# MULTITUDE BANK PLC

Condensed Interim Financial Statements
30 June 2024

Company Registration Number: C56251

## Directors' report

The directors present their condensed interim financial statements for the six-month period ended 30 June 2024.

### Principal activities

The Bank's principal activity is the operation of a credit institution under the Banking Act, Cap 371 of the Laws of Malta, in accordance with the credit institution licence granted by the Malta Financial Services Authority.

The Bank's principal activity comprises the origination of unsecured lending and credit products which are distributed through an online platform. During 2024, the Bank provided its services in Estonia, Latvia, Czech Republic, Germany, Bulgaria, Sweden, Norway, Croatia, Denmark, Finland, Romania, Poland and Slovenia. The Bank has also strengthened its investment portfolio during the year. To part finance its lending activities, the Bank offers savings and term deposits for private individuals to its customers in Germany and Sweden.

### Business development

During the first six months of 2024, the Bank continued to offer unsecured lending and credit products to its customers and also continued to build up its portfolio of investments.

The Bank's investments are made up of investment in securitisation portfolio which amounted to €129.1 million and investments in debt instruments which amounted to €92.5 million.

The investment in securitisation portfolio is made up of notes in Ferratum Portfolio S.À.R.L, a private limited liability company incorporated under the laws of Luxembourg as an unregulated securitisation company. As at June 2024, Ferratum Portfolio S.À.R.L, acquired a portfolio of SME loans in Netherlands, Sweden, Finland, Denmark and Lithuania. The Bank is the holder of Class A notes, which are senior notes, have a higher credit quality and the highest payment ranking amongst the other creditors.

The investment in debt instruments reflect the Bank's acquisition of secured bonds. Such bonds are secured by a number of loan portfolios which are pledged in favour of the Bank, and are subject to a number of covenants including predetermined ratios of ageing portfolios and advance rates. Such covenants are monitored on a regular basis by management and the Investments Committee. Moreover, the Bank also has additional collateral in the form of cash deposited in its accounts or pledged financial instruments in its favour in respect of each investment. During the first six months of 2024, the Bank also invested in unlisted private bonds secured by real estate.

## Directors' report – continued

### Financial performance

The Bank registered a profit before tax of €6.2 million during the period ended 30 June 2024, compared with €6.1 million for the same period last year.

The statement of comprehensive income is set out on page 5. The net interest income earned by the Bank amounted to €81.1 million during the period ended 30 June 2024, reflecting an increase of 7% over the same period last year. This is a reflection of the continued efforts made by the Bank to increase its lending business operations. The net fee and commission expense amounts to €0.3 million which is in line with the net fee and commission expense for the same period last year. This resulted in an operating income of €80.7 million compared to €75.0 million during the same period last year.

The Bank's operating expenditure increased by 6% during the current financial period, and reached a total of €37.1 million, compared to €34.9 million during the same period last year. The increase correlates with the increase in the net interest income generated by the Bank and is mainly attributable to information technology costs, direct costs, marketing and representation costs as well as, credit management expenses. During the period ended 30 June 2024, the net impairment losses on the Bank's lending business amounted to €37.3 million, compared to €34.0 million during the same period last month. The increase is mainly driven by shifts in macroeconomic conditions during 2024 impacting the credit quality in some credit portfolios.

In view of the above, the Bank reported a profit before tax of €6.2 million during the period ended June 2024, which is equivalent to €6.5 million after tax.

### Financial position

The statement of financial position reflects total assets of €863.6 million, which decreased from €909.1 million as at December 2023. The loans and advances to customers decreased from €468.4 million as at 31 December 2023 to €466.2 million as at 30 June 2024 whilst the investment portfolio increased from €148.3 million as at 31 December 2023 to €221.5 million as at 30 June 2024. This shows the continued efforts made by the Bank to strengthen its investment portfolio.

The Bank continued to fund its business through customer deposits, which decreased from €732.3 million as at the end of 2023 to €678.3 million as at 30 June 2024. The Bank offers savings and term deposit products with different maturities ranging from 3 months to 36 months, predominately sourced from the German market. The decrease in customer deposits was done in an effort to reduce excess liquidity and in turn optimise and reduce the Bank's cost of funding.

The Bank registered strong regulatory ratios throughout the financial year. The Liquidity Coverage Ratio metric, designed to ensure that a bank has sufficient unencumbered high-quality liquid assets ('HQLA' consisting of cash or assets that can be converted into cash at little or no loss of value in markets) to meet its liquidity needs in a 30-calendar-day liquidity stress scenario was 2353.15% as at 30 June 2024 (31 December 2023: 4520.56%). The Net Stable Funding Ratio, designed to maintain sufficient stable funding relative to required stable funding and reflects a bank's long-term funding profile, was 117.26% as at 30 June 2024 (31 December 2023: 132.30%). The Bank is required to maintain a ratio of total regulatory capital to risk-weighted assets ("Capital requirements ratio") above a minimum level of 16.95%, as well as a CET 1 (Common Equity Tier 1) capital ratio above a minimum level of 13.83% as prescribed by banking regulations. The Bank's total capital ratio and CET1 capital ratio as at 30 June 2024 were at 17.30% (31 December 2023: 17.33%) and 16.77% (31 December 2023: 16.74%) respectively.

As at 30 June 2024, retained earnings amounted to €55.2 million.

**Directors' report** – continued

We, the undersigned, confirm that to the best of our knowledge the condensed interim financial statements as at 30 June 2024 have been prepared, in all material respect, in accordance with International Financial Reporting Standards as adopted by the EU applicable to IAS 34 Interim Financial Reporting and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank.

Approved by the Board of Directors and signed on its behalf on 22 August 2024 by:

Charles Borg
Director

Victor Denaro
Director

Registered Office:
ST Business Centre,
120, The Strand,
Gzira, GZR1027
Malta

22 August 2024

## Condensed statement of financial position

| | Notes | As at 30 June 2024 €'000 (unaudited) | As at 31 December 2023 €'000 (audited) |
|---|---|---|---|
| **ASSETS** | | | |
| Balances with Central Banks | | **85,256** | 210,030 |
| Loans and advances to banks | | **42,752** | 36,074 |
| Loans and advances to customers | 2 | **466,237** | 468,441 |
| Loans and advances to group companies | | **33,818** | 29,632 |
| Derivative financial instruments | | **3,000** | 3,000 |
| Investments | 8 | **221,514** | 148,291 |
| Right of use asset | | **365** | 644 |
| Property and equipment | | **264** | 253 |
| Intangible assets | | **1,157** | 1,285 |
| Other assets | | **9,274** | 11,419 |
| **Total assets** | | **863,637** | 909,069 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | | **10,000** | 10,000 |
| Capital contribution reserve | | **85,500** | 78,500 |
| Retained earnings | | **55,191** | 48,691 |
| **Total equity** | | **150,691** | 137,191 |
| **Liabilities** | | | |
| Amounts owed to customers | | **678,311** | 732,289 |
| Borrowings from group undertakings | | **18,601** | 18,073 |
| Derivative financial instruments | | **1,547** | 3,191 |
| Debt securities | 9 | **4,766** | 4,915 |
| Lease liability | | **273** | 540 |
| Other liabilities | | **9,448** | 10,729 |
| Current tax liabilities | | **-** | 2,141 |
| **Total liabilities** | | **712,946** | 771,878 |
| **Total equity and liabilities** | | **863,637** | 909,069 |
| **MEMORANDUM ITEMS** | | | |
| Commitments | | **7,632** | 11,923 |

These condensed interim financial statements were approved by the Board of Directors on 22 August 2024 and were signed on its behalf by:

Charles Borg
Director

Victor Denaro
Director

## Condensed statement of comprehensive income

| | Notes | For the six-month period ended 30 June 2024 €'000 (unaudited) | 2023 €'000 (unaudited) |
|---|---|---|---|
| Interest and similar income | 5 | **96,612** | 82,076 |
| Interest and similar expense | 6 | **(15,504)** | (6,055) |
| **Net interest income** | | **81,108** | 76,021 |
| Fee and commission income | 7 | **865** | 731 |
| Fee and commission expense | | **(607)** | (478) |
| **Net fee and commission expense** | | **258** | 253 |
| Net trading expense | | **(701)** | (1,245) |
| **Total operating income** | | **80,665** | 75,029 |
| Employee compensation and benefits | | **(4,539)** | (4,239) |
| Other operating costs | | **(32,054)** | (30,066) |
| Depreciation and amortisation | | **(528)** | (582) |
| Net movement in expected credit losses | | **(37,338)** | (34,020) |
| **Profit before tax** | | **6,206** | 6,122 |
| Tax credit/(expense) | 10 | **294** | (449) |
| **Profit for the period - total comprehensive income** | | **6,500** | 5,673 |

## Condensed statement of changes in equity

| | Notes | Share capital €'000 | Capital contribution reserve €'000 | Other reserves €'000 | Retained earnings €'000 | Total equity €'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2023** | | 10,000 | 78,500 | 2,592 | 35,245 | 126,337 |
| **Comprehensive income** | | | | | | |
| Profit for the period | | - | - | - | **5,673** | **5,673** |
| **Total comprehensive income for the period** | | - | - | - | **5,673** | **5,673** |
| **Balance at 30 June 2023** | | **10,000** | **78,500** | **2,592** | **40,918** | **132,010** |
| **Balance at 1 January 2024** | | 10,000 | 78,500 | - | 48,691 | 137,191 |
| **Comprehensive income** | | | | | | |
| Profit for the period | | - | - | - | **6,500** | **6,500** |
| **Total comprehensive income for the period** | | - | - | - | **6,500** | **6,500** |
| **Transactions with owners** | | | | | | |
| Capital contribution from shareholders | | - | **7,000** | - | - | **7,000** |
| **Total transactions with owners** | | - | **7,000** | - | - | **7,000** |
| **Balance at 30 June 2024** | | **10,000** | **85,500** | - | **55,191** | **150,691** |

