

MULTITUDE BANK PLC

Condensed Interim Financial Statements
30 June 2023

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Directors' report

The directors present their condensed interim financial statements for the six-month period ended 30 June 2023.

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 2023, the Bank provided its services in Estonia, Latvia, Czech Republic, Germany, Bulgaria, Sweden, Norway, Croatia, Denmark, Finland, Romania 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.

Change in directorship

Effective as from 18th July 2023, Antti Kumpulainen has been appointed as an executive director.

Business development

The Bank continued to offer unsecured lending and credit products, together with savings and term deposits to its customers.

The Bank's investments are made up of investment in securitisation portfolio which amounted to €82.7 million and investment in debt instruments which amounted to €34.1 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 2023, Ferratum Portfolio S.À.R.L, acquired a portfolio of SME loans in Netherlands, Sweden, Finland 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 Reserving 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.

The derivative financial instruments reflect the Bank's currency forwards, together with an option to acquire shares in a Finnish entity which was purchased during April 2023 for a consideration of €4.0 million. The Bank carried out an external valuation of this share option which resulted in a fair value that was equal to the original consideration.

Directors' report – continued

Financial performance

The Bank registered a profit before tax of €6.1 million during the period ended 30 June 2023, compared with €10.7 million (restated) 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 €76.0 million during the period ended 30 June 2023, reflecting an increase of 12% 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 compared to €0.4 million (restated) during the same period last year. This resulted in an operating income of €75.0 million compared to €68.0 million (restated) during the same period last year.

The Bank's operating expenditure increased by 17% during the current financial period, and reached a total of €34.9 million, compared to €29.7 million during the same period last year. The increase 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 2023, the net impairment losses on the Bank's lending business amounted to €34.0 million.

In view of the above, the Bank reported a profit before tax of €6.1 million during the period ended June 2023, which is equivalent to €5.7 million after tax.

Financial position

The statement of financial position reflects total assets of €722.6 million, which increased from €647.8 million as at December 2022. This is mainly attributable to the increase in the loans and advances to customers from €407.8 million as at 31 December 2022 to €420.3 million as at 30 June 2023 and also to the increase in the investment portfolio from €99.1 million as at 31 December 2022 to €116.7 million as at 30 June 2023.

The Bank continued to fund its business through customer deposits, which increased from €503.4 million as at the end of 2022 to €572.8 million as at 30 June 2023. The Bank offers savings and term deposit products with different maturities ranging from 3 months to 36 months, predominately sourced from the German market.

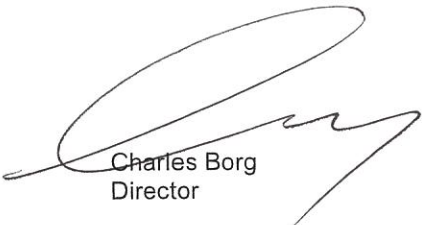
The Bank registered strong regulatory ratios throughout the financial year. The Liquidity Coverage Ratio metric, designed to ensure that a bank has sufficient unencumbered high-quality liquid assets ('HQLA' consisting of cash or assets that can be converted into cash at little or no loss of value in markets) to meet its liquidity needs in a 30-calendar-day liquidity stress scenario was 1319.29% as at 30 June 2023. 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 113.65% as at 30 June 2023. 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 2023 were at 18.47% and 17.82% respectively.

As at 30 June 2023, retained earnings amounted to €40.9 million.

Directors' report – continued

We, the undersigned, confirm that to the best of our knowledge the condensed interim financial statements as at 30 June 2023 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 24 August 2023 by:



