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 9 August 2024, 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 2024. 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/).

2024 Interim Results – Update on strategic priorities and key financial performance highlights

MeDirect continued to focus on its mission to build a best-in-class digital platform enabling clients to manage their wealth with confidence and autonomy.

The Group's strategy, which is based on four pillars, continued to leverage its technology platform to make progress in each area:

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

Building a world-class digital platform

During the first half of this year, multiple improvements were implemented on MeDirect's platform:

- A comprehensive digital solution for processing IPOs and state bond applications was successfully launched to handle Belgian state bond applications.
- MeDirect developed its own Payment Rails system to ensure optimal customer experiences for payments via Target 2, SWIFT and SEPA. Instant Payments will be launched through this internally developed solution by year-end.
- Debit card functionality was extended to Belgium. In Malta, where the system has already been deployed, a significant part of customer base is using the platform for their daily needs.
- In the near future, MeDirect will launch digital wallets, enabling customers to make purchases on their mobile devices using Apple Pay and Google Pay.
- A very convenient omni-channel corporate e-banking service was launched, including features such as bulk payments, salary payments, multi-approvers and FX services.

Growing a pan-European retail franchise focused on affluent customers

MeDirect continued to develop its franchise and brand awareness in its current core markets, Malta and Belgium.

- The client base grew since June 2023 by 25% to reach 143,000 (Dec 2023: 133,000), with current client base of 109,000 in Belgium and 32,000 in Malta and 3,000 clients in the Netherlands acquired in the first year of launch.
- Retail and corporate financial assets with MeDirect, reached an aggregate of €5.4 billion in June 2024, an increase of 18% since June 2023 (Dec 2023: €5 billion).
- Assets under custody amounted to €1.9 billion, a 17% increase from €1.6 billion in June 2023 (Dec 2023: €1.7 billion).
- MeDirect embarked on a marketing strategy focused on MeDirect's Maltese roots and reflecting the company's commitment to support the Maltese community.
- MeDirect established new partnerships with key Maltese corporate clients.

De-risking and diversifying its balance sheet, with a focus on mortgages

- The Group continued de-risking its balance sheet by reducing the size of the International Corporate Lending (**"ICL"**) portfolio by a further 9%, to €300 million net of provisions, in the first six months of 2024
- The aggregate gross mortgage portfolio grew by 5%, to €2.6 billion:
    - MeDirect's Dutch-government guaranteed NHG mortgage activity continued to form the core of its mortgage portfolio, comprising 40% of the Group's total balance sheet.
    - MeDirect's Dutch buy-to-let mortgage portfolio reached almost €130 million
    - Further expanded Belgian and Maltese mortgage lending businesses, both of which registered double-digit growth during the last six months.
- The corporate lending portfolio in Malta grew by 6% during the period, reflecting continued support for local businesses through fully collateralised facilities.

Improving the efficiency of its operating model

- Technology development efforts continued to increase automation and supporting operations by streamlining checks on corporate actions as well as wealth management tasks.

Financial results, capital and liquidity position

- Net operating profit of €5.4 million in the first six months of 2024, an increase of 7% (1H 2023: €5.1 million), based on the following factors:
    - Operating income up by of €3.6 million, or 8.6%, to €44.7 million (1H 2023: €41.1 million) driven by:
        - growth across all mortgage lending sectors and Maltese corporate portfolios, resulting

in higher net interest income;
  - fee income up generated from the wealth business and other commissions; and
  - lower net interest income from the ICL portfolio due to continued de-risking of the balance sheet, which was substantially accelerated in 1H 2024.
- Operating costs grew by €3.2 million to €39.3 million (1H 2023: €36.1 million), mainly due to:
  - increased personnel costs incurred by acquiring new talent in the areas of regulatory compliance, customer experience and product development;
  - the full-year impact of costs related to the Depositor Compensation Schemes (**"DCSs"**) for both Malta and Belgium recognised in the first half results; and
  - an additional €1.3 million charged due to a change in Belgian legislation, which is expected to be non-recurring.
- Adjustment for the two DCS items described above increased operating costs by €2 million, or 6%, when compared with the same period of 2023.

- Net expected credit losses (**"ECLs"**) amounted to €6.0 million net *charge* (1H 2023: €5.5 million net *release*), mainly driven by adverse changes related to specific exposures within ICL portfolio.
- During the comparable period of 2023, the Group recorded a substantial recovery of Stage 3 exposures and benefited from releases of provisions based on ECL model calculations.
- With net operating profit of €5.4 million offset by unfavourable ECL impact of €6.0 million, the Group's net result for the first half of 2024 was a loss before tax of €0.6 million (1H 2023: €10.5 million profit before tax).
- The Group's Non-Performing Loan ratio improved to 1.9% as at 30 June 2024, from 2.5% in 31 December 2023.
- The Group's capital and liquidity positions remained adequate. At 30 June 2023:
  - MeDirect's Tier 1 capital ratio stood at 16.6%, with a total capital ratio of 20.1%, both well above regulatory requirements.
  - The Group's Liquidity Coverage Ratio stood at 221% (minimum requirement of 100%) and its Net Stable Funding Ratio at 132%, (minimum requirement of 100%).

Focus on ESG

- MeDirect was awarded the EcoVadis Platinum Medal in April 2024, placing MeDirect in the top 1% of companies assessed globally by EcoVadis.
- The Group will continue integrating environmental, social, and governance (**"ESG"**) principles into its daily operations, enhancing ESG knowledge and awareness as well as improving ESG disclosures and data quality
- MeDirect is dedicated to its ESG responsibilities which include continued support to charitable organisations and a commitment to achieve net zero by 2050 as part of its ESG Strategy.