## Condensed statement of cash flows

| | For the six-month period ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **€'000** | €'000 |
| **Cash flows from operating activities** | | |
| Interest and commission receipts | **96,852** | 82,624 |
| Interest and commission payments | **(12,657)** | (2,917) |
| Income tax paid | **(1,648)** | (777) |
| Payments to employees and suppliers | **(38,572)** | (32,331) |
| Amount paid in favour of Depositor Compensation Scheme | **(2,322)** | (509) |
| **Cash flows from operating profit before changes in operating assets and liabilities** | **41,653** | 46,090 |
| *Changes in operating assets and liabilities:* | | |
| Loans and advances to group companies | **(4,186)** | (6,695) |
| Loans and advances to customers | **(32,359)** | (48,989) |
| Amounts owed to customers | **(57,741)** | 65,690 |
| Net cash (used in)/generated from operating activities | **(52,633)** | 56,096 |
| **Cash flows from investing activities** | | |
| Purchase of investment in securitisation portfolio | **(37,593)** | (4,691) |
| Purchase of investment in debt instruments | **(34,472)** | (12,800) |
| Purchase of share option | **-** | (4,000) |
| Purchase of property and equipment | **(65)** | (48) |
| Purchase of intangible assets | **(66)** | (79) |
| Net cash used in investing activities | **(72,196)** | (21,618) |
| **Cash flows from financing activities** | | |
| Principal element of lease payments | **(267)** | (267) |
| Proceeds from shareholders | **7,000** | - |
| Net cash generated from/(used in) financing activities | **6,733** | (267) |
| **Net movement in cash and cash equivalents** | **(118,096)** | 34,211 |
| **Cash and cash equivalents at beginning of the year** | **246,104** | 94,164 |
| **Cash and cash equivalents at end of period** | **128,008** | 128,375 |

# Notes to the condensed financial statements

## 1. Basis of preparation and summary of material accounting policies

### 1.1 Basis of preparation

The condensed interim financial statements for the six-month period ended 30 June 2024 have been prepared in accordance with IAS 34 'Interim Financial Reporting' issued by the International Accounting Standards Board (IASB) and as endorsed by the EU. The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's Annual Report and Financial Statements 2023. Therefore, they include an explanation of events and transactions that are significant for understanding the changes on the Bank's financial position and performance since the end of 2023.

### 1.2 Summary of material accounting policies

The material accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards set out below.

*Standards, interpretations and amendments to published standards effective in 2024*

In 2024, the Bank adopted a number of interpretations and amendments to standards in the financial statements of the Bank. These changes did not have a significant impact on the Bank's accounting policies and on the financial performance and financial position.

No new standards were adopted during the year.

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

Certain new standards, interpretations and amendments to existing standards which are mandatory for accounting periods beginning on or after 1 January 2025 have been published by the date of authorisation for issue of this financial information. The Bank has not early adopted these requirements of IFRSs as adopted by the EU and the Bank's directors are of the opinion that, there are no requirements that will have a possible significant impact on the Bank's financial statements in the period of initial application.

### 1.3 Accounting estimates and judgements

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

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1, other than those related to the calculation of expected credit losses on loans and advances to customers and investments. The directors believe there are no areas involving a higher degree of judgement that have the most significant effect on the amounts recognised in the financial statements; and there are no key assumptions and other key sources of estimation uncertainty relating to estimates that require directors' most difficult, subjective or complex judgements, other than the measurement of expected credit losses for financial assets measured at amortised cost. The critical accounting estimates and judgements are set out in Note 3 of the Annual Report and Financial Statements 2023 and were applied to the current period under review.

## 1. Basis of preparation and summary of material accounting policies - continued

### 1.4 Going concern

The Bank continues to monitor the economic developments in each of the territories in which it offers its lending products and have investment exposures, particularly the volatile interest rate environment, and the impact that the ongoing geo-political tensions could have on the Bank's customers repayment abilities. Furthermore, the Bank continues to assess its credit management process, the financial performance, the projected level of business and anticipated adherence to the regulatory ratios for the next twelve months.

Based on the outcome of these assessments and other cash flow projections, the Directors and senior management consider the going concern assumption in the preparation of the Bank's financial statements as appropriate as at the date of authorisation for issue of the Condensed Interim Financial Statements for the six-month period ended 30 June 2024.

### 1.5 Material accounting policies

The material accounting policies that were applied in these condensed interim financial statements are consistent with those described in Note 1 of the Bank's Annual Report and Financial Statements 2023, as are the methods of computation.

## 2. Financial instruments

### 2.1 Summary of financial instruments to which the IFRS 9 requirements are applied

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation.

Credit risk is the most important risk for the Bank's business; accordingly, management carefully manages its exposure to this risk. Credit exposures arise principally through the Bank's lending activities in various European countries, together with the placement of liquidity with banks domiciled in Malta and other European countries.

The Bank is also exposed to credit risk arising from the issuance of financial guarantee contracts to entities granting micro-loans and other related credit products to individuals located in certain European countries.

The Bank is also exposed to credit risk arising on its exposure to the investment in securitisation portfolio and on its exposure to the investment in debt instruments.

Credit exposures through advances to group undertakings located in Finland and operating balances with other group undertakings located in European countries also give rise to credit risk.

## 2. Financial instruments - continued

### 2.1 Summary of financial instruments to which the IFRS 9 requirement are applied - continued

The Bank's credit risk exposures relating to on-balance sheet assets and off-balance sheet instruments, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements include the following:

| | **At 30 June 2024** | | At 31 December 2023 | |
|---|---|---|---|---|
| | **Gross carrying amount €'000** | **ECL allowance €'000** | Gross carrying amount €'000 | ECL allowance €'000 |
| **Credit risk exposures relating to on-balance sheet assets:** | | | | |
| *Subject to IFRS 9 impairment requirements* | | | | |
| Financial assets measured at amortised cost: | | | | |
| Balances with Central Banks | **85,256** | **-** | 210,030 | - |
| Loans and advances to banks | **42,752** | **-** | 36,074 | - |
| Loans and advances to customers | **551,092** | **(84,855)** | 549,366 | (80,925) |
| Loans and advances to group | **33,818** | **-** | 29,632 | - |
| Investment in securitisation portfolio | **129,061** | **-** | 91,224 | - |
| Investment in debt instruments | **92,544** | **(91)** | 57,100 | (33) |
| Other financial assets | **8,526** | **-** | 11,033 | - |
| *Not subject to IFRS 9 impairment requirements* | | | | |
| Share option | **3,000** | **-** | 3,000 | - |
| **Credit risk exposure** | **946,049** | **(84,946)** | 987,459 | (80,958) |
| **Credit risk exposures relating to off-balance sheet instruments:** | | | | |
| Commitments | **7,632** | **(827)** | 11,923 | (680) |
| **Credit risk exposure** | **7,632** | **(827)** | 11,923 | (680) |

**2. Financial instruments** - continued

### 2.2 Expected credit loss measurement

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

*(a) Loans and advances to customers*

The ECL is determined by projecting the PD, EAD and LGD at a collective portfolio level as allowable under IFRS 9 in the case of retail portfolios comprising individually insignificant exposures that are homogenous in nature. These three components are multiplied together effectively calculating the forward-looking ECL, which is then discounted back to the reporting date. The discount rate used in the ECL calculation is the actual effective interest rate or an approximation thereof.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

The PD, EAD and LGD parameters are derived from internally developed statistical models and other historical data, adjusted to reflect forward-looking information as described below.

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. Accordingly, the 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument, respectively.

The Bank's expected credit loss allowances on loans and advances to customers are modelled on a collective basis. As a result, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group of financial assets are homogenous. In performing this grouping, the Bank ensures that there is sufficient information for the group of financial assets to be statistically credible. In this respect, the Bank considers the following categories for ECL measurement of loans and advances to customers:

i. Micro-credit portfolios which are subject to bullet repayment characteristics;
ii. Credit portfolios with instalment repayment features and revolving credit facilities; and
iii. Other amortising, long-term credit products with instalment repayment features.

In the case of micro lending facilities with bullet repayment characteristics, the Bank utilises roll-rate methodology in order to estimate its PDs. This methodology employs statistical analysis of historical data and experience of delinquency and default to estimate the amount of loans that will eventually be written off as unrecoverable. This methodology is applied at territory or country level with adaptations to reflect the different nature of the respective markets in which the Bank operates. Under this methodology, loans are grouped into ranges according to the number of days past due and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable (PD).

## 2. Financial instruments - continued

### 2.2 Expected credit loss measurement – continued

*(a) Loans and advances to customers – continued*

In the case of credit facilities with characteristics similar to instalment loans or revolving facilities, the Bank utilises curve-stitching methodology in order to estimate its PDs. Under this approach, an analysis of historical default data is carried out in order to estimate cumulative monthly loss rates at various snapshot dates. Subsequently, statistical analysis is employed in order to combine curves with different historical performance windows into a single PD curve over the expected lifetime of the micro-credit exposures. This methodology is also applied at territory or country level in order to incorporate adaptations to reflect the nature of the different markets in which the Bank operates. Under this approach, loans are also grouped into ranges according to the number of days past due, with an individual lifetime PD curve being calculated for each range.

The conditional PD is adjusted to consider forward-looking information through macroeconomic modelling.

EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD represents the expected exposure in the event of a default (including any expected drawdowns of committed facilities).

The 12-month and lifetime EADs are determined based on the total balance of loans receivable at the reporting date, taking into account the total amount receivable from borrowers inclusive of principal, interest and fees that are accounted for as part of the effective interest rate. This is deemed an adequate representation of the expected balance at default in the case of the Bank's credit facilities given that the Bank models its ECLs on a collective portfolio level with the modelling of the EAD for each future month on an individual loan-by-loan basis not being deemed practical. Additionally, in the case of revolving credit facilities the Bank also factors in expected drawdowns of committed facilities.

The Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. Hence, the LGD represents expected credit losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral values (if any) at the time it is expected to be realised and the time value of money. The LGD is determined based on the factors which impact the recoveries made post default.

Given that its credit facilities are generally unsecured in nature, the Bank estimates LGD parameters based on the history of recovery rates in respect of claims against defaulted customers, which rates are highly impacted by collective debt recovery strategies. Moreover, the Bank's LGDs comprise the effects of the Bank's ability to dispose of overdue loans originated in specific territories to other parties at pre-established prices, that are dependent on the credit quality or ageing of the loans, emanating from existing contractual arrangements. Estimated LGDs are also impacted by historical one-off portfolio sales and the expected future uncontracted portfolio sales activity. Recoveries from loan portfolio sales are calculated on a discounted cash flow basis using the contractual default interest rate as the discounting factor.

