



MerkantiHolding
p.l.c.

Merkanti Holding p.l.c.
Aragon House Business Centre
Dragonara Road
St. Julians, STJ 3140
Malta

COMPANY ANNOUNCEMENT

Reference: (12/2022)

Approval of the Company's Interim Financial Statements

This a company announcement issued by Merkanti Holding p.l.c. (C 70823) (the "**Company**") pursuant to the Capital Markets Rule issued by the Malta Financial Services Authority.

At a board meeting held on 31 August, 2022, the board of directors of the Company approved the Company's unaudited interim financial statements for the six (6) month period ended 30 June 2022. A copy of the interim financial statements is attached to this announcement and is also available on the Company's website at: <https://merkantiholding.com/Investor%20Relations/#companyannouncements>.

Name: Dr. Andre Zerafa
For and on behalf of
Ganado Services Limited
Company Secretary
31 August 2022

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Directors' Report

This half-yearly report is being published in terms of Chapter 5 of the Listing Rules of the Listing Authority – Malta Financial Services Authority and the Prevention of Financial Market Abuse Act, 2005.

The condensed interim consolidated financial statements included in this report have been extracted from Merkanti Holding p.l.c. and its subsidiaries' (collectively, the "Group") unaudited financial information for the six months ended 30 June 2022, prepared in accordance with International Financial Reporting Standards as adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting'). This half-yearly report gives a true and fair view of the assets, liabilities, equity and profit and other comprehensive income of the Group and the undertakings included in the consolidation taken as a whole. This report has not been audited or reviewed by the company's independent auditors.

The Company

Merkanti Holding p.l.c. is a holding and finance company that does not carry on any trading activities apart from raising capital and advancing same to the Group. Accordingly, the company is economically dependent on the Group. The principal activities of the Group comprise the activities of the Bank, the Property Companies and their management company, and will be explained further in the 'Group Performance' section below.

The Merkanti Holding plc. group's material subsidiaries include Merkanti Bank Limited (the "Bank") and Merkanti (A) International Limited (94.9%), Merkanti (D) International Limited (94.9%), Altmark Immobilien Management GmbH (100%), (together the "Property Companies").

Group Performance

The Group's profit after tax attributable to the owners of the parent for the six-month period ended June 30, 2022 increased almost 20% to EUR 403,478 compared to EUR 336,714 in the six months ended June 30, 2021.

Total assets of the Group stood at EUR 94,385,056 as at 30 June, 2022 compared to EUR 89,968,210 as at December 31, 2021

The Bank is a credit institution licensed by the MFSA under the Banking Act (Chapter 371 of the laws of Malta) that provides merchant banking and trade financing services. The Bank's operations began in February 2016 after the ECB and MFSA approval of the acquisition.

The Property Companies are property holding companies that operate in the industrial real estate leasing sector in Germany. The real estate owned by the Property Companies is currently leased out to a number of tenants, none of whom have delayed payment on their obligations to date.

The pandemic continued to cause economic uncertainty during the year, the challenges related to COVID-19 did not have a negative impact in terms of late payments, impairments or similar adverse developments on the Bank's credit loan portfolio or the Property Companies' tenants. However, business development has been hindered due to the restrictions on travel and other disruptions brought about by the pandemic, and the Group ended the period with substantial amounts of liquidity.

The Group continued to maintain a prudent and cautious approach during the period with respect to expansion of merchant banking activities and credit loan portfolio development.

During the period under review, the Group continued to offer all employees the option to work from home or the choice of a hybrid home/office working environment, the Group did not suffer any disruptions to operations.

Recent Business & Corporate Developments

Sparkasse Bank Malta Acquisition

In March 2022, the Company announced that it had entered into an agreement to acquire Sparkasse (Holdings) Malta Ltd. a company registered in Malta (C 35408) ("Sparkasse Holdings"), the parent of Sparkasse Bank Malta plc ("Sparkasse Bank"). Upon closing of this transaction, and subject to regulatory approval, it is the intention to merge Sparkasse Bank and Merkanti Bank, in order to form a larger independent institution with projected combined Own Funds based upon 31st December 2021 figures of circa Euro 60 Million, Total Assets of Euro 1.1 Billion, Assets under custody of Euro 8.1 Billion and Revenues of Euro 17 million.