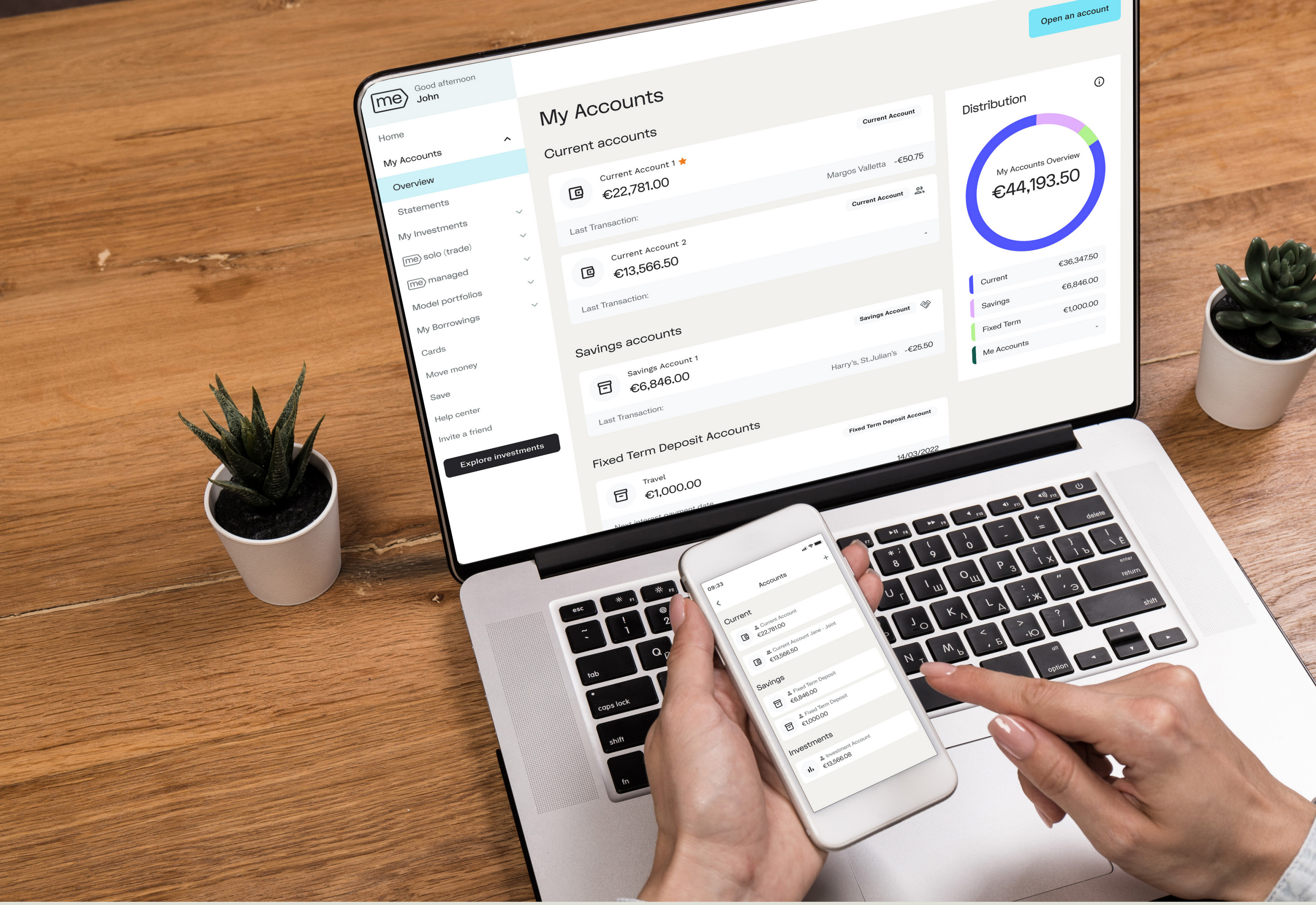
Looking ahead

As MeDirect moves into the second half of the year, it remains focused on executing its strategic plan to deliver sustainable growth and profitability. MeDirect aims to leverage its robust technology and digital banking platform to ensure an enhanced and seamless customer experience and to continue to deliver innovative financial solutions.

MeDirect remains committed to identifying ways to reinforce its capital base and facilitate shareholder transition, which would enable it to accelerate growth and to efficiently scale its platform.

Unquote

Henry Schmeltzer
Company Secretary
9 August 2024



MeDirect Bank (Malta) plc

Condensed Consolidated Interim Financial Statements

30 June 2024

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Interim Directors' Report

Update on strategic priorities and key financial performance highlights

Technology driven growth

Technology has contributed strongly to the successful execution of MeDirect's business transformation plan over recent years, resulting in a scalable and sustainable bank, capable of launching innovative products and services which position the Group well for the future.

As a recap, the Group's strategy is based on four pillars, and in the first half of 2024, MeDirect continued to leverage its technology platform to make progress in each of those areas:

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

Building a world-class digital platform

In the first half of the year, MeDirect continued to focus on its mission to build a best-in-class digital platform enabling clients to manage their wealth with confidence and autonomy. This included continuing to add functionality to its WealthTech platform, deploying artificial intelligence to increase the efficiency of all aspects of the Group's operations and services and offering market leading interest rates on savings products, including a 3.6% per annum rate on six-month fixed-term deposit in Malta.

During the first half of this year, MeDirect's WealthTech platform continued to evolve. Key functionalities added include a comprehensive digital solution for processing IPOs and state bond applications, which was successfully launched at the beginning of the year to handle Belgian state bond applications.

MeDirect has developed its own Payment Rails system to ensure optimal customer experiences for payments via Target 2, SWIFT and SEPA. The system will be developed further internally to introduce Instant Payments. Debit card functionality was extended to Belgium. In Malta, where the system has already been deployed, a significant part of customer base is using the platform for their daily needs.

MeDirect also launched its new corporate e-banking service, which is omni-channel, accessible both on web and mobile app. This service offers a unique experience, enabling users to manage all aspects of their corporate banking relationship with MeDirect through a single application or web session. It includes features such as bulk payments, salary payments, multi-approvers and FX services.

Looking ahead, there are numerous exciting developments in the product pipeline. These include a major revamp of the investment platform, an easier process for clients to make monthly contributions to savings and investment programmes and the introduction of new model portfolio services. In the near future, MeDirect will also launch digital wallets, enabling customers to make purchases on their mobile devices using Apple Pay and Google Pay.

Growing a pan-European retail franchise

The Group continued to develop its brand awareness in its current core markets, Belgium and Malta. The first six months of 2024 saw MeDirect embark on a marketing strategy focused on MeDirect's Maltese roots and reflecting the company's commitment to supporting the Maltese community. Key pillars of this new approach include supporting the first ever edition of MasterChef Malta as well as more active use of the digital and outdoor channels to reach a broader audience across Malta and Gozo. The new strategy also involved the establishment of new partnerships with key Maltese corporate clients.

The Group's client base grew by 25% to reach 143,000 since June 2023 (Dec 2023: 133,000), with a current client base of 109,000 in Belgium and 32,000 in Malta and 3,000 clients in the Netherlands acquired in the first year of launch.

Personal and corporate clients have continued to grow their level of financial assets with MeDirect, reaching an aggregate of €5.4 billion in June 2024, an increase of 18% since June 2023 (Dec 2023: €5 billion). Assets under custody amounted to €1.9 billion, a 17% increase from €1.6 billion in June 2023 (Dec 2023: €1.7 billion).

Balance sheet transformation

After successfully reducing the size of the International Corporate Lending ("ICL") portfolio to €329 million (net of provisions) by the end of 2023, MeDirect continued to de-risk its balance sheet. In the first six months of 2024, the ICL portfolio reduced by a further 9%, to €300 million (net of provisions). The Group proactively managed the portfolio size through repayments, selected loan sales and limited reinvestments in higher rated loans to large-cap European and US companies. Performance of the portfolio remained stable, with the share of non-performing and defaulted commitments close to pre-pandemic lows.

During the same period, MeDirect grew its aggregate gross mortgage portfolio by 5% to €2.6 billion. Key developments in the mortgage asset class are as follows:

- MeDirect's Dutch-government guaranteed NHG mortgage activity continued to form the core of its mortgage portfolio, comprising 40% of the Group's total balance sheet. The partnership with HollandWoont, a leading Dutch NHG origination and servicing platform, enables MeDirect to control the origination of NHG mortgages based on its strategic priorities and market conditions.
- MeDirect's Dutch buy-to-let mortgage portfolio, established in October 2022 in partnership with Build Finance, reached almost €130 million as at 30 June 2024. Using the Build Finance platform, MeDirect is building its Dutch buy-to-let business in a controlled manner and benefits from attractive risk-adjusted returns.
- MeDirect further expanded its Belgian and Maltese mortgage lending businesses, both of which registered double-digit growth in the first six months of 2024.