The Bank has a number of forward flow agreements in place with third parties whereby loans and advances which are more than certain days past due will be sold to the third party in batch at an agreed price. The Bank is also capable of selling loans and advances on the market which it cannot collect or recover internally in the form of debt sales. In respect of longer-term amortising products where there is no experience of sales, the Bank has developed a number of scenarios.

## 2. Financial instruments - continued

### 2.2 Expected credit loss measurement – continued

*(a) Loans and advances to customers – continued*

The ECL is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Bank is exposed to credit risk. With respect to non-revolving credit facilities, the contractual life of the facility is considered. In the case of revolving credit facilities, provided that such facilities do not have a fixed term or repayment structure, the Bank defines the lifetime of such exposures as 24 months in line with observed borrower behaviour in specific territories. The lifetime of revolving credit facilities is re-assessed by the Bank at a territory level based on more recent borrower behaviour patterns on a periodic basis.

The calculation of ECL incorporates forward-looking information. The Bank performs a historical analysis to identify the key economic variables affecting credit risk and expected credit losses for each product portfolio at a territory level. These economic variables and their associated impact on the PD, EAD and LGD may vary by portfolio or territory.

No major changes were made to this methodology during the first half of 2024.

The Bank's loans and advances to customers includes exposures to two corporate entities which in view of their individual significance are assessed on an individual basis.

*(b) Investment in securitisation portfolio*

The investment in securitisation portfolio is made up of notes in Ferratum Portfolio S.À.R.L, a private limited liability company incorporated under the laws of Luxembourg as an unregulated securitisation company, which was set up during 2020. During 2020, the Bank acquired notes, which are structured in tranches amounting to €200,000 each, in the company. The principal activity of this company consists of the purchase and acquisition of receivables to entities which fall part of the Small and Medium Entities (SME) industry classification. Ferratum Portfolio S.À.R.L, held a portfolio of SME loans in Netherlands, Sweden, Finland, Lithuania and Denmark.

The management of 'expected credit losses' considers that an exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The expected credit risk of the underlying portfolio in SME loans which the securitisation vehicle invests in is measured using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is consistent to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to note 2.2.5 for more details.

In this respect, the Bank actively assesses the underlying loan portfolios which were acquired by the securitisation vehicle for indications of impairment. The Bank conducts periodical sensitivity analysis in relation to the respective portfolio, taking into consideration plausible worst-case scenarios, in order to assess whether the Bank should account for expected credit losses. The outcome of such sensitivity analysis, coupled with the fact that a substantial amount of potential losses would first be absorbed by Class B Notes holder, continues to indicate that the level of expected credit losses to be accounted for by the Bank is insignificant

## 2. **Financial instruments** - continued

### **2.2 Expected credit loss measurement** – continued

*(c) Investment in debt instruments*

The investments in debt instruments represent the acquisition by the Bank of secured bonds issued by corporate entities. These investments are evaluated and assessed at inception in order to determine the credit quality of the investment and potential credit risks that may arise. These investments in debt instruments are principally secured by a number of loan portfolios or immoveable property which are pledged in favour of the Bank, and are subject to a number of covenants including predetermined ratios of ageing portfolios and advance rates or loan-to-value. Such covenants are monitored on a regular basis by management and the Investments Committee. Moreover, the Bank also has additional collateral in the form of cash deposited in its accounts and/or pledged financial instruments in its favour in respect of each investment. Additionally, the investments in debt instruments encompass several clauses and covenants structured in a way which enable an effective management of credit risk.

The Bank's Risk Management team evaluates and assesses these investments at inception in order to determine the credit quality of the investment and the potential credit risks that may arise. Moreover, on an ongoing basis, the Bank actively monitors the applicable covenants to ensure that these are still being adhered to and reports such performance to the Investments Committee.

The Bank also conducts periodical assessments to the respective collateral, in order to assess whether the Bank should account for expected credit losses. Such assessments are based on the credit information supplied by the bond issuers which the Bank has invested in. In order for its ECL methodology to represent an appropriate estimation of its credit risk emanating from said investments, the Bank assesses the ECL on each credit portfolio securing the Bank's investment separately. Consistent with regulatory and industry best practices, the Bank's ECL calculations are based on Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is consistent to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9 for credit products originated by the Bank.

The Bank, on a selective basis, also elects to enforce specific rights arising from the contractual investment arrangements in place with the counterparties and through the engagement of external independent auditors obtains assurance reports in connection to specific credit and financial information supplied by the counterparties, on the basis of which the requirement for expected credit losses is calculated.

*(d) Other financial assets*

Other financial assets include Balances with the Central Banks of Malta, Sweden, Czech Republic and Lithuania, loans and advances to credit and financial institutions and loans and advances to group companies. The majority of the Bank's cash is held with Central Banks. Other than cash held with Central Banks, the Bank's excess liquidity is deposited with a large number of credit and financial institutions, according to the limits set in the Bank's Treasury Management Policy (TMP).

The Bank uses external risk grades to reflect its assessment of the probability of default of individual counterparties. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by rating agencies.

Other receivables are assessed in line with large exposure limits set in the Capital Requirements Regulation (CRR).

**2. Financial instruments** - continued

### 2.3 Forward-looking information incorporated in the ECL model

The Bank has identified key drivers of credit risk and credit losses for each portfolio of financial instruments, and using an analysis of historical data, has analysed relationships between macroeconomic variables, credit risk and credit losses. This analysis was conducted at a territory and sub portfolio level in order to take into consideration possible differences in customer behaviour and default experience arising from different product characteristics.

The determination impact of the territories specific macroeconomic variables have been determined by performing statistical regression analysis to understand the correlation between these macroeconomic variables and the historical default rates.

In those territories where due to certain risk data limitations, statistical relationships to macroeconomic variables were not deemed to be statistically significant (e.g. in those territories where the Bank has recently launched new products resulting in limited available historical default experience), the Bank has utilised proxy statistical data available in other territories with close geographical and demographic similarities.

The Bank incorporates multiple forward-looking economic conditions into its ECL estimates to utilise the country specific macroeconomic variable that is most relevant.

To be able to determine the way in which these economic conditions will be impacting the ECL estimates, the Bank first performs an assessment to select the macroeconomic variable ('MEV') which has the highest correlation to credit risk factors for a certain country and product. The Bank does this through the implementation of a one-step Error Correction Model ('ECM'). The ECM is a multiple regression model that automatically corrects short-term deviations from the long-term equilibrium relationship such that the defaulted loan amount is restored back to its long-term equilibrium at a specific speed of adjustment.

Through the utilisation of this model the Bank has determined a set of three MEVs to which the Bank's portfolios are the most sensitive, namely Gross Domestic Product ('GDP'), Personal Disposable Income ('PDI) and Unemployment Rate ('UR'). The choice of macroeconomic variable to be used for a particular country and product is determined through an optimised approach in which the ECM is run separately for each of these variables. The variable that is ultimately applied for the country / product is the one that produces the most statistically significant result.

In order to capture a range of possible future outcomes, three possible scenarios are considered in the determination of the Bank's ECL. The 'base line' scenario represents the most-likely outcome. It is based on forecasted economic variables, provided by Oxford Economics, referred to above and providing the best estimate view of each respective country within the Bank's consumer lending portfolio. Apart from the 'base line' scenario, the Bank considers two other macroeconomic scenarios – 'Upside' and 'Downside' scenarios – which respectively represent a more optimistic and a more pessimistic outcome. The more optimistic and more pessimistic scenarios are economically plausible and will not necessarily be as severe as scenarios used in stress testing.

The weightings assigned to each economic scenario, which are unchanged from 2023 were 60%, for the 'Base' scenario, 20% for the 'Downside' scenario and 20% for the 'Upside' scenario. The number of scenarios used is based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The probability weightings assigned to the respective scenarios reflect an unbiased evaluation of range of possible outcomes.

## 2. Financial instruments - continued

### 2.3 Forward-looking information incorporated in the ECL model – continued

On the basis of macroeconomic forecasts and data available as at 30 June 2024, the weightings applied take into account the following:

For *baseline scenario*, the expectation of the growth of the global economic outlook is a relatively steady recovery for H2 2024 and 2025. Oxford Economics' expected risks to global growth appear to lie to the downside. They highlight threats from the US presidential election, developments in the Middle East, and the possibility of sticky inflation and higher for longer interest rates. Upside hopes still rest on more substantial monetary policy easing than expected. As a result, Oxford Economics forecast world GDP growth of 2.6% in 2024 and 2.8% in 2025. The decision by the ECB (and some other Central Banks) to cut policy rates partly reflects a return to a more forward-looking assessment for the appropriate policy stance and a desire to reverse past rate hikes designed to contain the risk of inflation expectations.

For the *downside scenario*, management has considered a scenario revolving around interest rates remaining high for a longer period than expected. In this scenario, core inflation proves stickier than expected. Monetary policy is tightened again in the US, while policy rate cuts in the Eurozone and UK are delayed. Government bond yields rise as a result and higher yields persist throughout the scenario. Higher interest rates weigh on financial and housing markets. As lower equity and house prices hit business and consumer demand, a tightening in credit conditions amplifies the fall-out. As a result, the global economy slows, and Oxford Economics forecast world GDP growth of 2.4% in 2024 and 1.4% in 2025.

An *optimistic scenario* was modelled for global economy in which inflation prospects improve globally. Central bank caution fades as inflation quickly returns to target and policy rates are cut substantially. Financial markets strengthen with investors surprised by the speed and scale of near-term policy easing. The global economy strengthens accordingly. Oxford Economics expect that, through this global recovery, World GDP rises 0.1% and 0.6% above baseline in 2024 and 2025 respectively.

As with any macroeconomic forecasts, the projections and likelihoods of occurrence are subject to a degree of uncertainty, and therefore, the actual outcomes may be different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes.