Charles Borg
Director

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

24 August 2023

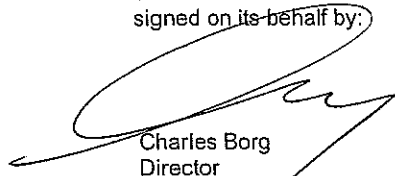


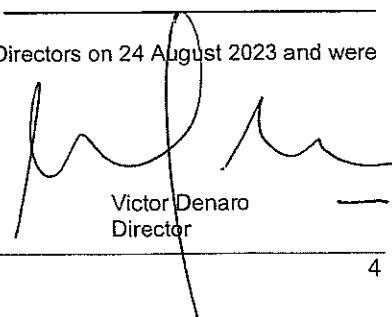
Victor Denaro
Director

Condensed statement of financial position

		As at 30 June 2023 €'000 (unaudited)	As at 31 December 2022 €'000 (audited)
	Notes		
ASSETS			
Balances with Central Banks		87,584	66,808
Loans and advances to banks		40,791	27,356
Loans and advances to customers	2	420,345	407,796
Loans and advances to group companies		33,271	26,576
Derivative financial instruments		5,358	729
Investments	8	116,738	99,064
Right of use asset		924	1,205
Property and equipment		381	506
Intangible assets		1,150	1,235
Deferred tax assets		17	-
Other assets		16,076	16,530
Total assets		722,635	647,805
EQUITY AND LIABILITIES			
Equity			
Share capital		10,000	10,000
Capital contribution reserve		78,500	78,500
Other reserves		2,592	2,592
Retained earnings		40,918	35,245
Total equity		132,010	126,337
Liabilities			
Amounts owed to customers		572,780	503,377
Debt securities	9	4,848	4,980
Lease liability		788	1,052
Other liabilities		10,337	9,685
Current tax liabilities		1,872	2,374
Total liabilities		590,625	521,468
Total equity and liabilities		722,635	647,805
MEMORANDUM ITEMS			
Commitments		10,258	14,109

These condensed interim financial statements were approved by the Board of Directors on 24 August 2023 and were signed on its behalf by:


Charles Borg
Director


Victor Denaro
Director

Condensed statement of comprehensive income

		For the six-month period ended 30 June	
	Notes	2023 €'000 (unaudited)	2022 Restated* €'000 (unaudited)
Interest and similar income	5	82,076	69,988
Interest and similar expense	6	(6,055)	(2,086)
Net interest income		76,021	67,902
Fee and commission income	7	731	852
Fee and commission expense	7	(478)	(464)
Net fee and commission expense		253	388
Net trading expense		(1,245)	(277)
Total operating income		75,029	68,013
Employee compensation and benefits		(4,239)	(4,081)
Other operating costs		(30,066)	(25,013)
Depreciation and amortisation		(582)	(607)
Net movement in expected credit losses		(34,020)	(27,644)
Profit before tax		6,122	10,668
Tax expense		(449)	(295)
Profit for the period - total comprehensive income		5,673	10,373

*See Note 11 for details in connection to the restatement.

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 2022 (as originally reported)		10,000	60,500	2,592	28,747	101,839
Restatement* (before tax)	11	-	-	-	4,165	4,165
Tax effect	11	-	-	-	(294)	(294)
Restated total equity at the beginning of the financial year		10,000	60,500	2,592	32,618	105,710
Comprehensive income						
Profit for the period		-	-	-	10,373	10,373
Total comprehensive income for the period		-	-	-	10,373	10,373
Transactions with owners						
Dividends		-	-	-	(18,000)	(18,000)
Capital contribution from shareholders		-	18,000	-	-	18,000
Total transactions with owners		-	18,000	-	(18,000)	-
Balance at 30 June 2022		10,000	78,500	2,592	24,991	116,083
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
Transactions with owners						
Dividends		-	-	-	-	-
Capital contribution from shareholders		-	-	-	-	-
Total transactions with owners		-	-	-	-	-
Balance at 30 June 2023		10,000	78,500	2,592	40,918	132,010

*See Note 11 for details in connection to the restatement.