The corporate lending portfolio in Malta grew by 6% during the period, reflecting continued support of local businesses through fully collateralised facilities.

Efficient operations

Providing useful and timely information about various aspects of financial planning and cybersecurity will always be an important feature of MeDirect's engagement with customers. Not only will MeDirect continue to provide regular updates on relevant topics through its company website, email and social media channels, it will also add a new series of videos in which expert advisors tackle some of the questions most frequently asked by customers seeking to invest. Moreover, enhanced investment information for customers will be added to the platform. Also, Technology development efforts have focused on increasing automation and supporting operations by streamlining checks on corporate actions as well as wealth management tasks.

Financial performance

The Group delivered net operating profit of €5.4 million in the first six months of 2024, an increase of 7% (1H 2023: €5.1 million). Net operating profit was driven by the following factors:

- Operating income increased by of €3.6 million, or 8.6%, to €44.7 million (1H 2023: €41.1 million). This increase was driven by growth across all sectors of mortgage lending as well as in Maltese corporate portfolios, producing higher net interest income. Operating income also benefited from higher fees generated from the wealth business and other commissions. The Group's top line was adversely affected by continued de-risking of its balance sheet through a reduction of the ICL portfolio, which was substantially accelerated in 1H 2024. Lower net interest income from the ICL portfolio reduced top line revenues by approximately €4.5 million.
- Operating costs grew by €3.2 million to €39.3 million (1H 2023: €36.1 million), mainly due to increased personnel costs incurred as the Group strengthened its resources by acquiring new talent in the areas of regulatory compliance, customer experience and product development. It is noteworthy that the full-year impact of costs related to the Depositor Compensation Schemes ("DCSs") for both Malta and Belgium is recognised in the first half results. This year, an additional €1.3 million was charged due to a change in Belgian legislation, which is expected to be non-recurring. Adjusting for both DCS items, operating costs increased by €2 million, or 6%, when compared with the same period of 2023.

Net expected credit losses ("ECLs") for the six-month period ended 30 June 2024 amounted to a €6.0 million net charge (1H 2023: €5.5 million net release), predominantly driven by adverse changes within the ICL portfolio. The net ECL charge resulted from a deterioration in two specific exposures and losses realised as a result of the divestment of one additional exposure. These impacts reflected the Group's reduced risk appetite for ICL lending. During the comparable period of 2023, the Group recorded a substantial recovery of Stage 3 exposures and benefited from releases of provisions based on ECL model calculations.

With net operating profit of €5.4 million offset by unfavourable ECL impact of €6.0 million, the Group's net result for the first half of 2024 was a loss before tax of €0.6 million (1H 2023: €10.5 million profit before tax).

Capital and liquidity position of the Group

MeDirect's capital and liquidity positions remained adequate, supporting the continuation of its business transformation strategy and further growth. As at 30 June 2024, MeDirect's Tier 1 capital ratio stood at 16.6%, with a total capital ratio of 20.1%, both well above regulatory requirements.

As at 30 June 2024, the Group's Liquidity Coverage Ratio stood at 221% (minimum requirement of 100%), and its Net Stable Funding Ratio stood at 132% (minimum requirement of 100%).

Asset Quality

The Group continued to execute its de-risking strategy and to improve its asset quality by actively managing its Non-Performing Loan ("NPL") portfolio and reducing its NPL ratio by divesting certain non-performing loans, predominantly in the ICL portfolio. As at 30 June 2024, the NPL ratio was reduced to 1.9%, from 2.5% as at 31 December 2023.

Focus on Environmental, social and governance principles

MeDirect is dedicated to its environmental, social, and governance ("ESG") responsibilities, aiming to achieve net zero by 2050 as part of its ESG Strategy. In the first half of the year, it completed a project to measure its own and financed scope emissions. During 2024, the Group will continue integrating ESG principles into its daily operations, enhancing ESG knowledge and awareness and improving ESG disclosures and data quality. This year, MeDirect plans to update its double materiality assessment to comply with the Corporate Sustainable Reporting Directive and European Sustainability Reporting Standards.

Throughout the first half of the year, MeDirect remained active in the community. The Group continued to support charitable organisations such as Hospice Malta, Puttinu Cares, the Inspire Foundation and cancer research through participation in the Brussels half-marathon in partnership with Think Pink organisation. Employees also regularly contribute their time to donate blood, support animal shelters or participate in other community activities. MeDirect's charitable initiatives were matched with similar commitments to Malta's sporting and cultural life, which touched numerous fields from water polo to music and dance. In Belgium, MeDirect supports educational initiatives for the community through the creation of an educational webpage, amongst other initiatives.

These efforts and accomplishments were recognised in April when MeDirect was awarded a prestigious EcoVadis Platinum Medal, placing MeDirect in the top 1 per cent of the 130,000 companies assessed globally by EcoVadis over the past 12 months. This is an improvement from the Silver medal rating which was awarded to MeDirect in 2022 and 2023 and reflects the quality of the Group's sustainability management system and the successful implementation of its ESG Strategy.

Looking ahead

As MeDirect moves into the second half of the year, it remains focused on executing its strategic plan to deliver sustainable growth and profitability. MeDirect aims to leverage its robust technology and digital banking platform to ensure an enhanced and seamless customer experience and to continue to deliver innovative financial solutions.

MeDirect remains committed to identifying ways to reinforce its capital base and facilitate shareholder transition, which would enable it to accelerate growth and to efficiently scale its platform.

Statement of responsibility by the directors pursuant to Capital Markets Rule 5.75.3 Issued by the Malta Financial Services Authority

We, the undersigned, confirm that to the best of our knowledge the interim condensed consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2024, as well as of their financial performance and cash flows for the period then ended, in accordance with IAS 34 Interim Financial Reporting, adopted by the EU, and the Directors' Report includes a fair review of the information required under Capital Markets Rules 5.81 to 5.84.

Michael Bussey
Chair

Arnaud Denis
Chief Executive Officer

Financial Statements

Condensed consolidated interim statement of financial position

	Notes	30 June 2024 €000	31 December 2023 €000
ASSETS			
Balances with central banks and cash		**226,575**	265,401
Derivative financial instruments		**218,768**	207,950
Loans and advances to financial institutions		**363,723**	352,793
Loans and advances to customers		**2,811,205**	2,746,271
Investments			
- Securities portfolio		**739,226**	705,910
- Securitisation portfolio		**632,286**	605,340
Property and equipment		**5,224**	6,091
Intangible assets		**15,853**	15,955
Non-current assets classified as held for sale		**1,785**	1,785
Current tax assets		**583**	205
Deferred tax assets	6	**17,525**	17,525
Prepayments and accrued income		**31,965**	27,763
Other assets		**34,610**	29,994
Total assets		**5,099,328**	4,982,983
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
Other reserves	8	**716**	716
Accumulated losses		**(11,543)**	(10,285)
Total equity		**253,283**	254,541
LIABILITIES			
Derivative financial instruments		**7,833**	25,464
Amounts owed to financial institutions		**294,303**	373,102
Amounts owed to customers		**3,486,465**	3,281,213
Debt securities in issue		**910,775**	910,848
Subordinated liabilities		**55,128**	54,982
Current tax liabilities		**212**	980
Deferred tax liabilities	6	**281**	342
Provisions for liabilities and other charges		**145**	298
Accruals and deferred income		**52,210**	47,364
Other liabilities		**38,693**	33,849
Total liabilities		**4,846,045**	4,728,442
Total equity and liabilities		**5,099,328**	4,982,983
Memorandum items			
Commitments to purchase financial assets	11	**32,499**	-
Commitments to extend credit, guarantees and other commitments	11	**289,552**	260,017