## 2. Financial instruments - continued

### 2.3 Forward-looking information incorporated in the ECL model - continued

The respective macroeconomic variables used in the multiple regression were obtained from Oxford Economics and were as follows:

| As of 30 June 2024 | 30 June 2025 | 30 June 2026 | 30 June 2027 |
|---|---|---|---|
| **Bulgaria** | | | |
| **Gross Domestic Product** | | | |
| **Lev Millions: chained 2015 Prices** | | | |
| Baseline | 9,688 | 9,909 | 10,041 |
| Downside | 9,558 | 9,721 | 9,892 |
| Upside | 9,738 | 9,969 | 10,075 |
| **Czech Republic** | | | |
| **Unemployment Rate** | | | |
| **%** | | | |
| Baseline | 3.68 | 3.58 | 3.54 |
| Downside | 4.11 | 4.26 | 4.05 |
| Upside | 3.59 | 3.41 | 3.43 |
| **Denmark** | | | |
| **Unemployment Rate** | | | |
| **%** | | | |
| Baseline | 2.86 | 2.68 | 2.60 |
| Downside | 3.34 | 3.53 | 3.28 |
| Upside | 2.68 | 2.52 | 2.52 |
| **Estonia** | | | |
| **Personal Disposable Income** | | | |
| **Euro Millions: chained 2015 Prices** | | | |
| Baseline | 1,297 | 1,338 | 1,382 |
| Downside | 1,290 | 1,334 | 1,382 |
| Upside | 1,300 | 1,337 | 1,383 |
| **Finland** | | | |
| **Unemployment Rate** | | | |
| **%** | | | |
| Baseline | 7.32 | 6.76 | 6.34 |
| Downside | 7.56 | 7.19 | 6.68 |
| Upside | 7.19 | 6.57 | 6.25 |
| **Germany** | | | |
| **Personal Disposable Income** | | | |
| **Euro Billions: chained 2015 Prices** | | | |
| Baseline | 165 | 168 | 170 |
| Downside | 164 | 167 | 170 |
| Upside | 166 | 169 | 171 |

## 2. Financial instruments - continued

### 2.3 Forward-looking information incorporated in the ECL model - continued

| As of 30 June 2024 | 30 June 2025 | 30 June 2026 | 30 June 2027 |
|---|---|---|---|
| **Latvia** | | | |
| **Gross Domestic Product** | | | |
| **Euro Millions: chained 2015 Prices** | | | |
| Baseline | 2,508 | 2,585 | 2,655 |
| Downside | 2,476 | 2,554 | 2,640 |
| Upside | 2,520 | 2,600 | 2,666 |
| **Norway** | | | |
| **Gross Domestic Product** | | | |
| **Kroner Billions: chained 2020 prices** | | | |
| Baseline | 384 | 390 | 396 |
| Downside | 384 | 387 | 393 |
| Upside | 386 | 392 | 398 |
| **Poland** | | | |
| **Unemployment Rate** | | | |
| **%** | | | |
| Baseline | 4.80 | 4.60 | 4.51 |
| Downside | 5.29 | 5.22 | 4.96 |
| Upside | 4.53 | 4.37 | 4.42 |
| **Romania** | | | |
| **Gross Domestic Product** | | | |
| **Lei Billions: 2000 prices** | | | |
| Baseline | 106 | 109 | 113 |
| Downside | 104 | 107 | 111 |
| Upside | 107 | 110 | 113 |
| **Slovenia** | | | |
| **Gross Domestic Product** | | | |
| **Euro Millions: chained 2015 Prices** | | | |
| Baseline | 4,279 | 4,375 | 4,464 |
| Downside | 4,225 | 4,317 | 4,445 |
| Upside | 4,307 | 4,402 | 4,479 |
| **Sweden** | | | |
| **Personal Disposable Income** | | | |
| **Kronor Millions: chained 2022 prices** | | | |
| Baseline | 255,808 | 258,954 | 262,171 |
| Downside | 254,958 | 256,408 | 259,116 |
| Upside | 256,600 | 260,126 | 263,472 |

**2. Financial instruments** - continued

**2.3 Forward-looking information incorporated in the ECL model** – continued

| **As of 31 December 2023** | **2024** | **2025** | **2026** |
|---|---|---|---|
| **Bulgaria** | | | |
| **Gross domestic product** | | | |
| *Lev millions: chained 2015 prices* | | | |
| Baseline | 9,446 | 9,658 | 9,819 |
| Downside | 9,353 | 9,511 | 9,704 |
| Upside | 9,518 | 9,759 | 9,894 |
| **Czech Republic** | | | |
| **Unemployment rate** | | | |
| **%** | | | |
| Baseline | 4.02 | 3.74 | 3.64 |
| Downside | 4.44 | 4.56 | 4.27 |
| Upside | 3.57 | 3.09 | 3.31 |
| **Denmark** | | | |
| **Unemployment Rate** | | | |
| **%** | | | |
| Baseline | 2.98 | 2.77 | 2.76 |
| Downside | 3.37 | 3.60 | 3.45 |
| Upside | 2.78 | 2.41 | 2.57 |
| **Estonia** | | | |
| **Gross domestic product** | | | |
| *Euro millions: chained 2015 prices* | | | |
| Baseline | 2,184 | 2,335 | 2,439 |
| Downside | 2,163 | 2,312 | 2,428 |
| Upside | 2,196 | 2,353 | 2,451 |
| **Finland** | | | |
| **Personal disposable income** | | | |
| **Euro billions: 2015 prices** | | | |
| Baseline | 11 | 11 | 11 |
| Downside | 11 | 11 | 11 |
| Upside | 11 | 11 | 11 |
| **Germany** | | | |
| **Gross domestic product** | | | |
| **Euro billions: chained 2015 prices** | | | |
| Baseline | 273 | 278 | 283 |
| Downside | 268 | 270 | 278 |
| Upside | 277 | 283 | 286 |
| **Latvia** | | | |
| **Gross Domestic Product** | | | |
| **Euro Millions: chained 2015 prices** | | | |
| Baseline | 2,499 | 2,562 | 2,625 |
| Downside | 2,474 | 2,538 | 2,613 |
| Upside | 2,516 | 2,586 | 2,641 |

## 2. Financial instruments - continued

### 2.3 Forward-looking information incorporated in the ECL model - continued

| | | | |
|---|---|---|---|
| **Norway** | | | |
| **Personal Disposable Income** | | | |
| **Kroner Billions: chained 2020 prices** | | | |
| Baseline | 147 | 152 | 156 |
| Downside | 148 | 153 | 156 |
| Upside | 147 | 153 | 157 |
| | | | |
| **Poland** | | | |
| **Unemployment rate** | | | |
| **%** | | | |
| Baseline | 4.63 | 4.80 | 4.83 |
| Downside | 4.88 | 5.41 | 5.34 |
| Upside | 4.37 | 4.35 | 4.55 |
| | | | |
| **Romania** | | | |
| **Gross Domestic Product** | | | |
| **Lei Billions: 2000 Prices** | | | |
| Baseline | 106 | 109 | 111 |
| Downside | 105 | 107 | 110 |
| Upside | 107 | 110 | 112 |
| | | | |
| **Slovenia** | | | |
| **Gross Domestic Product** | | | |
| **Euro Millions: chained 2015 Prices** | | | |
| Baseline | 4,198 | 4,294 | 4,380 |
| Downside | 4,139 | 4,230 | 4,352 |
| Upside | 4,237 | 4,349 | 4,409 |
| | | | |
| **Sweden** | | | |
| **Personal disposable income** | | | |
| **Kronor millions: chained 2022 prices** | | | |
| Baseline | 239,319 | 242,191 | 245,697 |
| Downside | 238,941 | 240,480 | 243,430 |
| Upside | 239,944 | 243,517 | 247,163 |

The chained prices in respect to Gross Domestic Product and Personal Disposable Income outlined above adjust the respective real currency amounts for inflation over time to allow the comparison of figures from different periods.

## 2. **Financial instruments** - continued

### 2.4 ECL sensitivity analysis in respect of macroeconomic scenarios

Notwithstanding the significant number of assumptions and different aspects forming part of the Bank's methodology for modelling expected credit loss allowances in respect of exposures classified within the Bank's portfolios of financial instruments, the ECL measurement is also sensitive to the estimations made in respect of forecasting of the macroeconomic scenarios described above, as at 30 June 2024, in view of the current level of uncertain environment climate being experienced in the different territories in which the Bank has exposure to and other conditions outlined further in Note 1.4.

In view of the above, the Bank assessed and is hereby presenting the sensitivity analysis in respect of credit loss allowances for loans and advances to customers and investments as at 30 June 2024, estimated by determining the range of credit loss allowances which would have been measured by assigning a 100% weighting to each of the three macroeconomic scenarios developed as presented in the table below.

*(a) Loans and advances to customers*

| | **(Decrease) / increase in ECL At 30 June 2024 €'000** | (Decrease) / increase in ECL At 31 December 2023 €'000 |
|---|---|---|
| 100% Base | **(176)** | (595) |
| 100% Downside | **5,203** | 4,576 |
| 100% Upside | **(4,627)** | (4,828) |

*(b) Investment in debt instruments and securitisation portfolio*

| | **(Decrease) / increase in ECL At 30 June 2024 €'000** | (Decrease) / increase in ECL At 31 December 2023 €'000 |
|---|---|---|
| 100% Base | **(12)** | (5) |
| 100% Downside | **127** | 39 |
| 100% Upside | **(91)** | (33) |

## 2. Financial instruments - continued

### 2.5 Information on credit quality of investments

*(a) Investment in securitisation portfolio*

The Bank's investment in securitisation portfolio consists of notes, which are structured in tranches amounting to €200,000 each, in Ferratum Portfolio S.À.R.L, a private limited liability company incorporated under the laws of Luxembourg as an unregulated securitisation company, which was set up during 2020. The principal activity of this company consists of the purchase and acquisition of receivables to entities which fall part of the Small and Medium Entities ("SME") industry classification. As of 30 June 2024, Ferratum Portfolio S.À.R.L, held a portfolio of SME loans in Netherlands, Sweden, Finland, Denmark and Lithuania.

According to the note purchase agreement dated 21 August 2020 Ferratum Portfolio S.À.R.L acquires receivables which are not defaulted, disputed or insolvent. The acquired portfolio consists of current and 1-30 days past due exposures with an underlying estimated probability of default which is not in excess of 20%.

The Bank is the holder of Class A notes, which are senior notes and have a higher credit quality and also the highest priority of payment amongst the other creditors.

