in accordance with the requirements of IAS 32: Financial Instruments - Presentation:

- The Bank has no obligation to bear any servicing cost or transfer any economic benefits of any kind to the Contributor or any other person in return; and
- The Bank has no obligation to repay the contributions.

The contributions are also eligible as own funds in terms of the Capital Requirements Regulation.

Reserve for general banking risks

Banking Rule ("BR") 09 issued by the MFSA required banks in Malta to hold additional reserves for general banking risks in respect of Non-Performing Loans. This reserve was required to be funded from retained earnings.

As at 31 December 2022, the reserve for general banking risks of the Group was equivalent to €3.8 million. This reserve, which was distributable subject to the formal consent of the Banking Regulator, represented 100% of the regulatory allocation by virtue of paragraph 38 of the Banking Rule.

Banking Rule 09 was revised as from 1 January 2023 and under the new rule banks are no longer required to hold this reserve given that banks are required to carry out deductions from Common Equity Tier 1 capital in line with the minimum coverage expectations as specified within the Capital Requirements Regulations for those loans that were classified as NPEs after 26 April 2019 and in line with minimum coverage expectations as set by the regulatory authorities for those loans that were classified as NPEs before such date.

Other reserves

a) Fair value reserve

The fair value reserve was attributable to the cumulative net change in the fair value of investments measured at fair value through other comprehensive income, until the investment was derecognised, net of deferred taxation.

In June 2022, the Group changed the business model for managing those investments within the securities and securitisation investments portfolios that were originally deemed to be "Hold to collect and sell" and therefore were measured at fair value through other comprehensive income. These investments are now categorised as "Hold to collect" and as a result on 1 July 2022 these investments were reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category.

b) Legal reserve

As at 30 June 2023 and 31 December 2022, other reserve of the Group also consists of legal reserves amounting to €0.2 million that is required to be maintained by MeDirect Belgium in line with Article 7:211 of the Belgian Companies Code which requires MeDirect Belgium to assign at least 5% of MeDirect Belgium's net profits to the legal reserve until such legal reserve amounts to 10% of MeDirect Belgium share capital.

All reserves at the reporting date, except for the Bank's retained earnings and the shareholders' contribution, are non-distributable.

9. Interest income

Interest income for the financial period ended 30 June 2023 include a negative amount of €1.1 million (Period ended 30 June 2022: positive amount of €1.3 million) that is derived from hedge ineffectiveness from the interest rate swaps entered into to hedge the fixed-rate international retail mortgage portfolios.

10. Fee and commission income

	Period ended 30 June	
	2023 **€000**	*Unreviewed* 2022 €000
Fee and commission income		
Corporate secured lending fee income	**(748)**	475
Banking transactions fee income	**803**	645
Investment services fees	**3,336**	3,594
Total fee and commission income	**3,391**	4,714

11. Contingent liabilities and commitments

Guarantee obligations

As at 30 June 2023, the Group had cash secured guarantee obligations amounting to €21.2 million (31 December 2022: €9.4 million).

Commitments to lend

Commitments to lend represent undrawn formal standby facilities, credit facilities and other similar commitments to lend. As at 30 June 2023, the Group had undrawn commitments of €93.8 million (31 December 2022: €125.1 million) under international lending revolving credit facilities. In addition, lending commitments in relation to the Group's Dutch Mortgage portfolio amounted to €156.2 million (31 December 2022: €98.4 million), the Belgian Mortgage portfolio amounted to €11.9 million (31 December 2022: €63.8 million) and the Maltese Mortgage portfolio amounted to €24.6 million (31 December 2022: €33.2 million).

As at 30 June 2023, undrawn facilities on corporate term loans of the Group amounted to €64.3 million (31 December 2022: €48.2 million).

12. Related party transactions

There were no material changes in related party transactions from those detailed in the financial statements for the financial year ended 31 December 2022.

No further related party transactions materially affected the financial position or liquidity of the Group.

13. Events after the reporting date

There were no events after the reporting date that would have a material effect on the financial statements of the Group.

14. MDB Group Regulatory information

	Capital management			Liquidity management	
Key regulatory ratios	**Tier 1 capital ratio**	**Total capital ratio**	**Leverage ratio**	**LCR**	**NSFR**
30 June 2023*	**16.2%**	**19.8%**	**4.6%**	**215%**	**116%**
31 December 2022	15.2%	18.7%	4.7%	221%	119%

* Regulatory ratios as at 30 June 2023 have been presented including the benefit of the retained profit in the period. Under Article 26 (2) of the Capital Requirement Regulations (CRR), financial institutions may include independently verified interim profits in their regulatory capital only with the prior permission of the competent authority, namely the ECB, and such permission is being sought.

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

to the Shareholders of MeDirect Bank (Malta) plc

We have reviewed the accompanying condensed consolidated financial statements of MeDirect Bank (Malta) plc (the "Group"), which comprise the condensed consolidated interim statement of financial position as at 30 June 2023, the condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and selected explanatory notes ("the interim condensed financial statements"). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standards applicable to Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on the interim condensed financial statements based on our review.

Scope of Review

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

Other Matter

Comparative financial information for the period ended 30 June 2022, comprising of the condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and related accompanying notes has not been reviewed or audited.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not presented fairly, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

The partner in charge of the review resulting in this review report is Shawn Falzon for and on behalf of

Ernst & Young Malta Limited
Certified Public Accountants
10 August 2023

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