The notes on pages 12 to 38 are an integral part of these condensed consolidated interim financial statements.
The condensed consolidated interim financial statements on pages 7 to 38 were approved and authorised for issue by the Board of Directors on 9 August 2024 and signed on its behalf by:

Michael Bussey
Chair

Arnaud Denis
Chief Executive Officer

Condensed consolidated interim statement of comprehensive income

	Notes	Period from 1 January to 30 June 2024 €000	Period from 1 January to 30 June 2023 €000
Interest income	9	98,007	73,408
Interest expense		(57,512)	(34,327)
Net interest income		40,495	39,081
Fee and commission income	10	5,798	3,373
Fee and commission expense		(2,410)	(1,454)
Net fee and commission income		3,388	1,919
Net trading income		935	27
Other operating income			
- Realised losses on disposal of other investments		-	(30)
- Realised (losses)/gains on disposal of loans and advances		(141)	88
- Other income		22	55
Total operating income		44,699	41,140
Personnel expenses		(13,402)	(11,611)
Depreciation and amortisation		(2,854)	(2,783)
Other administrative expenses		(23,000)	(21,644)
Total operating expenses		(39,256)	(36,038)
Net operating profit before changes in expected credit losses		5,443	5,102
Change in expected credit losses and other credit impairment charges		(5,993)	5,453
(Loss)/profit before tax		(550)	10,555
Tax expense	6	(708)	(425)
(Loss)/profit for the period – Total comprehensive income attributable to equity holders of the parent		(1,258)	10,130

The notes on pages 12 to 38 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity

	Share capital	Share premium	Shareholders' contributions	Reserve for general banking risks	Other reserves	Accumulated losses	Total
	€000	€000	€000	€000	€000	€000	€000
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
Balance at 1 January 2024	**117,450**	**13,464**	**133,196**	**-**	**716**	**(10,285)**	**254,541**
Total comprehensive income							
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(1,258)**	**(1,258)**
Balance at 30 June 2024	**117,450**	**13,464**	**133,196**	**-**	**716**	**(11,543)**	**253,283**

The notes on pages 12 to 38 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 2024	Period from 1 January to 30 June 2023
	€000	€000
Cash flows from operating activities		
Interest and commission receipts	**95,257**	72,040
Interest and commission payments	**(53,100)**	(23,893)
Payments to employees and suppliers	**(37,032)**	(36,035)
Operating cash flows before changes in operating assets/liabilities	**5,125**	12,112
Increase in operating assets:		
- Reserve deposit with central banks	**(3,068)**	(7)
- Loans and advances to financial institutions and customers	**(116,889)**	(91,452)
Increase in operating liabilities:		
- Amounts owed to financial institutions and customers	**142,823**	43,045
- Other payables	**5,853**	6,844
Net tax (paid)/refunded	**(1,912)**	261
Net cash from/(used in) operating activities	**31,932**	(29,197)
Cash flows from investing activities		
Acquisitions of property and equipment and acquisition and development of intangible assets	**(1,885)**	(2,433)
Acquisition of investments measured at amortised cost	**(77,500)**	(77,494)
Redemption of investments measured at amortised cost	**17,161**	135,222
Redemption of investments measured at fair value through profit and loss	**-**	5,301
Net cash (used in)/from investing activities	**(62,224)**	60,596
Cash flows from financing activities		
Redemption of debt securities	**-**	(36,018)
Principal element of lease payments	**(593)**	(952)
Net advances (to)/from group companies	**(408)**	1,466
Net cash used in financing activities	**(1,001)**	(35,504)
Net decrease in cash and cash equivalents	**(31,293)**	(4,105)
Cash and cash equivalents at the beginning of the period	**(26,108)**	(163,328)
Cash and cash equivalents at the end of the period	**(57,401)**	(167,433)

The notes on pages 12 to 38 are an integral part of these condensed consolidated interim financial statements.

Notes to the 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 and incorporated in Malta with its registered address at The Centre, Tigne' Point, Sliema, Malta, TPO 0001.

These condensed consolidated interim financial statements as at and for the six months ended, 30 June 2024 comprise the company and its subsidiaries, together referred to as "the Group". Therefore, these interim financial statements report the consolidated financial results of MeDirect Malta for the financial period ended 30 June 2024, including the financial results of its principal subsidiary, namely 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; MeDirect Tech Limited ("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 2024 and 31 December 2023 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 the Netherlands.

MeDirect Belgium invests in Dutch residential mortgages via an established third-party mortgage originator in the Netherlands and in Belgian residential mortgage loan products in partnership with Allianz Benelux S.A/N.V.. This offering is underpinned by a robust credit risk framework and will continue to diversify the asset base of MeDirect Belgium into the residential mortgage sector. MeDirect Belgium also invests in Dutch buy-to-let mortgage business whereas MeDirect Malta offers innovative and attractive home loan products in a client-oriented process.

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 modest 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 and Bastion 2022-1 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 Belgium, in line with article 6 of the Securitisation Regulation (EU) No 2017/2402 of the European Parliament and of the Council of 12 December 2017, undertook to retain, on an ongoing basis, a material net economic interest in the Bastion securitisation transactions. This implies that the Group retains substantially all risks and rewards pertaining to the activities of these securitisation structures and hence to the assets, liabilities and related income and expenditure attributable to the structures and as such, all assets, liabilities and related income and expenditure of the securitisation special purpose entities are reflected in the Group's financial statements.

Medifin Estates, a property leasing partnership, was set up to lease property which is then leased back to MeDirect Malta.

MeDirect Tech owns the key rights and licences, including software solutions that are utilised by both MeDirect Malta and MeDirect Belgium. It leases out amongst other equipment, software and motor vehicles and provides related support services to the other Group entities.

2. Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2024 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 2023.

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 2024. The comparative statement of financial position has been extracted from the audited financial statements for the financial year ended 31 December 2023. 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 2023.

The half-yearly results are being published in terms of Chapter 5 of the Capital Markets Rules, issued by the Malta Financial Services Authority ("MFSA"), 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 2023, except for the adoption of new standards effective as of 1 January 2024. 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 2024, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7;
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback; and
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current.

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 2023, 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 expected credit losses ("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.

For loans within the Group's International Corporate Lending and Maltese Business Lending portfolios, judgement is firstly required in determining whether there is objective evidence that an exposure is credit-impaired. In performing this assessment, management applies a significant level of judgement in evaluating all relevant information on indicators of unlikeliness-to-pay, including the consideration of factors that immediately indicate deterioration in the financial condition of borrowers, but also in respect of factors that impact the outlook of borrowers affecting their ability to pay. A higher level of judgement is required for loans to borrowers showing continued signs of financial difficulty similar to those experienced during the preceding financial year, and for borrowers that are performing better compared to the prior year to understand whether the improvements are sustainable going forward. These judgements are reflected within forecasted cash flow forecasts under different scenarios for Stage 2 borrowers particularly when assessing their unlikeliness to pay.