In this respect, the Bank actively assesses the securitisation portfolio for indications of impairment. The Bank conducts periodical sensitivity analysis in relation to the respective portfolio, taking into consideration plausible worst-case scenarios, in order to assess whether the Bank should account for expected credit losses.

Additionally, the analysis includes the test for impairment using the theoretical profit/loss for the Special Purpose Vehicle ("SPV"), the weighted average PD of the SPV and the SPV expected credit losses ("ECL") as a percentage of its gross amount of loans and advances to customers which is compared to the SPV break-even point (which is the weighted average ECL break-even point for the different portfolios within the same compartment) as this is the final indication as to whether the investment in the SPV needs to be impaired or not. This break-even point is recalculated periodically to make sure that any newly emerging trends in the underlying's performance is taken into account.

## 2. Financial instruments - continued

### 2.5 Information on credit quality of investments - continued

*(a) Investment in securitisation portfolio - continued*

The outcome of such analysis, coupled with the fact that a substantial amount of potential losses would first be absorbed by Class B Notes holder, does not reflect any need for the Bank to account for expected credit losses.

| | For the period ended 30 June 2024 | | | |
|---|---|---|---|---|
| | **Stage 1 12-month ECL €'000** | **Stage 2 Lifetime ECL €'000** | **Stage 3 Lifetime ECL €'000** | **Total €'000** |
| **Investment in securitisation portfolio at amortised cost** | | | | |
| Unrated | **129,061** | **-** | **-** | **129,061** |
| **Gross carrying amount** | **129,061** | **-** | **-** | **129,061** |
| Loss allowance | - | - | - | - |
| **Carrying amount** | **129,061** | **-** | **-** | **129,061** |

| | For the year ended 31 December 2023 | | | |
|---|---|---|---|---|
| | Stage 1 12-month ECL €'000 | Stage 2 Lifetime ECL €'000 | Stage 3 Lifetime ECL €'000 | Total €'000 |
| Investment in securitisation portfolio at amortised cost | | | | |
| Unrated | 91,224 | - | - | 91,224 |
| Gross carrying amount | 91,224 | - | - | 91,224 |
| Loss allowance | - | - | - | - |
| Carrying amount | 91,224 | - | - | 91,224 |

*(b) Investment in debt instruments*

The investment in debt instruments reflect the Bank's acquisition of secured bonds. Such bonds are principally secured by immovable property or loan portfolios that are pledged in favour of the Bank, taking into consideration pre-established collateralised ratios in relation to the amount invested and also encompass pre-established covenants, such as *inter alia* ratios in relation to exposures by ageing of the underlying pledged portfolio or loan-to-value. Moreover, the Bank also has an additional collateral in the form of cash deposited in its accounts or pledged financial instruments in favour of the Bank in respect of specific investments.

## 2. Financial instruments - continued

### 2.5 Information on credit quality of investments - continued

*(b) Investment in debt instruments - continued*

The Bank conducts periodical assessments at management and Investments Committee level in relation to the respective portfolio, in order to assess whether the Bank should account for expected credit losses. The outcome of such assessments considers the safeguards in favour of the Bank which are included within the investment covenants.

| | For the period ended 30 June 2024 | | | |
|---|---|---|---|---|
| | **Stage 1 12-month ECL €'000** | **Stage 2 Lifetime ECL €'000** | **Stage 3 Lifetime ECL €'000** | **Total €'000** |
| **Investments in debt instruments at amortised cost** | | | | |
| Unrated | **92,544** | **-** | **-** | **92,544** |
| **Gross carrying amount** | **92,544** | **-** | **-** | **92,544** |
| Loss allowance | **(91)** | **-** | **-** | **(91)** |
| **Carrying amount** | **92,453** | **-** | **-** | **92,453** |

| | For the year ended 31 December 2023 | | | |
|---|---|---|---|---|
| | Stage 1 12-month ECL €'000 | Stage 2 Lifetime ECL €'000 | Stage 3 Lifetime ECL €'000 | Total €'000 |
| Investments in debt instruments at amortised cost | | | | |
| Unrated | 57,100 | - | - | 57,100 |
| Gross carrying amount | 57,100 | - | - | 57,100 |
| Loss allowance | (33) | - | - | (33) |
| Carrying amount | 57,067 | - | - | 57,067 |

## 2. Financial instruments – continued

### 2.6 Modification of financial assets – continued

As explained in Note 1.5 of the Bank's Annual Report and Financial Statements 2023, the Bank sometimes modifies the terms of loans provided to customers. These modifications can take different forms, can happen at different stages during the maturity period of the loan. The Bank has in place procedures and policies to identify whether such modifications granted by the Bank constitute forbearance as defined by EU Regulation 575/2013 ('CRR2').

The Bank held renegotiated or rescheduled loans and advances to customers amounting to €77,828,000 as at June 2024 (2023: €113,700,000). These are analysed below by Stage as follows:

| | **For the six-month period ended 30 June 2024** | | Still outstanding at 31 July 2024 | |
|---|---|---|---|---|
| | **Gross carrying amount €'000** | **Expected credit losses €'000** | Gross carrying amount €'000 | Expected credit losses €'000 |
| Stage 1 | **71,357** | **4,761** | 69,576 | 4,835 |
| Stage 2 | **4,550** | **1,428** | 4,090 | 1,264 |
| Stage 3 | **1,921** | **909** | 1,936 | 896 |
| | **77,828** | **7,098** | 75,602 | 6,995 |

| | For the year ended 31 December 2023 | | Still outstanding at 31 January 2024 | |
|---|---|---|---|---|
| | Gross carrying amount €'000 | Expected credit losses €'000 | Gross carrying amount €'000 | Expected credit losses €'000 |
| Stage 1 | 98,842 | 6,242 | 94,035 | 6,253 |
| Stage 2 | 10,113 | 3,213 | 10,057 | 3,214 |
| Stage 3 | 4,745 | 2,047 | 5,592 | 2,429 |
| | 113,700 | 11,502 | 109,684 | 11,896 |

## 2. Financial instruments – continued

### 2.6 Modification of financial assets – continued

The Bank's rescheduled loans are analysed by geographical location as follows:

| | **For the six-month month period ended 30 June 2024 €'000** | For the year ended 31 December 2023 €'000 |
|---|---|---|
| Northern and western Europe | **62,383** | 91,869 |
| Eastern Europe | **15,445** | 21,831 |
| | **77,828** | 113,700 |

In cases where the Bank grants specific modifications to customers who are assessed by the Bank as experiencing financial difficulties, then these exposures are marked as forborne as explained above in line with the Bank's updated policies in relation to forbearance. As at the six-month ended June 2024, total loans which were identified as forborne amounted to €2,531,577 (31 December 2023: €2,450,000) on which a total ECL of €812,626 (31 December 2023: €830,000) was accounted for.

### 2.7 Reconciliation of 12-month and lifetime ECL provision

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between 'Stage 1' and 'Stages 2 or 3' due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The significant change in the gross carrying amount of financial assets that contributed to changes in loss allowances was mainly due to growth in the loan book, which was aligned with the Bank's growth objectives.

## 2. Financial instruments - continued

### 2.7 Reconciliation of 12-month and lifetime ECL provision – continued

The following table explains changes in the gross carrying amount of the financial assets to help explain their significance to the changes in the loss allowance for the same portfolios as discussed previously:

| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross carrying amount €'000 | Expected credit losses €'000 | Gross carrying amount €'000 | Expected credit losses €'000 | Gross carrying amount €'000 | Expected credit losses €'000 | Gross carrying amount €'000 | Expected credit losses €'000 |
| **Balances with Central Banks at amortised cost at 1 January 2024** | 210,030 | - | - | - | - | - | 210,030 | - |
| Net movement in EAD and changes in risk parameters (PD/LGD) | (124,774) | - | - | - | - | - | (124,774) | - |
| **At 30 June 2024** | 85,256 | - | - | - | - | - | 85,256 | - |
| **Total net income statement change during the period** | | - | | - | | - | | - |
| **Investments at amortised cost at 1 January 2024** | 148,324 | (33) | - | - | - | - | 148,324 | (33) |
| New financial assets originated or purchased | 73,281 | - | - | - | - | - | 73,281 | - |
| Net movement in EAD and changes in risk parameters (PD/LGD) | - | (58) | - | - | - | - | - | (58) |
| **At 30 June 2024** | 221,605 | (91) | - | - | - | - | 221,605 | (91) |
| **Total net income statement change during the period** | | (58) | | - | | - | | (58) |
| **Loans and advances to banks at amortised cost at 1 January 2024** | 36,074 | - | - | - | - | - | 36,074 | - |
| Net movement in EAD and changes in risk parameters (PD/LGD) | 7,549 | - | - | - | - | - | 7,549 | - |
| Financial assets derecognised | (871) | - | - | - | - | - | (871) | - |
| **At 30 June 2024** | 42,752 | - | - | - | - | - | 42,752 | - |
| **Total net income statement change during the period** | | - | | - | | - | | - |
| **Loans and advances with group companies at amortised cost at 1 January 2024** | 29,632 | - | - | - | - | - | 29,632 | - |
| Net movement in EAD and changes in risk parameters (PD/LGD) | 4,186 | - | - | - | - | - | 4,186 | - |
| **At 30 June 2024** | 33,818 | - | - | - | - | - | 33,818 | - |
| **Total net income statement change during the period** | | - | | - | | - | | - |