Condensed statement of cash flows

	For the six-month period ended 30 June	
	2023	2022 Restated*
	€'000	€'000
Cash flows from operating activities		
Interest and commission receipts	82,624	70,486
Interest and commission payments	(2,917)	(2,548)
(Payments)/proceeds from realisation of derivative financial instruments	(2,287)	35
Income tax paid	(777)	(1,279)
Payments to employees and suppliers	(32,331)	(37,788)
Amount paid in favour of Depositor Compensation Scheme	(509)	(1,603)
Cash flows from operating profit before changes in operating assets and liabilities	43,803	27,303
<i>Changes in operating assets and liabilities:</i>		
Loans and advances to group companies	(6,695)	(6,797)
Loans and advances to customers	(46,702)	(61,285)
Amounts owed to customers	65,690	(60,085)
Net cash generated from/(used in) operating activities	56,096	(100,864)
Cash flows from investing activities		
Purchase of investment in securitisation portfolio	(4,691)	(8,165)
Purchase of investment in debt instruments	(12,800)	(10,000)
Purchase of share option	(4,000)	-
Purchase of property and equipment	(48)	(55)
Purchase of intangible assets	(79)	(56)
Net cash used in investing activities	(21,618)	(18,276)
Cash flows from financing activities		
Proceeds from issuing of debt securities	-	5,052
Payment of lease liability	(267)	(411)
Shareholders' contribution	-	18,000
Dividends paid to equity holders of the Bank	-	(18,000)
Net cash (used in)/generated from financing activities	(267)	4,641
Net movement in cash and cash equivalents	34,211	(114,499)
Cash and cash equivalents at beginning of the year	94,164	187,086
Cash and cash equivalents at end of period	128,375	72,587

*See Note 11 for details in connection to the restatement.

Notes to the condensed financial statements

1. Basis of preparation and significant accounting policies

1.1 Basis of preparation

The condensed interim financial statements for the six-month period ended 30 June 2023 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 2022. 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 2022.

1.2 Significant accounting policies

The 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 2023

In 2023, 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 after 1 January 2023 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 2022 and were applied to the current period under review.

1. Basis of preparation and significant accounting policies - continued

1.4 Going concern

During 2023 the levels of economic uncertainty continued to be influenced by the geopolitical developments which were unleashed by the military conflict between Russia and Ukraine which occurred on the back of pressures which were already being experienced in supply chain disruptions, as different economies struggled to recover from the impacts of the pandemic. These new conditions triggered new spiralling inflationary pressures across the world and pushed central banks, including the European Central Bank ('ECB'), to invoke specific monetary policy actions at their disposal, namely the increase of interest rates to manage demand with a view curb inflation. In a reaction to this, a number of governments implemented different levels of price mitigating fiscal measures to support the respective economies and ease pressures especially, on energy prices, which were particularly subject to significant price volatility. Moreover, during the first months of 2023, the international financial sector was hit by stress events resulting in the collapse of a number of U.S. Regional Banks, and in a government brokered deal between two major banks in Switzerland. This created further turmoil and uncertainty in the international financial markets. The consequential effect of this new economic landscape implied new economic uncertainties which affected, amongst other things, the disposable income of households and individuals in different European territories, and which represent the customer base of the Bank.

The Bank continues to actively monitor the situation and considers its circumstances and risk exposures when analysing how the developments described above may affect its financial condition. In light of the developments described above, 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 2023.

1.5 Accounting policies

The 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 2022, 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 its exposure to the investment in debt instruments.

2. Financial instruments - continued

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

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.

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 2023		At 31 December 2022	
	Gross carrying amount €'000	ECL allowance €'000	Gross carrying amount €'000	ECL allowance €'000
Credit risk exposures relating to on-balance sheet assets:				
<i>Subject to IFRS 9 impairment requirements</i>				
Financial assets measured at amortised cost:				
Balances with Central Banks	87,584	-	66,808	-
Loans and advances to banks	40,791	-	27,356	-
Loans and advances to customers	495,364	(75,019)	473,527	(65,731)
Loans and advances to group	33,271	-	26,576	-
Investment in securitisation portfolio	82,656	-	77,957	-
Investment in debt instruments	34,082	-	21,107	-
Other financial assets	15,462	-	16,012	-
<i>Not subject to IFRS 9 impairment requirements</i>				
Derivative financial instruments	5,358	-	729	-
Credit risk exposure	794,568	(75,019)	710,072	(65,731)
Credit risk exposures relating to off-balance sheet instruments:				
Financial guarantees and other commitments	10,258	(3,374)	14,109	(3,507)
Credit risk exposure	10,258	(3,374)	14,109	(3,507)

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).

2. Financial instruments - continued

2.2 Expected credit loss measurement - continued

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; and
- ii. Credit portfolios with instalment repayment features and revolving credit facilities,
- iii. Other amortising, long-term credit products with instalment repayment features.