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 2024 onwards.

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 Point in Time ("PiT") PDs and Loss Given Defaults ("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 and selection of macroeconomic forecasts, as well as in calibration of the severities and respective probability weights of macroeconomic scenarios. This process involves several modelling assumptions, based on expert judgement, in order to form a view on the impact of geopolitical tensions, inflation and global energy and commodity prices resulting from conflicts, as well as the issues in the Red Sea and Panama Canal leading to supply-chain bottlenecks and increased goods inflation. 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 2024.

The determination of expected maturities, which is particularly relevant for Stage 2 exposures within the International Corporate Lending portfolio, is based on behavioural maturity, reflecting management expectations on the exercise of prepayment options, based on borrowers' ability to refinance their debt in the open market. The level of subjectivity in determining expected maturities increases significantly when increased credit risk is experienced by such borrowers as it diminishes their refinancing abilities over the shorter term. In this context, management continues to monitor the expected maturities of borrowers in Stage 2 by reference to borrower specific information as well as by benchmarking the expected timing of future recoveries against actual outcomes to ensure that they remain appropriate.

The identification of SICR events, particularly in respect of the International Corporate Lending portfolio, requires significant judgement in order to assess the severity of the impact of significant events on the financial performance and financial condition of such borrowers. In this respect, during 2024 and 2023, increased reliance has continued to be made by the Group on its qualitative staging criteria, particularly through the introduction of caps on implied ratings and notch downgrades to ensure that borrower specific risks as at the end of the financial reporting period are captured in as timely a manner as possible.

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 liquid or 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 conducted from Malta and Belgium through Dutch, Belgian and Maltese mortgage lending 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 2024			Period ended 30 June 2023		
	Malta	**Belgium**	**Total**	Malta	Belgium	Total
	€000	**€000**	**€000**	€000	€000	€000
Turnover*	**26,446**	**78,247**	**104,693**	24,606	52,333	76,939
(Loss)/profit after tax	**(4,214)**	**2,956**	**(1,258)**	8,321	1,809	10,130

	As at 30 June 2024			As at 31 December 2023		
	Malta	**Belgium**	**Total**	Malta	Belgium	Total
Total assets (€million)	**986**	**4,113**	**5,099**	1,019	3,964	4,983
Total liabilities (€million)	**927**	**3,919**	**4,846**	955	3,773	4,728

* 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 2024 includes interest charged to MeDirect Malta amounting to €11 thousand (Period ended 30 June 2023: €0.3 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 2024		As at 31 December 2023	
	Gross carrying/ nominal amount	**Credit loss allowance**	Gross carrying/ nominal amount	Credit loss allowance
	€000	**€000**	€000	€000
Financial assets measured at amortised cost				
Balances with central banks	**226,574**	**(2)**	265,400	(2)
Loans and advances to financial institutions	**363,724**	**(1)**	352,794	(1)
Loans and advances to customers	**2,827,217**	**(16,012)**	2,760,290	(14,019)
- International Corporate Lending portfolio	**314,025**	**(14,412)**	340,950	(12,444)
- Dutch Mortgage portfolio	**2,165,663**	**(273)**	2,104,853	(285)
- Belgian Mortgage portfolio	**293,234**	**(393)**	255,290	(353)
- IFRS basis adjustment: International Mortgage portfolio *	**(210,177)**	**-**	(183,180)	-
- Maltese Business Lending portfolio	**151,887**	**(518)**	143,399	(558)
- Maltese Mortgage portfolio	**112,585**	**(416)**	98,978	(379)
Investments measured at amortised cost	**1,370,899**	**(262)**	1,310,480	(248)
- Securities portfolio	**739,306**	**(80)**	705,976	(66)
- Securitisation portfolio	**631,593**	**(182)**	604,504	(182)
Accrued income	**28,111**	**(390)**	24,228	(298)
Loans to related parties (included in other assets)	**40**	**-**	41	-
Other receivables (included in other assets)	**12,605**	**-**	1,024	-
Other assets (included in other assets)	**21,320**	**-**	28,342	-
	4,850,490	**(16,667)**	4,742,599	(14,568)
Off balance sheet at nominal amount				
Commitments to purchase financial assets	**32,500**	**(1)**	-	-
Commitments to extend credit, guarantees and other commitments	**289,696**	**(144)**	260,315	(298)
	322,196	**(145)**	260,315	(298)
Total	**5,172,686**	**(16,812)**	5,002,914	(14,866)

* IFRS basis adjustment attributable to interest rate swaps entered into as part of the interest rate risk management in the Asset and Liability Management 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.

	As at 30 June 2024	As at 31 December 2023
	€000	€000
Instruments mandatorily measured at fair value through profit or loss		
- Held for trading derivative financial instruments	511	511
- Held for risk management derivative financial instruments	218,257	207,439
- Investments - Securitisation portfolio	875	1,018
	219,643	208,968

7.2 Summary of credit risk (excluding financial instruments not subject to impairment requirements) 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	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	%	%	%	%	%
As at 30 June 2024															
On balance sheet at amortised cost:															
Balances with central banks	226,574	-	-	-	226,574	(2)	-	-	-	(2)	-	-	-	-	-
Loans and advances to financial institutions	363,724	-	-	-	363,724	(1)	-	-	-	(1)	-	-	-	-	-
Loans and advances to customers															
- International Corporate Lending portfolio	217,177	55,816	40,591	441	314,025	(1,619)	(1,492)	(11,081)	(220)	(14,412)	0.7	2.7	27.3	49.9	4.6
- Dutch Mortgage portfolio	2,155,338	9,927	398	-	2,165,663	(122)	(141)	(10)	-	(273)	-	1.4	2.5	-	-
- Belgian Mortgage portfolio	287,986	4,534	714	-	293,234	(270)	(47)	(76)	-	(393)	0.1	1.0	10.6	-	0.1
- IFRS basis adjustment: International Mortgage portfolio	(210,177)	-	-	-	(210,177)	-	-	-	-	-	-	-	-	-	-
- Maltese Business Lending portfolio	131,133	3,758	16,996	-	151,887	(334)	(1)	(183)	-	(518)	0.3	-	1.1	-	0.3
- Maltese Mortgage portfolio	112,562	-	23	-	112,585	(393)	-	(23)	-	(416)	0.3	-	100.0	-	0.4
Investments measured at amortised cost															
- Securities portfolio	739,306	-	-	-	739,306	(80)	-	-	-	(80)	-	-	-	-	-
- Securitisation portfolio	631,073	520	-	-	631,593	(61)	(121)	-	-	(182)	-	23.3	-	-	-
Accrued income	23,382	680	4,039	10	28,111	(21)	(12)	(353)	(4)	(390)	0.1	1.8	8.7	40.0	1.4
Loans to related parties (included in other assets)	40	-	-	-	40	-	-	-	-	-	-	-	-	-	-
Other receivables (included in other assets)	12,605	-	-	-	12,605	-	-	-	-	-	-	-	-	-	-
Other assets (included in other assets)	21,320	-	-	-	21,320	-	-	-	-	-	-	-	-	-	-
Off balance sheet at nominal amount:															
Commitments to purchase financial assets	32,500	-	-	-	32,500	(1)	-	-	-	(1)	-	-	-	-	-
Commitments to extend credit, guarantees and other commitments	285,377	3,774	545	-	289,696	(136)	(8)	-	-	(144)	-	0.2	-	-	-
	5,029,920	79,009	63,306	451	5,172,686	(3,040)	(1,822)	(11,726)	(224)	(16,812)	0.1	2.3	18.5	49.7	0.3