## 2. Financial instruments - continued

### 2.7 Reconciliation of 12-month and lifetime ECL provision - continued

| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross carrying amount €'000 | Expected credit losses €'000 | Gross carrying amount €'000 | Expected credit losses €'000 | Gross carrying amount €'000 | Expected credit losses €'000 | Gross carrying amount €'000 | Expected credit losses €'000 |
| **Balances with Central Banks at amortised cost** | | | | | | | | |
| **At 1 January 2023** | 66,808 | - | - | - | - | - | 66,808 | - |
| Net movement in EAD and changes in risk paraments (PD/LGD) | 143,222 | - | - | - | - | - | 143,222 | - |
| **At 31 December 2023** | 210,030 | - | - | - | - | - | 210,030 | - |
| **Total net income statement change during the year** | - | - | - | - | - | - | - | - |
| **Investments at amortised cost at 1 January 2023** | 99,064 | - | - | - | - | - | 99,064 | - |
| Financial assets originated or purchased during the year | 27,480 | (33) | - | - | - | - | 27,480 | (33) |
| Net movement in EAD and changes in risk paraments (PD/LGD) | 21,780 | - | - | - | - | - | 21,780 | - |
| **At 31 December 2023** | 148,324 | (33) | - | - | - | - | 148,324 | (33) |
| **Total net income statement change during the year** | - | (33) | - | - | - | - | - | (33) |
| **Loans and advances to banks at amortised cost at 1 January 2023** | 27,356 | - | - | - | - | - | 27,356 | - |
| Financial assets originated or purchased during the year | 7,591 | - | - | - | - | - | 7,591 | - |
| Net movement in EAD and changes in risk paraments (PD/LGD) | 1,264 | - | - | - | - | - | 1,264 | - |
| Financial assets derecognised during the year | (137) | - | - | - | - | - | (137) | - |
| **At 31 December 2023** | 36,074 | - | - | - | - | - | 36,074 | - |
| **Total net income statement change during the year** | - | - | - | - | - | - | - | - |
| **Loans and advances to group companies at amortised cost at 1 January 2023** | 26,576 | - | - | - | - | - | 26,576 | - |
| Net movement in EAD and changes in risk paraments (PD/LGD) | 3,056 | - | - | - | - | - | 3,056 | - |
| **At 31 December 2023** | 29,632 | - | - | - | - | - | 29,632 | - |
| **Total net income statement change during the year** | - | - | - | - | - | - | - | - |

## 2. Financial instruments - continued

### 2.7 Reconciliation of 12-month and lifetime ECL provision - continued

The following tables explain the changes in the gross carrying amount and loss allowance between the beginning and the end of the period:

| | Stage1 | | Stage2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross carrying amount | Expected credit losses | Gross carrying amount | Expected credit losses | Gross carrying amount | Expected credit losses | Gross carrying amount | Expected credit losses |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Loans and advances to customers at amortised cost at 1 January 2024** | **436,277** | **(24,734)** | **37,197** | **(11,889)** | **75,892** | **(44,302)** | **549,366** | **(80,925)** |
| Transfers of financial instruments | | | | | | | | |
| Transfer from Stage 1 to Stage 2 | (24,384) | 2,489 | 24,384 | (2,489) | - | - | - | - |
| Transfer from Stage 1 to Stage 3 | (21,950) | 1,998 | - | - | 21,950 | (1,998) | - | - |
| Transfer from Stage 2 to Stage 1 | 5,110 | (1,594) | (5,110) | 1,594 | - | - | - | - |
| Transfer from Stage 2 to Stage 3 | - | | (20,739) | 6,592 | 20,739 | (6,592) | - | - |
| Net remeasurement of ECL arising from stage transfers and changes in risk parameters | | (610) | | (6,809) | | (7,714) | | (15,133) |
| Write-offs | - | - | - | - | (3,228) | (28,631) | (3,228) | (28,631) |
| New and further lending | 258,886 | (18,019) | 15,403 | (5,575) | 12,763 | (5,248) | 287,052 | (28,842) |
| Repayments and disposals | (211,527) | 14,432 | (17,492) | 7,644 | (49,492) | 13,399 | (278,511) | 35,475 |
| **Total net income statement charge during the period** | | **(1,304)** | | **957** | | **(36,784)** | **-** | **(37,131)** |
| Impact of unwinding ECL provisions | | - | | - | | - | - | - |
| Write-offs | | - | | - | | 32,603 | - | 32,603 |
| Exchange differences and other movements | (2,910) | - | (329) | - | (348) | 598 | (3,587) | 598 |
| **At 30 June 2024** | **439,502** | **(26,038)** | **33,314** | **(10,932)** | **78,276** | **(47,885)** | **551,092** | **(84,855)** |

ECL allowances on undrawn commitments to lend are incorporated within ECL allowances on loans and advances to customers so as not to distort the ECL-related disclosures.

The movement in ECL allowances illustrated above excludes the increase in ECL allowances amounting to €149,000 as at 30 June 2024 (31 December 2023: decrease of €2,827,000) in respect of off-balance sheet financial guarantee contracts and other commitments which are separately disclosed in the table on the following pages.

The unwind of discount on Stage 3 financial assets is reported within 'Interest Income' so that interest income is recognised on the amortised cost (after deducting the ECL allowance).

## 2. Financial instruments - continued

### 2.7 Reconciliation of 12-month and lifetime ECL provision – continued

| | Stage1 | | Stage2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross carrying amount | Expected credit losses | Gross carrying amount | Expected credit losses | Gross carrying amount | Expected credit losses | Gross carrying amount | Expected credit losses |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Loans and advances to customers at amortised cost** | | | | | | | | |
| **at 1 January 2023** | 375,980 | (20,605) | 29,362 | (8,246) | 68,185 | (36,880) | 473,527 | (65,731) |
| Transfers of financial instruments | | | | | | | | |
| Transfer from Stage 1 to Stage 2 | (24,969) | 1,928 | 24,969 | (1,928) | - | - | - | - |
| Transfer from Stage 1 to Stage 3 | (51,691) | 3,653 | - | - | 51,691 | (3,653) | - | - |
| Transfer from Stage 2 to Stage 1 | 3,254 | (788) | (3,254) | 788 | - | - | - | - |
| Transfer from Stage 2 to Stage 3 | - | | (20,943) | 5,757 | 20,943 | (5,757) | - | - |
| Net remeasurement of ECL arising from stage transfers and changes in risk parameters | | (1,031) | | (6,401) | | (17,393) | | (24,825) |
| Write-offs | - | - | - | - | (714) | (61,979) | (714) | (61,979) |
| New and further lending | 544,733 | (34,224) | 38,204 | (12,445) | 63,110 | (21,812) | 646,047 | (68,481) |
| Repayments and disposals | (411,345) | 26,416 | (31,208) | 10,623 | (127,344) | 43,704 | (569,897) | 80,743 |
| **Total net income statement charge during the year** | | (4,046) | | (3,606) | | (66,890) | | (74,542) |
| Impact of unwinding ECL provisions | | - | | - | | (6) | | (6) |
| Write-offs | | - | | - | | 59,360 | | 59,360 |
| Exchange differences and other movements | 315 | (83) | 67 | (37) | 21 | 114 | 403 | (6) |
| **At 31 December 2023** | 436,277 | (24,734) | 37,197 | (11,889) | 75,892 | (44,302) | 549,366 | (80,925) |

## 2. Financial instruments - continued

### 2.7 Reconciliation of 12-month and lifetime ECL provision - continued

The following tables explain the changes in the gross carrying amount and loss allowance between the beginning and the end of the period in respect of financial guarantee contracts and other commitments:

| | Stage1 | | Stage2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross carrying amount | Expected credit losses | Gross carrying amount | Expected credit losses | Gross carrying amount | Expected credit losses | Gross carrying amount | Expected credit losses |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Financial guarantee contracts and other commitments at amortised cost at 1 January 2024** | **11,890** | **(661)** | **8** | **(3)** | **25** | **(16)** | **11,923** | **(680)** |
| Transfers of financial instruments | | | | | | | | |
| Transfer from Stage 1 to Stage 2 | (131) | 23 | 131 | (23) | - | - | - | - |
| Transfer from Stage 1 to Stage 3 | (103) | 18 | - | - | 103 | (18) | - | - |
| Transfer from Stage 2 to Stage 1 | - | - | - | - | - | - | - | - |
| Transfer from Stage 2 to Stage 3 | - | - | (4) | 2 | 4 | (2) | - | - |
| Net remeasurement of ECL arising from stage transfers and changes in risk parameters | - | (225) | - | (44) | - | (50) | - | (319) |
| New and further lending | 6,062 | (1,333) | 1,185 | (580) | 240 | (152) | 7,487 | (2,065) |
| Repayments and disposals | (10,275) | 1,452 | (1,195) | 589 | (308) | 194 | (11,778) | 2,235 |
| **Total net income statement charge during the year** | | **(65)** | | **(56)** | | **(28)** | | **(149)** |
| **At 30 June 2024** | **7,443** | **(726)** | **125** | **(59)** | **64** | **(44)** | **7,632** | **(829)** |

Remeasurement of loss allowance arising from foreign-exchange and other movements was not considered significant.

Gross carrying amount in respect of financial guarantee contracts and other commitments as at 30 June 2024 decreased by €4,291,000 (31 December 2023: increase of €3,851,000). This mainly relates to the net effect of the expiry or enforcement of existing financial guarantees and the issuance of new financial guarantees.

## 2. **Financial instruments** - continued

### 2.7 Reconciliation of 12-month and lifetime ECL provision - continued

| | Stage1 | | Stage2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross carrying amount | Expected credit losses | Gross carrying amount | Expected credit losses | Gross carrying amount | Expected credit losses | Gross carrying amount | Expected credit losses |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Financial guarantee contracts at amortised cost at 1 January 2023** | 5,694 | (727) | 756 | (389) | 3,445 | (2,391) | 9,895 | (3,507) |
| Transfers of financial instruments | | | | | | | | |
| Transfer from Stage 1 to Stage 2 | (46) | 9 | 46 | (9) | - | - | - | - |
| Transfer from Stage 1 to Stage 3 | (200) | 43 | - | - | 200 | (43) | - | - |
| Transfer from Stage 2 to Stage 1 | 45 | (22) | (45) | 22 | - | - | - | - |
| Transfer from Stage 2 to Stage 3 | - | - | (160) | 83 | 160 | (83) | - | - |
| Net remeasurement of ECL arising from stage transfers and changes in risk parameters | - | (309) | - | (83) | - | (422) | - | (814) |
| New and further lending | 21,012 | (2,284) | 1,655 | (850) | 1,715 | (1,164) | 24,382 | (4,298) |
| Repayments and disposals | (14,615) | 2,629 | (2,244) | 1,223 | (5,495) | 4,087 | (22,354) | 7,939 |
| **Total net income statement charge during the year** | | 66 | | 386 | | 2,375 | | 2,827 |
| **At 31 December 2023** | 11,890 | (661) | 8 | (3) | 25 | (16) | 11,923 | (680) |