The combined entity will be renamed and rebranded to reflect its focus and market footprint in corporate banking, custody, depositary and investments services in Malta and Ireland. The combination of the existing market presence and product offerings of Sparkasse Bank with the investment in resources and capital from Merkanti Bank creates a strong foundation for growth and development in the Bank's core markets.

The business model of Sparkasse Bank will remain unchanged and will be supplemented with the additional resources and banking activities of the Bank. Mr. Paul Mifsud will be named the Chief Executive Officer of the merged entity and a Director of the Company upon closing, subject to regulatory approval.

The Company is acquiring Sparkasse Holdings from Anteilsverwaltungssparkasse Schwaz. The total consideration payable by the Company for Sparkasse Holdings is approximately equal to the net tangible asset value of Sparkasse Holdings, less certain adjustments, and includes (i) a cash payment at closing of the transaction, (ii) three consecutive annual payments of EUR 2.5 million; and (iii) a contingent payment, payable upon the recovery of an asset of Sparkasse Bank which was previously written off in its entirety. The consideration is expected to be satisfied through cash on hand, available liquidity within the Company's group, and other measures.

The transaction is conditional upon regulatory approval from various regulators, including the European Central Bank and the Malta Financial Services Authority. The acquisition is currently expected to be concluded in the second half of calendar year 2022.

Change in Nominal Value per Share

In June 2022, pursuant to an Extraordinary General Meeting in which, among other things, amendments to the Company's Memorandum and Articles of Association were approved such that the nominal value of all of the Company's shares shall decreased from EUR 3.00 to EUR 0.10, with the difference being allocated to a non-distributable reserve. There will be no change in the Company's Total Equity as a result of this change, though the composition of the elements which constitute the Company's Total Equity will be different after the decrease becomes effective in the second half of 2022.

Directors' statement pursuant to Listing Rule 5.75.3

We hereby confirm that to the best of our knowledge:

1. The condensed half-yearly report gives a true and fair view of the interim consolidated financial position of the group as at 30 June 2022 and of its financial performance, cash flows and changes in equity for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).
2. The interim Director's report includes a fair review of the information required in terms of Listing Rule 5.81.



Mario P. Galea
Director



Samuel S. Morrow
Director and Chief Executive Officer

Registered office:
Merkanti Holding p.l.c
Aragon House Business Centre
Dragonara Road
St. Julians
STJ 3140
Malta

Condensed interim consolidated statements of financial position (unaudited)

	Unaudited	Audited
	As at 30	As at 31
	June	December
	2022	2021
	€	€
ASSETS		
Cash and cash equivalents	20,017,662	14,568,220
Loans & advances	24,838,256	24,861,436
Investments	13,254,062	13,758,244
Investment properties	31,256,200	32,866,000
Property, plant & equipment	1,519,951	1,284,687
Other receivables	3,498,925	2,629,623
Total assets	94,385,056	89,968,210
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the parent	52,146,261	51,944,811
Non-controlling interests	2,047,038	1,784,600
Total equity	54,193,299	53,729,411
Borrowings	24,530,439	24,478,188
Deferred tax liabilities	2,279,642	2,214,882
Other payables	13,381,676	9,545,729
Total Liabilities	40,191,757	36,238,799
Total equity and liabilities	94,385,056	89,968,210

Cash and cash equivalents include loans and advances to banks

The notes on page 9 are an integral part of this condensed interim consolidated financial information.

The condensed interim consolidated financial information on pages 5 to 9 were authorised for issue by the board of directors on 31 August 2022 and were signed on its behalf by:



Mario P. Galea
Director



Samuel S. Morrow
Director and Chief Executive Officer

**Condensed interim consolidated statements of profit and loss and
other comprehensive (loss) income (unaudited)**

	Six months ended 30 June	
	2022	2021
	€	€
Interest and similar income	1,254,552	1,118,215
Interest and similar expense	(611,615)	(604,465)
Net interest expense	642,937	513,750
Fee and commission income	1,072,035	748,062
Net fee income	1,072,035	748,062
Rental income from investment property	860,038	962,510
Other operating income	1,563,407	1,024,808
Operating income	4,138,417	3,249,130
Administrative expenses	(3,361,471)	(2,906,504)
Profit before tax	776,946	342,626
Income tax expense	(111,465)	(5,912)
Profit for the period	665,481	336,714
(Profit) attributable to non-controlling interests	(262,003)	(1,824)
Profit attributable to owners of the parent company	403,478	334,890
Other comprehensive income:		
Profit for the period	665,481	336,714
Net change in fair valuation of financial assets measured at fair value through other comprehensive income, net of income taxes	215,171	17,873
Total comprehensive income for the period	880,652	354,587

The notes on page 9 are an integral part of this condensed interim consolidated financial information

Condensed interim consolidated statements of changes in equity (unaudited)

	Share Capital €	Contributed reserve €	Fair Value reserve €	Translation reserve €	Retained earnings €	Total €	Non- controlling interests €	Total equity €
Balance at 1 January 2021	50,020,000	2,540,000	90,027	(9,599)	(1,321,222)	51,319,206	1,828,475	53,147,681
Profit for the period	0	0	0	10,570	656,356	666,926	(43,875)	623,051
Net changes in fair value	2	0	(41,321)	0	0	(41,319)	0	(41,319)
Balance at 30 June 2021	50,020,002	2,540,000	48,706	971	(664,866)	51,944,813	1,784,600	53,729,413
Balance at 1 January 2022	50,020,002	2,540,000	48,706	971	(664,866)	51,944,813	1,784,600	53,729,413
Profit / (Loss) for the period	0	0	0	13,141	403,478	416,619	262,003	678,622
Net changes in fair value	0	0	(215,171)	0	0	(215,171)	435	(214,736)
Balance at 30 June 2022	50,020,002	2,540,000	(166,465)	14,112	(261,388)	52,146,261	2,047,038	54,193,299

The notes on page 9 are an integral part of this condensed interim consolidated financial information.

Condensed interim consolidated statements of cash flows (unaudited)

	Six months ended 30 June	
	2022	2021
	€	€
Cash flows provided by (used in) operating activities		
Net cash flows provided by (used in) operating activities	3,922,094	(1,764,565)
Net cash flows provided by investing activities	1,644,394	50,799
Net cash flows (used in) financing activities	(72,422)	(75,918)
Exchange rate effect on cash and cash equivalents	17,388	14,850
Net movement in cash and cash equivalents	<u>5,511,454</u>	<u>(1,774,834)</u>
Cash and cash equivalents at the beginning of period	<u>14,506,207</u>	<u>16,209,650</u>
Cash and cash equivalents at end of period	<u>20,017,662</u>	<u>14,434,816</u>

Cash and cash equivalents include loans and advances to banks and other financial institutions.

The notes on page 9 are an integral part of this condensed interim consolidated financial information.

Notes to the condensed interim financial statements

1. Basis of preparation

This condensed interim consolidated financial information for the six-month period ended 30 June 2022 has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting' and in terms of the Malta Financial Services Authority Listing Rules 5.81 to 5.84.

The financial information has been extracted from the group's unaudited interim financial statements for the six-month period ended 30 June 2022. The comparative amounts reflect the unaudited position of the group as at 30 June 2021.

The preparation of these condensed interim consolidated financial statements is consistent with the accounting policies used in the preparation of the 31 December 2021 audited financial statements.

2. Share capital

	30-Jun 2022 €	30-Jun 2021 €
Authorised		
33,333,334 Ordinary A Shares of €3 each (2021: 100,000,000 Ordinary A Shares of €1 each)	100,000,002	100,000,000
33,333,334 Ordinary B Shares of €3 each (2021: Nil)	100,000,002	0
Issued and fully paid up		
16,673,333 Ordinary A Shares of €3 each (2021: 50,000,000 Ordinary A Shares of €1 each)	50,019,999	50,000,000
1 Ordinary B Share of €3 each (2021: Nil)	3	0
Issued but not fully paid up shares		
In 2021, 20,000 Ordinary shares of €1 of which €0.25 is paid	0	20,000
	<u>50,020,002</u>	<u>50,020,000</u>