	Gross carrying/nominal amount					Credit loss allowance					ECL coverage %				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	%	%	%	%	%
As at 31 December 2023															
On balance sheet at amortised cost:															
Balances with central banks	265,400	-	-	-	265,400	(2)	-	-	-	(2)	-	-	-	-	-
Loans and advances to financial institutions	352,794	-	-	-	352,794	(1)	-	-	-	(1)	-	-	-	-	-
Loans and advances to customers															
- International Corporate Lending portfolio	265,687	20,982	53,855	426	340,950	(2,577)	(703)	(8,952)	(212)	(12,444)	1.0	3.4	16.6	49.8	3.6
- Dutch Mortgage portfolio	2,094,445	10,107	301	-	2,104,853	(136)	(145)	(4)	-	(285)	-	1.4	1.3	-	-
- Belgian Mortgage portfolio	250,631	4,105	554	-	255,290	(249)	(46)	(58)	-	(353)	0.1	1.1	10.5	-	0.1
- IFRS basis adjustment: International Mortgage portfolio	(183,180)	-	-	-	(183,180)	-	-	-	-	-	-	-	-	-	-
- Maltese Business Lending portfolio	116,335	9,696	17,368	-	143,399	(358)	-	(200)	-	(558)	0.3	-	1.2	-	0.4
- Maltese Mortgage portfolio	98,834	-	144	-	98,978	(356)	-	(23)	-	(379)	0.4	-	16.0	-	0.4
Investments measured at amortised cost															
- Securities portfolio	705,976	-	-	-	705,976	(66)	-	-	-	(66)	-	-	-	-	-
- Securitisation portfolio	603,973	531	-	-	604,504	(61)	(121)	-	-	(182)	-	22.8	-	-	-
Accrued income	22,709	247	1,272	-	24,228	(32)	(6)	(260)	-	(298)	0.1	2.4	20.4	-	1.2
Loans to related parties (included in other assets)	41	-	-	-	41	-	-	-	-	-	-	-	-	-	-
Other receivables (included in other assets)	1,024	-	-	-	1,024	-	-	-	-	-	-	-	-	-	-
Other assets (included in other assets)	28,342	-	-	-	28,342	-	-	-	-	-	-	-	-	-	-
Off balance sheet at nominal amount:															
Commitments to extend credit, guarantees and other commitments	257,232	1,587	1,496	-	260,315	(183)	(3)	(112)	-	(298)	0.1	0.2	7.5	-	0.1
	4,880,243	47,255	74,990	426	5,002,914	(4,021)	(1,024)	(9,609)	(212)	(14,866)	0.1	2.2	12.8	49.8	0.3

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 2024. Meanwhile, "Repayments and disposals" reflect loan repayments and disposals that occurred during the financial reporting period ended 30 June 2024, which however, would only have existed on the Group's balance sheet as at 31 December 2023. 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 2024. The line item "Net re-measurement of ECL arising from stage transfers and changes in risk parameters, including climate risk" 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 ECL 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				Total	
	Stage 1		Stage 2		Stage 3		POCI assets			
International Corporate Lending portfolio	Gross carrying/ nominal amount	Credit loss allowance	Gross carrying/ nominal amount	Credit loss allowance	Gross carrying/ nominal amount	Credit loss allowance	Gross carrying/ nominal amount	Credit loss allowance	Gross carrying/ nominal amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Period ended 30 June 2024										
At beginning of period	303,411	(2,776)	21,459	(711)	56,082	(9,319)	426	(216)	381,378	(13,022)
Additions	21,488	(89)	-	-	-	-	-	-	21,488	(89)
Repayments and disposals	(38,271)	257	-	-	(17,438)	5,074	-	-	(55,709)	5,331
Transfers of financial instruments										
- Transfers from Stage 1 to Stage 2	(35,291)	356	35,291	(356)	-	-	-	-	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters, including climate risk	-	489	-	(444)	-	(3,679)	-	(8)	-	(3,642)
Realisation of ECL through restructuring and disposals	-	-	-	-	3,510	(3,510)	-	-	3,510	(3,510)
Other	385	-	704	-	(1,132)	-	10	-	(33)	-
At end of period	251,722	(1,763)	57,454	(1,511)	41,022	(11,434)	436	(224)	350,634	(14,932)
ECL charged for the period										(1,910)
Realisation of ECL through restructuring and disposals										(3,510)
Other										8
Change in expected credit losses and other credit impairment charges for the period										(5,412)

	As at 30 June 2024		Period ended 30 June 2024
	Gross carrying/nominal amount	Credit loss allowance	ECL (charge)/release
	€000	€000	€000
As per preceding table	350,634	(14,932)	(5,412)
Balances at central banks	226,574	(2)	-
Loans and advances to financial institutions	363,724	(1)	-
Loans and advances to customers			
- Dutch Mortgage portfolio: drawn exposures	2,165,663	(273)	12
- Dutch Mortgage portfolio: undrawn commitments	90,756	(2)	1
- Belgian Mortgage portfolio: drawn exposures	293,234	(393)	(40)
- Belgian Mortgage portfolio: undrawn commitments	32,791	(11)	4
- Maltese Business Lending portfolio: drawn exposures	151,887	(518)	(507)
- Maltese Business Lending portfolio: undrawn commitments	110,054	-	-
- Maltese Mortgage portfolio: drawn exposures	112,585	(416)	(37)
- Maltese Mortgage portfolio: undrawn commitments	31,783	-	-
Investments measured at amortised cost			
- Securities portfolio	739,306	(80)	(14)
- Securitisation portfolio	631,593	(182)	-
- Securitisation portfolio: commitments to purchase	24,500	-	-
Other accrued income (excl. International Corporate Lending portfolio)	23,814	(2)	-
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied through the profit or loss	5,348,898	(16,812)	(5,993)
Total credit loss allowance/total income statement ECL charge for the period		(16,812)	(5,993)

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 2023:

	Non-credit impaired				Credit impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI assets			
International Corporate Lending portfolio	Gross carrying/ nominal amount	Credit loss allowance	Gross carrying/ nominal amount	Credit loss allowance	Gross carrying/ nominal amount	Credit loss allowance	Gross carrying/ nominal amount	Credit loss allowance	Gross carrying/ nominal amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
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	(71,925)	379	(23,807)	203	(7,373)	1,181	-	-	(103,105)	1,763
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, including climate risk	-	2,233	-	705	-	562	-	4	-	3,504
Other	1,716	-	2,107	-	96	-	-	-	3,919	-
At end of period	462,480	(3,552)	51,875	(1,680)	41,791	(5,500)	435	(220)	556,581	(10,952)
ECL released for the period										5,267
Assets written off										1,916
Realisation of ECL through restructuring and disposals										(1,405)
Other										(1)
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	Credit loss allowance	ECL release/(charge)
	€000	€000	€000
As per preceding table	556,581	(10,952)	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
- 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 (excl. International Corporate Lending portfolio)	20,018	(2)	-
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied through the profit or loss	5,116,219	(12,420)	5,453
Total credit loss allowance/total income statement ECL release for the period		(12,420)	5,453

Movements in ECL 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 €0.3 million to €0.5 million during the twelve-month period ending 30 June 2024 (Twelve-month period ending 30 June 2023: increase from €0.1 million to €0.3 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.