During 2022, the Bank originated a new exposure to a corporate entity which in view of its significance is assessed individually.

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).

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.

2. Financial instruments - continued

2.2 Expected credit loss measurement - continued

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.

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 2023.

2. Financial instruments - continued

2.3 Forward-looking information incorporated in the ECL model

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 PD, EAD and LGD may vary by portfolio or territory.

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.

2. Financial instruments - continued

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

The weightings assigned to each economic scenario, which are unchanged from 2022 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.

On the basis of macroeconomic forecasts and data available as at 30 June 2023, the weightings applied take into account the following:

For *baseline scenario*, the expectation of the growth of the global economic outlook is relatively subdued for H2 2023 and 2024. Whilst having revised up their expectations for global growth this year given the resilience of recent economic data, Oxford Economics have lowered their forecast for 2024 as recent events in the banking sector are likely expected to prompt further tightening of banks' credit conditions. As a result, Oxford Economics forecast world GDP growth of 2.2% for 2023, 2.2% for 2024 and 3.0% for 2025. Inflation is expected to fall back fairly sharply for most economies as weaker commodity prices, slowing growth, and easing supply chain issues feed through to prices.

For the *downside scenario*, management has considered a scenario revolving around tighter credit conditions to be more severe in terms of outlook. This scenario incorporates strains in the global banking system spilling over to the real economy. The effects are expected to be mostly felt in the US, as businesses postpone investment expenditure. Whilst the drop in investment demand is exacerbated by stock market falls, asset prices are ultimately expected to stabilise. Credit conditions gradually ease and growth recovers, supported in part by a faster easing of policy rates as inflationary pressures ease. As a result, the global economy slows, and Oxford Economics forecast world GDP growth of 2.2% for 2023, 1.7% for 2024 and 2.5% for 2025.

An *optimistic scenario* was modelled for global economy in which economic sentiment improves and thus consumers across advanced economies run-down a significant proportion of the savings accumulated during the pandemic. Consumption increases as a larger proportion of excess savings is spent, whilst higher equities cause wealth effects and lower the cost of capital. The buoyant global economy is expected to have implications for inflation and monetary policy, prompting further policy rate hikes in the near term. Oxford Economics expect that, through this strong consumer-led global recovery, World GDP rises 0.1%, 1.1% and 0.2% above baseline in 2023, 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 2023	30 June 2024	30 June 2025	30 June 2026
Bulgaria			
Personal Disposable Income			
Lev Millions: chained 2015 Prices			
Baseline	6,981	7,030	7,043
Downside	6,993	7,039	7,035
Upside	7,006	7,050	7,054
Czech Republic			
Unemployment Rate			
%			
Baseline	4.16	3.89	3.76
Downside	4.23	4.15	4.04
Upside	3.50	2.95	3.28
Denmark			
Gross Domestic Product			
Kroner Billions: 2010 Prices			
Baseline	196	202	208
Downside	195	200	206
Upside	199	205	210
Estonia			
Personal Disposable Income			
Euro Millions: chained 2015 Prices			
Baseline	1,217	1,259	1,299
Downside	1,216	1,256	1,293
Upside	1,218	1,266	1,310
Finland			
Personal Disposable Income			
Euro Billions: 2015 prices			
Baseline	10	11	11
Downside	10	11	11
Upside	10	11	11
Germany			
Gross Domestic Product			
Euro Billions: chained 2015 prices			
Baseline	272	278	284
Downside	271	275	281
Upside	279	286	288

2. Financial instruments - continued

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

As of 30 June 2023	30 June 2024	30 June 2025	30 June 2026
Latvia			
Unemployment Rate			
%			
Baseline	6.08	5.33	5.37
Downside	6.09	5.38	5.45
Upside	6.01	5.13	5.16
Norway			
Personal Disposable Income			
Kroner Billions: chained 2020 prices			
Baseline	142	146	150
Downside	142	146	150
Upside	142	147	151
Poland			
Unemployment Rate			
%			
Baseline	5.12	4.59	4.82
Downside	5.19	4.82	5.06
Upside	4.81	4.05	4.33
Romania			
Personal Disposable Income			
Lei Billions: 2000 prices			
Baseline	17	18	18
Downside	17	18	18
Upside	17	18	18
Slovenia			
Unemployment Rate			
%			
Baseline	6.20	6.50	6.71
Downside	6.27	6.68	6.91
Upside	5.90	5.91	6.22
Sweden			
Personal Disposable Income			
Kronor Millions: chained 2021 prices			
Baseline	225,811	228,702	231,985
Downside	225,810	228,084	231,174
Upside	226,660	230,385	233,807