## 3. Fair value measurement of financial instruments

The Bank's financial instruments for the period ended 30 June 2024 and the financial year ended 31 December 2023, which are carried at fair value include the Bank's Derivative financial instrument measured at fair value through profit and loss (FVPL). The Bank is required to disclose fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the Statement of Financial Position at fair value:

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

The IFRS 13 hierarchy of valuation techniques is based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

The following tables reflect an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| | Level 1<br>€'000 | Level 2<br>€'000 | Level 3<br>€'000 | Total<br>€'000 |
|---|---|---|---|---|
| **At 30 June 2024** | | | | |
| **Financial assets** | | | | |
| Derivative financial instrument measured at FVTPL | - | **3,000** | - | **3,000** |
| **Total financial assets** | - | **3,000** | - | **3,000** |
| **Financial liabilities** | | | | |
| Derivative financial instrument measured at FVTPL | - | **1,547** | - | **1,547** |
| **Total financial liabilities** | - | **1,547** | - | **1,547** |

| | Level 1<br>€'000 | Level 2<br>€'000 | Level 3<br>€'000 | Total<br>€'000 |
|---|---|---|---|---|
| **At 31 December 2023** | | | | |
| **Financial assets** | | | | |
| Derivative financial instrument measured at FVTPL | - | 3,000 | - | 3,000 |
| **Total financial assets** | - | 3,000 | - | 3,000 |
| **Financial liabilities** | | | | |
| Derivative financial instrument measured at FVTPL | - | 3,191 | - | 3,191 |
| **Total financial liabilities** | - | 3,191 | - | 3,191 |

## 3. Fair value measurement of financial instruments - continued

There were no transfers between levels 1, 2 and 3 during the year. The derivative financial instruments reflect the Bank's currency forwards, together with an option to acquire shares in a Finnish entity which was acquired during 2023. The valuation of the share option is based on a valuation report which has been commissioned from an independent third party valuing firm.

*Financial instruments in Level 1*

The fair value of instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial instruments held by the Bank is the current bid price at 31 December of the respective year. No instruments are included in Level 1.

*Financial instruments in Level 2*

Fair values for the Bank's derivative contracts are generally determined utilising valuation techniques, involving primarily the use of discounted cash flow techniques and Black-Scholes option pricing model. The fair values referred to are determined by reference to market prices or rates (forward foreign exchange rates) quoted at the end of the reporting period. The valuation techniques used are supported by observable market prices or rates since their variables include only data from observable markets. The Bank's derivative financial instruments are accordingly typically categorised as Level 2 instruments.

*Financial instruments in Level 3*

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.

*Financial instruments not measured at fair value*

As of the six-month period ended 30 June 2024 and the year ended 2023, the carrying amounts of loans and advances to banks, loans and advances to customers, other assets, borrowed funds, amounts owed to customers, loans and advances with group companies and other liabilities reflected in the financial statements are considered to be reasonable estimates of fair value in view of the nature of these instruments and the short period of time between the origination of the instruments and their expected realisation or liquidation.

As at 30 June 2024, the investment in securitisation portfolio and the investment in debt instruments have an estimated fair value of €125,824,000 (2023: €87,134,000) and €88,023,000 (2023: €55,879,000), respectively, compared to their respective carrying amounts of €128,482,000 (2023: €91,224,000) and €90,472,000 (2023: €57,067,000), respectively. The estimated fair values were calculated based on cash flows discounted using the effective rate of the instrument. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs, including counterparty credit risk.

As at 30 June 2024, the borrowings from a group undertaking have an estimated fair value of €17,944,000 (2023: €17,100,000) compared to their carrying amount of €18,000,000 (2023: €18,000,000). The fair value was determined by reference to the €50,000,000 11.42% bonds issued by Multitude SE, and as a result is considered a level 3 fair value estimate.

## 4. Segmental reporting

The Chief Executive Officer, supported by the Board of Directors, is considered to be the Chief Operating Decision Maker ('CODM') for the purposes of identifying the Bank's reportable segments. Through its consumer unsecured loans, the Bank serves customers in three main geographic areas being northern and western Europe, eastern Europe, and Malta. These three geographic areas are identified as operating segments and reported separately as they are operating segments exceeding the quantitative thresholds in IFRS 8.

The Northern and Western Europe reportable segment comprises the Nordic and Western countries, mainly Sweden, Norway, Finland, Denmark, United Kingdom, Spain, Luxembourg and Germany, while the remaining Eastern Europe reportable segment comprises Latvia, Czech Republic, Estonia, Romania, Bulgaria, Croatia, Cyprus, Poland, Slovakia, Lithuania and Slovenia.

The deposit business is principally sourced through Germany which is categorised under the western Europe segment.

Since the Bank's activities and operations are closely interlinked, the below data includes internal allocations of support services of income and expense. While such allocations have been made on a systematic and consistent basis, they necessarily involve a degree of subjectivity.

In terms of segmental reporting of the Statement of Financial Position, the CODM reviews "Loans and advances to customers", "Amounts owed to customers", "Investments" and "Balances with Central Banks" as measures of the reportable segments' total assets and liabilities. These line items are consequently separately reported.

*Segmental Reporting - Statement of Comprehensive Income*

| | **For the six-month period ended 30 June 2024** | | | |
|---|---|---|---|---|
| | **Northern and Western Europe €'000** | **Eastern Europe €'000** | **Malta €'000** | **Total €'000** |
| Operating profit | 46,570 | 33,300 | 795 | 80,665 |
| Operating expenses | (21,277) | (15,515) | (329) | (37,121) |
| Net impairment losses | (22,044) | (15,294) | - | (37,338) |
| **Profit before tax** | **3,249** | **2,491** | **466** | **6,206** |

| | For the six-month period ended 30 June 2023 | | | |
|---|---|---|---|---|
| | Northern and Western Europe €'000 | Eastern Europe €'000 | Malta €'000 | Total €'000 |
| Operating profit | 42,658 | 31,921 | 450 | 75,029 |
| Operating expenses | (19,682) | (14,643) | (562) | (34,887) |
| Net impairment losses | (21,343) | (12,677) | - | (34,020) |
| Profit before tax | 1,633 | 4,601 | (112) | 6,122 |

## 4. **Segmental reporting** - continued

*Segmental Reporting - Statement of Financial Position*

| | **For the six-month period ended 30 June 2024** | | | |
|---|---|---|---|---|
| | **Northern and Western Europe €'000** | **Eastern Europe €'000** | **Malta €'000** | **Total €'000** |
| Loans and advances to customers | 284,722 | 181,515 | - | 466,237 |
| Investments | 126,930 | 94,584 | - | 221,514 |
| Balances with Central Banks | 29,364 | 17,771 | 38,121 | 85,256 |
| Amounts owed to customers | 677,927 | 384 | - | 678,311 |

| | For year ended 31 December 2023 | | | |
|---|---|---|---|---|
| | Northern and Western Europe €'000 | Eastern Europe €'000 | Malta €'000 | Total €'000 |
| Loans and advances to customers | 291,934 | 176,507 | - | 468,441 |
| Investments | 111,438 | 36,853 | - | 148,291 |
| Balances with Central Banks | 6,734 | 31,976 | 171,320 | 210,030 |
| Amounts owed to customers | 731,357 | 932 | - | 732,289 |

## 5. **Interest and similar income**

| | **For the six-month period ended 30 June** | |
|---|---|---|
| | **2024 €'000** | 2023 €'000 |
| On loans and advances to banks | **2,173** | 587 |
| On loans and advances to customers | **86,229** | 77,150 |
| On loans and advances to group companies | **998** | 1,031 |
| On investments | **7,212** | 3,308 |
| | **96,612** | 82,076 |

## 6. Interest and similar expense

| | For the six-month period ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **€'000** | €'000 |
| On loans and advances from group companies | **475** | - |
| On borrowings from group undertakings | **601** | - |
| On debt securities | **152** | 152 |
| On lease liability | **9** | 21 |
| On amounts owed to customers | **14,267** | 5,882 |
| | **15,504** | 6,055 |

## 7. Fee and commission income

| | For the six-month period ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **€'000** | €'000 |
| Fee and other related income | **865** | 731 |

## 8. Investments

| | **As at 30 June 2024** | As at 31 December 2023 |
|---|---|---|
| | **€'000** | €'000 |
| Investment in securitisation portfolio | **129,061** | 91,224 |
| Investment in debt instruments | **92,453** | 57,067 |
| | **221,514** | 148,291 |

## 8. Investments - continued

The movement in investments is analysed as follows:

| | Investments in securitisation portfolio €'000 | Investments in debt instruments €'000 | Total €'000 |
|---|---|---|---|
| **At 1 January 2023** | | | |
| Cost | 77,697 | 20,800 | 98,497 |
| Accumulated accrued interest | 260 | 307 | 567 |
| Net book amount | **77,957** | **21,107** | **99,064** |
| **Year ended 31 December 2023** | | | |
| Opening net book amount | 77,957 | 21,107 | 99,064 |
| Additions | 13,192 | 35,200 | 48,392 |
| Changes in expected credit losses | - | (33) | (33) |
| Accrued interest | 75 | 793 | 868 |
| Closing net book amount | **91,224** | **57,067** | **148,291** |
| **At 1 January 2024** | | | |
| Cost | 90,889 | 56,000 | 146,889 |
| Allowance for expected credit losses | - | (33) | (33) |
| Accumulated accrued interest | 335 | 1,100 | 1,435 |
| Net book amount | **91,224** | **57,067** | **148,291** |
| **Period ended 30 June 2024** | | | |
| Opening net book amount | 91,224 | 57,067 | 148,291 |
| Additions | 37,593 | 34,472 | 72,065 |
| Changes in expected credit losses | - | (58) | (58) |
| Amortisation | - | 167 | 167 |
| Accrued interest | 244 | 805 | 1,049 |
| Closing net book amount | **129,061** | **92,453** | **221,514** |
| **At 30 June 2024** | | | |
| Cost | 128,482 | 90,639 | 219,121 |
| Allowance for expected credit losses | - | (91) | (91) |
| Accumulated accrued interest | 579 | 1,905 | 2,484 |
| Net book amount | **129,061** | **92,453** | **221,514** |

## 8. Investments - continued

*Investment in securitisation portfolio*

The investment in securitisation portfolio is made up of notes in Ferratum Portfolio S.À.R.L a private limited liability company incorporated under the laws of Luxembourg as an unregulated securitisation company, which was set up during 2020. During 2020, the Bank acquired notes, which are structured in tranches amounting to €200,000 each, in the company. The principal activity of this company consists of the purchase and acquisition of receivables to entities which fall part of the Small and Medium entities (SME) industry classification. As at the period ended 30 June 2024, Ferratum Portfolio S.À.R.L, held a portfolio of SME loans in Netherlands, Sweden, Finland, Denmark and Lithuania.