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 Collateralised Loan Obligation ("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 Through-the-cycle ("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 Gross Domestic Product ("GDP"), unemployment and House Price Index ("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 ECL 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 a range of potential economic impacts driven by geopolitical tensions in respect of the conflict between Russia and Ukraine and between Israel and Hamas, assumptions on the energy markets and monetary policy assumptions as the European Central Bank ("ECB") is expected to continue cutting rates. 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 2024 and 31 December 2023.

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 following tables. 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 GDP, HPI, unemployment rates and 10-year treasury rates, with the national level forecasts used in the ECL calculation being disclosed in the following table.

For the Belgian Residential Mortgages portfolio, the key MEVs used for the estimation of ECL are national levels of HPI, real GDP growth, Household Disposable Income, Claims on Private Sector and Compensation of Employees.

With respect to the Maltese Residential Mortgages portfolio, the key MEVs used for the estimation of ECL are national levels of HPI, Unemployment Rate, real GDP growth, the performance of stock market indices, Claims on Private Sector and Compensation of Employees.

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 (2024-2027) for key MEVs

		International Lending and Securities												Local Lending				Dutch Mortgages				Belgian Mortgages			
		UK				US				Eurozone				Malta				Netherlands				Belgium			
	ECL Scenario	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
Real GDP - Growth %	Upside	0.4%	4.4%	1.4%	1.3%	2.9%	3.6%	2.3%	2.2%	0.5%	3.8%	1.5%	1.5%	3.2%	6.7%	2.1%	3.4%	0.1%	4.3%	1.9%	1.1%	1.3%	3.0%	3.4%	1.7%
	Baseline	0.4%	0.9%	1.2%	1.3%	2.9%	1.8%	1.9%	2.1%	0.5%	1.6%	1.6%	1.6%	3.2%	3.6%	2.6%	3.7%	0.1%	1.6%	1.8%	1.4%	1.3%	1.5%	1.8%	1.9%
	Downside 2	0.4%	-5.2%	1.5%	2.7%	2.9%	-2.3%	1.6%	2.8%	0.5%	-4.6%	2.2%	2.9%	3.2%	-2.9%	3.2%	5.0%	0.1%	-4.3%	2.1%	3.6%	1.3%	-4.9%	2.4%	3.2%
Unemployment Rate - Average %	Upside	4.2%	4.0%	3.7%	3.9%	3.6%	3.1%	3.4%	3.4%	6.4%	6.2%	6.2%	6.3%	2.5%	2.5%	2.9%	3.2%	3.8%	3.5%	3.6%	4.0%	-	-	-	-
	Baseline	4.4%	4.5%	4.6%	4.7%	4.0%	4.1%	4.0%	4.0%	6.5%	6.6%	6.5%	6.5%	2.5%	2.5%	3.0%	3.3%	3.8%	4.0%	4.1%	4.2%	-	-	-	-
	Downside 2	4.7%	6.6%	7.3%	7.3%	5.1%	7.8%	7.0%	5.8%	6.7%	8.1%	8.3%	7.6%	2.5%	3.0%	3.4%	3.4%	3.9%	5.3%	6.0%	5.0%	-	-	-	-
Stock Market Index - Growth %	Upside	6.5%	12.6%	0.7%	1.2%	24.9%	7.4%	3.6%	4.9%	15.4%	12.1%	2.5%	1.8%	13.0%	17.9%	15.2%	10.6%	-	-	-	-	-	-	-	-
	Baseline	6.5%	2.2%	3.4%	3.9%	24.9%	1.4%	4.1%	6.1%	15.4%	1.6%	4.0%	4.0%	13.0%	10.9%	17.8%	11.2%	-	-	-	-	-	-	-	-
	Downside 2	6.5%	-17.7%	12.4%	10.2%	24.9%	-34.1%	11.8%	22.5%	15.4%	-31.7%	18.0%	17.6%	13.0%	-13.7%	16.3%	18.0%	-	-	-	-	-	-	-	-
10Yr Treasury Rate - Average %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.7%	3.1%	3.2%	3.0%	-	-	-	-
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.7%	2.7%	2.7%	2.7%	-	-	-	-
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.3%	1.6%	1.5%	1.7%	-	-	-	-
House Price Index %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	1.3%	1.9%	0.4%	0.0%	3.2%	5.6%	2.7%	-0.6%	-4.5%	2.3%	2.0%	2.6%
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	1.3%	0.8%	-0.3%	0.0%	3.2%	2.6%	2.4%	0.2%	-4.5%	0.9%	2.5%	2.5%
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	1.3%	-2.5%	-0.9%	0.3%	3.2%	-6.0%	-2.3%	4.6%	-4.5%	-3.2%	1.8%	3.9%
Household Disposable Income - Growth %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.3%	2.5%	2.9%	1.9%
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.3%	1.8%	1.8%	1.6%
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.3%	1.1%	1.0%	1.0%
Claims on Private Sector - Growth %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	9.2%	7.9%	8.5%	7.1%	-	-	-	-	2.1%	3.4%	3.5%	3.5%
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	9.2%	7.4%	6.3%	6.4%	-	-	-	-	2.1%	3.1%	3.0%	3.1%
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	9.2%	7.0%	4.9%	3.4%	-	-	-	-	2.1%	2.1%	1.9%	3.0%
Compensation of Employees - Growth %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	9.8%	8.7%	5.5%	5.7%	-	-	-	-	3.4%	5.7%	4.9%	3.4%
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	9.8%	6.6%	5.5%	5.5%	-	-	-	-	3.4%	3.9%	3.5%	3.5%
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	9.8%	4.8%	2.8%	3.9%	-	-	-	-	3.4%	0.8%	1.2%	2.0%

With the current geopolitical tensions, rigorous monitoring of macroeconomic forecasts developed by the external vendor was performed by the Group in order to challenge the adequacy and reasonableness of the developed scenarios.

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 2024 and 31 December 2023, 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 and post-core model adjustments (overlays) may be used given the current level 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.

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. The fair value of a liability reflects its non-performance risk.

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.
- 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 2024				As at 31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	€000	**€000**	**€000**	**€000**	€000	€000	€000	€000
Assets								
Instruments mandatorily measured at fair value through profit or loss								
- Securitisation investment portfolio	**-**	**-**	**875**	**875**	-	-	1,018	1,018
- Derivative financial instruments	**-**	**218,257**	**511**	**218,768**	-	207,439	511	207,950
Total financial assets	**-**	**218,257**	**1,386**	**219,643**	-	207,439	1,529	208,968
Liabilities								
Derivative financial instruments	**-**	**7,833**	**-**	**7,833**	-	25,464	-	25,464

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 €0.9 million (31 December 2023: €1.0 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.
- Tax warrants and contingent value notes resulting from a loan restructuring arrangement, classified as derivative financial instruments amounting to €0.5 million (31 December 2023: €0.5 million).