Source: Oxford Economics

2. Financial instruments - continued

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

As of 31 December 2022	2023	2024	2025
Bulgaria			
Gross domestic product			
Lev millions: chained 2015 prices			
Baseline	9,013	9,238	9,455
Downside	8,977	9,163	9,360
Upside	9,134	9,402	9,594
Czech Republic			
Unemployment rate			
Annualised %			
Baseline	4.09	3.74	3.61
Downside	4.36	4.11	4.14
Upside	3.92	3.50	3.43
Denmark			
Personal disposable income			
Kroner billions: 2010 prices			
Baseline	86	89	92
Downside	86	89	92
Upside	87	90	93
Estonia			
Gross domestic product			
Euro millions: chained 2015 prices			
Baseline	2,189	2,304	2,387
Downside	2,146	2,270	2,362
Upside	2,206	2,330	2,412
Finland			
Personal disposable income			
Euro billions: 2015 prices			
Baseline	10	11	11
Downside	10	11	11
Upside	11	11	11
Germany			
Gross domestic product			
Euro billions: chained 2015 prices			
Baseline	271	278	283
Downside	267	275	279
Upside	276	283	286
Latvia			
Personal disposable income			
Euro millions: chained 2015 prices			
Baseline	946	977	992
Downside	930	964	980
Upside	960	993	1,005

2. Financial instruments - continued

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

As of 31 December 2022	2023	2024	2025
Norway			
Gross domestic product			
Kroner billions: chained 2020 prices			
Baseline	318	322	327
Downside	316	320	325
Upside	321	326	330
Poland			
Unemployment rate			
Annualised %			
Baseline	6.08	4.88	4.88
Downside	6.35	5.24	5.36
Upside	5.87	4.71	4.70
Romania			
Unemployment rate			
Annualised %			
Baseline	2.46	2.16	2.18
Downside	2.71	2.60	2.67
Upside	2.22	2.04	2.04
Slovenia			
Personal disposable income			
Euro millions			
Baseline	2,670	2,744	2,807
Downside	2,624	2,703	2,773
Upside	2,703	2,800	2,861
Sweden			
Personal disposable income			
Kronor millions: chained 2021 prices			
Baseline	212,354	216,694	220,849
Downside	211,945	216,345	220,487
Upside	214,176	218,966	223,567

Source: Oxford Economics

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 2023, in view of the current level of economic uncertainty driven by the inflationary pressures, uncertainty caused by the Russia-Ukraine war and other developments in the financial market as discussed 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 as at 30 June 2023, 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.

	(Decrease) / Increase in ECL At 30 June 2022 €'000	(Decrease) / Increase in ECL At 31 December 2022 €'000
100% Base	(290)	(201)
100% Downside	4,772	4,949
100% Upside	(4,506)	(4,394)

2.5 Information on credit quality of investments

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 2023, Ferratum Portfolio S.À.R.L, acquired a portfolio of SME loans in Netherlands, Sweden, Finland 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 provide for expected credit losses.

2. Financial instruments - continued

2.5 Information on credit quality of investments - continued

Investment in securitisation portfolio - continued

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.

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 provide for expected credit losses.

	For the period ended 30 June 2023			Total €'000
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL €'000	ECL €'000	ECL €'000	
Investment in securitisation portfolio at amortised cost				
Unrated	82,656	-	-	82,656
Gross carrying amount	82,656	-	-	82,656
Loss allowance	-	-	-	-
Carrying amount	82,656	-	-	82,656

	For the year ended 31 December 2022			Total €'000
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL €'000	ECL €'000	ECL €'000	
Investment in securitisation portfolio at amortised cost				
Unrated	77,957	-	-	77,957
Gross carrying amount	77,957	-	-	77,957
Loss allowance	-	-	-	-
Carrying amount	77,957	-	-	77,957

Investment in debt instruments

The investment in debt instruments reflects the Bank's acquisition of secured bonds. Such bonds are secured by 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 encompassing pre-established ratios of exposures by ageing of the underlying pledged portfolio. 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 these investments.