According to the note purchase agreement dated 21 August 2020 Ferratum Portfolio S.À.R.L acquires receivables which are not defaulted, disputed or insolvent. On acquisition date, the portfolio consists of current and 1-30 days past due exposures with an underlying estimated probability of default which is not in excess of 20%.

The Bank is the holder of Class A notes, which are senior notes and have a higher credit quality and also the highest priority of payment amongst the other creditors.

The Bank actively assesses the securitisation portfolio for indications of impairment. The Bank conducts periodical sensitivity analysis in relation to the respective portfolio, taking into consideration plausible worst-case scenarios, in order to assess whether the Bank should provide for expected credit losses. The outcome of such sensitivity analysis, coupled with the fact that a substantial amount of potential losses would first be absorbed by Class B Notes holder, does not reflect any need for the Bank to account for expected credit losses. Refer to note 2.5 for information on credit quality of investments.

*Investment in debt instruments*

The investment in debt instruments reflects the Bank's acquisition of secured bonds. Such bonds are principally secured by immoveable property or loan portfolios which are pledged in favour of the Bank, taking into consideration pre-established collateralised ratios in relation to the amount invested and also encompass pre-established covenants, such as *inter alia* ratios in relation to exposures by ageing of the underlying pledged portfolio or loan-to-value. Moreover, the Bank also has additional collateral in the form of cash deposited in its accounts or pledged financial instruments in its favour in respect of each investment. As at the period ended 30 June 2024, the Bank has a commitment to acquire an additional €3,100,000 (2023: €2,000,000) of these secured bonds.

The Bank conducts periodical assessments in relation to the respective portfolio, to assess whether the Bank should account for expected credit losses. The outcome of such assessments considers the safeguards in favour of the Bank which are included within the investment covenants. As at 30 June 2024, the Bank accounted for expected credit losses amounting to €58,000 (2023: €33,000) in relation two of these investments.

## 9. Debt securities

| | **As at June 2024 €'000** | As at December 2023 €'000 |
|---|---|---|
| Face value of bonds | | |
| 5,052 6% unsecured Euro Bonds 2032 | **5,052** | 5,052 |
| Gross amount of bonds issue cost | **(387)** | (387) |
| Amortisation charge up to end of the period/year | **46** | 34 |
| Unamortised bond issue costs | **(341)** | (353) |
| Accrued interest on securities | **55** | 216 |
| Amortised cost and closing carrying amount of bonds | **4,766** | 4,915 |

By virtue of the Base Prospectus dated 3 March 2022 and the Supplement dated 24 March 2022 relating to the Bank's Bond Issuance Program of up to €40,000,000, the Bank issued the 5,052 unsecured bonds with a nominal value of €1,000 each, representing the first tranche ('Tranche 1') of its bond offering. The bonds have a fixed coupon interest of 6% which is payable annually in arrears on the 27 of April of each year. The bonds are redeemable at par and are due for redemption on 27 April 2032. The bonds were admitted on the Official List of the Malta Stock Exchange on 27 April 2022. The quoted market price as at 30 June 2024 for the bonds was €100.00 each, which in the opinion of the directors fairly represents the fair value of these financial liabilities. As at 30 June 2024, €2 million worth of bonds were held by the Bank's ultimate parent company while the remaining amount were held by third parties.

## 10. Taxation

During the period ending 30 June 2024, the Bank and its immediate parent company, Ferratum (Malta) Holding Limited, resolved to form a "Fiscal Unit" for Maltese income tax purposes, in terms of the Consolidated Group (Income Tax) Rules, 2019, S.L. 123.189 of the Laws of Malta (the "Rules"). These Rules allow a group of companies to elect to be treated as one single taxpayer and to compute their chargeable income or loss on a consolidated basis. Such a fiscal unit became effective as of 1 January 2023.

Under the fiscal unit, the immediate parent company is be considered as the "principal taxpayer" and the Bank as the "transparent subsidiary", and therefore the principal taxpayer assumes the rights, duties and obligations under the Maltese Income Tax Act relative to the fiscal unit, including but not limited to the filling of a self-assessment an income tax return with respect to the fiscal unit as from year of assessment 2024 (basis year 2023).

The tax computation for the period ending 30 June 2024 includes a one-time credit adjustment of €344,000 in respect of the tax charge of the Bank for the financial year ended 31 December 2023 as accounted for in the respective financial statements, which, subsequent to the inception of the Fiscal Unit, was recomputed with reference to the new rules.

## 11. Related party transactions - continued

Multitude SE is the Bank's ultimate parent company. All entities, which are ultimately controlled by Multitude SE are considered by the directors to be related parties. The ultimate controlling party of Ferratum Bank plc is Mr Jorma Jokela, who holds a majority stake in the share capital of Multitude SE.

As at 30 June 2024, other assets include amounts due from immediate parent company, amounting to €1,078,000 (December 2023: €1,078,000) and amounts due from group companies, amounting to €2,194,000 (December 2023: €1,143,000). Amounts due from immediate parent company and group companies are repayable on demand, unsecured and bear no interest.

As at 30 June 2024, other liabilities include amounts to group companies, amounting to €4,328,000 (December 2023: nil). Amounts due to group companies are repayable on demand, unsecured and bear no interest.

The Bank has entered into a Foreign Exchange Risk Agreement with a group company, where the latter provides cover to the Bank over realised and unrealised foreign exchange differences. Any realised and unrealised gains or losses attributable foreign exchange rate movements registered by the Bank are allocated to the group company at the end of each month, in line with the terms of this agreement. During the period, the Bank reported net foreign exchange losses amounting to €2,728,000 (2023: net foreign exchange gain €4,695,000), which were allocated to the group company. Interest income and expense attributable to loans and advances under this arrangement are presented in the following table.

The following principal transactions were carried out with related parties, comprising mainly group companies:

| | **For the six-month period ended 30 June** | |
|---|---|---|
| | **2024** | 2023 |
| | **€'000** | €'000 |
| Income on loans and advances to group companies | **998** | 1,031 |
| Expense on loans and advances from group companies | **1,076** | - |
| Fee and other related income from group company | **874** | 663 |
| Recharge of information technology costs, marketing, credit management expenses and staff training expenses from other group companies | **(25,980)** | (20,720) |
| Foreign exchange risk management fees charged by group company | **(701)** | (1,533) |
| Consideration for loans and advances acquired from group company | **-** | 358 |
| Interest expense on borrowing from group undertaking | **(601)** | - |
| Capital contributions | **7,000** | - |
| Consideration for share option acquired from ultimate parent company | **-** | 4,000 |
| Interest income on corporate loan granted to associate of ultimate parent company | **375** | 321 |

## 11. **Related party transactions** - continued

Loans and advances to group companies:

| | As at 30 June 2024 €'000 | As at 31 December 2023 €'000 |
|---|---|---|
| Net advances to group company | **33,818** | 29,632 |

The Bank's directors are deemed to be its key management personnel taking cognisance of the Bank's activities. Key management personnel compensation, consisting of directors' remuneration, amounted to €88,000 for the period ended 30 June 2024 (31 December 2023: €194,000).

During the period ended 30 June 2024 and the financial year ended 31 December 2023, the Bank effected financing transactions, comprising advances and repayments thereof, with a group company, Ferratum Capital Oy, in terms of a funding arrangement entered into with this entity. Advances were primarily secured against the entire consumer lending portfolio of all group entities that operate in the micro finance and other credit business. This security was held by the Bank as a continuing security for the payment of all sums of money which became due and payable by Ferratum Capital Oy.

During 2024 the Bank has continued to invest in securitisation vehicle along with another group entity as explained in note 8. Furthermore, during the period ended 30 June 2024, €2 million worth of bonds issued by the Bank were held by the Bank's ultimate parent company, as explained in note 9.

# *Independent auditor's review report*

To the Shareholders of Multitude Bank plc

## *Report on review of condensed interim financial information*

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Multitude Bank plc as of 30 June 2024 and the related condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes ("the condensed interim financial information"). The directors are responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 "Interim Financial Reporting"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

### Other matters

This report, including the conclusion, has been prepared for and only for Multitude Bank plc and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Stephen Mamo
Principal

*For and on behalf of*
**PricewaterhouseCoopers**
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

22 August 2024

# Additional Regulatory Disclosures
# 30 June 2024

## 1. Asset encumbrance

The disclosure on asset encumbrance is a requirement introduced in Banking Rule 07 transposing the provisions of the EBA Guidelines on Disclosure of Encumbered and Unencumbered Assets (EBA/GL/2014/03).

The objective of this disclosure is to facilitate an understanding of available and unrestricted assets that could be used to support potential future funding and collateral needs. An asset is defined as encumbered if it has been pledged as collateral against an existing liability, and as a result is no longer available to the Bank to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

The disclosure is not designed to identify assets which would be available to meet the claims of creditors or to predict assets that would be available to creditors in the event of a resolution or bankruptcy.

In accordance with the EBA 'Guidelines on disclosure of encumbered and unencumbered assets', the amounts disclosed in the table below represent median values, being the rolling quarterly amounts over the previous 12 months.

| **As at 30 June 2024** | **Carrying amount of encumbered assets €'000** | **Fair value of encumbered assets €'000** | **Carrying amount of unencumbered assets €'000** | **Fair value of unencumbered assets €'000** |
|---|---|---|---|---|
| **Assets of the reporting** | **5,071** | - | **858,566** | - |
| Loans on demand | 5,071 | - | 113,037 | - |
| Loans and advances other than loans on demand | - | - | 639,016 | - |
| Debt securities | - | - | 92,453 | - |
| Other assets | - | - | 14,060 | - |

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

The Bank only undertakes encumbrance by pledging an amount of its Balances with the Central Bank of Malta in favour of the Depositor Compensation Scheme in line with the Contingency Contributions requirements.