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 profit or loss		Derivative financial instruments measured at fair value through profit or loss	
	2024	2023	**2024**	2023
	€000	€000	**€000**	€000
Period ended 30 June				
At beginning of period	**1,018**	572	**511**	80,572
Changes in fair value	**(143)**	15	**-**	(6,715)
At end of period	**875**	587	**511**	73,857

The Group's main exposure to Level 3 assets consist of the equity tranche of GH1-2019. 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 2024 to 30 June 2024 and during the financial year ended 31 December 2023.

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 2024				
	Level 1	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
	€000	**€000**	**€000**	**€000**	**€000**
Assets					
Loans and advances to customers	**-**	**115,812**	**2,214,146**	**2,329,958**	**2,589,556**
- International Corporate Lending portfolio	**-**	**115,812**	**15,498**	**131,310**	**131,325**
- Dutch Mortgage portfolio *	**-**	**-**	**1,927,418**	**1,927,418**	**2,165,390***
- Belgian Mortgage portfolio *	**-**	**-**	**271,230**	**271,230**	**292,841***
Investments	**712,244**	**-**	**630,697**	**1,342,941**	**1,370,637**
- Securities portfolio	**712,244**	**-**	**-**	**712,244**	**739,226**
- Securitisation portfolio	**-**	**-**	**630,697**	**630,697**	**631,411**
Total financial assets	**712,244**	**115,812**	**2,844,843**	**3,672,899**	**3,960,193**
Liabilities					
Debt securities in issue	**-**	**-**	**915,790**	**915,790**	**910,775**
Subordinated liabilities	**53,560**	**-**	**-**	**53,560**	**55,128**
Total financial liabilities	**53,560**	**-**	**915,790**	**969,350**	**965,903**

	As at 31 December 2023				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	€000	€000	€000	€000	€000
Assets					
Loans and advances to customers	-	42,020	2,136,177	2,178,197	2,426,515
- International Corporate Lending portfolio	-	42,020	22,138	64,158	67,010
- Dutch Mortgage portfolio *	-	-	1,875,134	1,875,134	2,104,568*
- Belgian Mortgage portfolio *	-	-	238,905	238,905	254,937*
Investments	682,055	-	594,728	1,276,783	1,310,232
- Securities portfolio	682,055	-	-	682,055	705,910
- Securitisation portfolio	-	-	594,728	594,728	604,322
Total financial assets	682,055	42,020	2,730,905	3,454,980	3,736,747
Liabilities					
Debt securities in issue	-	-	914,409	914,409	910,848
Subordinated liabilities	53,012	-	-	53,012	54,982
Total financial liabilities	53,012	-	914,409	967,421	965,830

* The International mortgage portfolios disclosed in the preceding tables are presented exclusive of the IFRS basis adjustment equivalent to €210.2 million (31 December 2023: €183.2 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 2024, the carrying amount of this loan, included by MeDirect Malta within "Other liabilities", amounted to €10.6 million (31 December 2023: €10.5 million) and its fair value as at the same date was €11.8 million (31 December 2023: €11.6 million). The fair value was determined by projecting the cashflows to the first call date and discounting with January-end Euro short-term rate ("ESTR") curves to obtain the spread over the said curve. 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 €168.3 million (31 December 2023: €239.1 million), net of ECL, 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 amounting to €2,165.4 million (31 December 2023: €2,104.6 million) and Belgium mortgages amounting to €292.8 million (31 December 2023: €254.9 million) included in Loans and advances to customers. In order to derive their fair value as at 30 June 2024 and 31 December 2023, 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 amounting to €631.4 million (31 December 2023: €604.3 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 2024, the carrying amount for loans and advances to customers classified under the Maltese Business Lending portfolio amounting to €151.4 million (31 December 2023: €142.8 million) and Maltese mortgages amounting to €112.2 million (31 December 2023: €98.6 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 2024, all exposures classified under loans and advances to financial institutions amounting to €363.7 million (31 December 2023: €352.8 million), and balances with central banks amounting to €226.5 million as at 30 June 2024 (31 December 2023: €265.4 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 2024 amounting to €294.3 million (31 December 2023: €373.1 million) and 'Amounts owed to customers' of the Group amounting to €3.4 billion (31 December 2023: €3.1 billion), sourced from the Maltese, Belgian and Dutch 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 2024	31 December 2023
	No.	No.
Authorised:		
Ordinary 'A' shares of €1 each	**299,999,999**	299,999,999
Ordinary 'B' shares of €1 each	**1**	1
	300,000,000	300,000,000
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
	117,450,107	117,450,107

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	
	Number of shares	Premium per share	30 June 2024	31 December 2023
		€	€000	€000
Issue date				
10 August 2010	10,000,000	0.9155	**9,155**	9,155
29 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. 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.

BR 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 Non-Performing Exposures ("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

As at 30 June 2024, other reserves of the Group comprises of a legal reserve amounting to €0.7 million (31 December 2023: €0.7 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 2024 include a negative amount of €0.4 million (Period ended 30 June 2023: negative amount of €1.1 million) that is derived from hedge ineffectiveness on the interest rate swaps entered into to hedge the fixed-rate international retail mortgage portfolios.

10. Fee and commission income

	Period ended 30 June	
	2024	2023
	€000	€000
Fee and commission income		
Corporate secured lending fee income	**1,020**	(916)
Banking transactions fee income	**945**	803
Investment services fees	**3,630**	3,318
Other fee income	**203**	168
Total fee and commission income	**5,798**	3,373

11. Contingent liabilities and commitments

Guarantee obligations

As at 30 June 2024, the Group had cash secured guarantee obligations amounting to €23.3 million (31 December 2023: €20.2 million).

Commitments to lend

Commitments to lend represent undrawn formal standby facilities, credit facilities and other similar commitments to lend. As at 30 June 2024, the Group had undrawn commitments of €24.3 million (31 December 2023: €35.3 million) under international lending revolving credit facilities. In addition, lending commitments in relation to the Group's Dutch Mortgage portfolio amounted to €90.8 million (31 December 2023: €94.5 million), the Belgian Mortgage portfolio amounted to €32.8 million (31 December 2023: €28.7 million) and the Maltese Mortgage portfolio amounted to €31.8 million (31 December 2023: €27.0 million).

As at 30 June 2024, undrawn facilities on corporate term loans of the Group amounted to €86.7 million (31 December 2023: €54.7 million).

Commitments to purchase

As at 30 June 2024, the Group had commitments to purchase term loans under the international corporate lending portfolio amounting to €8.0 million (31 December 2023: nil) and investments amounting to €24.5 million (31 December 2023: nil) under the securitisation portfolio.

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 2023.

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

Key regulatory ratios	Capital management			Liquidity management	
	Tier 1 capital ratio	Total capital ratio	Leverage ratio	LCR	NSFR
30 June 2024	**16.6%**	**20.1%**	**4.5%**	**221%**	**132%**
31 December 2023	16.7%	20.3%	4.4%	209%	126%