2. Financial instruments - continued

2.5 Information on credit quality of investments - continued

Investment in debt instruments - continued

The Bank conducts periodical assessments in relation to the respective portfolio, in order to assess whether the Bank should provide for expected credit losses. The outcome of such assessments, coupled with the several clauses contained within the agreements, does not indicate any need for the Bank to provide for expected credit losses in relation to these investments.

	For the period ended 30 June 2023			Total €'000
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL €'000	ECL €'000	ECL €'000	
Investments in debt instruments at amortised cost				
Unrated	34,082	-	-	34,082
Gross carrying amount	34,082	-	-	34,082
Loss allowance	-	-	-	-
Carrying amount	34,082	-	-	34,082

	For the year ended 31 December 2022			Total €'000
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL €'000	ECL €'000	ECL €'000	
Investments in debt instruments at amortised cost				
Unrated	21,107	-	-	21,107
Gross carrying amount	21,107	-	-	21,107
Loss allowance	-	-	-	-
Carrying amount	21,107	-	-	21,107

2.6 Modification of financial assets

As explained in Note 1.5 of the Bank's Annual Report and Financial Statements 2022, 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. During 2022, the Bank updated its policies to reflect whether such modifications granted by the Bank constitute forbearance as defined by EU Regulation 575/2013 ('CRR2').

2. Financial instruments – continued

2.6 Modification of financial assets – continued

The Bank held renegotiated or rescheduled loans and advances to customers amounting to €63,791,684 as at June 2023 (2022: €93,188,893). These are analysed below by Stage as follows:

	For the six month period ended June 2023		Still outstanding at 31 July 2023	
	Gross carrying amount €'000	Expected credit losses €'000	Gross carrying amount €'000	Expected credit losses €'000
Stage 1	59,456	3,568	56,928	3,553
Stage 2	3,137	976	4,267	1,349
Stage 3	1,199	475	582	270
	63,792	5,019	61,777	5,172

	For the year ended December 2022		Still outstanding at 31 January 2023	
	Gross carrying amount €'000	Expected credit losses €'000	Gross carrying amount €'000	Expected credit losses €'000
Stage 1	81,192	5,234	75,316	4,896
Stage 2	6,381	1,922	6,722	1,970
Stage 3	5,616	2,334	6,228	2,592
	93,189	9,490	88,266	9,458

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

	For the six month period ended June 2023 €'000	For the year ended December 2022 €'000
Bulgaria	20	29
Croatia	-	9
Czech Republic	3,621	6,338
Denmark	11,002	19,181
Estonia	3,855	7,452
Finland	11,814	14,618
Germany	2,864	3,005
Latvia	5,057	10,710
Norway	19	84
Romania	28	44
Sweden	25,512	31,719
	63,792	93,189

2. Financial instruments – continued

2.6 Modification of financial assets – continued

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. For the six-month ended June 2023, total loans which were identified as forborne amounted to €405,336 on which a total ECL of €77,457 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	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
Balances with Central Banks at amortised cost at 1 January 2023	66,808	-	-	-	-	-	66,808	-
Financial assets originated or purchased during the period	20,776	-	-	-	-	-	20,776	-
At 30 June 2023	87,584	-	-	-	-	-	87,584	-
Total net income statement change during the period		-		-		-		-
Investments at amortised cost at 1 January 2023	99,064	-	-	-	-	-	99,064	-
Financial assets originated or purchased during the period	17,674	-	-	-	-	-	17,674	-
At 30 June 2023	116,738	-	-	-	-	-	116,738	-
Total net income statement change during the period		-		-		-		-
Loans and advances to banks at amortised cost at 1 January 2023	27,356	-	-	-	-	-	27,356	-
Financial assets originated or purchased during the period	13,435	-	-	-	-	-	13,435	-
At 30 June 2023	40,791	-	-	-	-	-	40,791	-
Total net income statement change during the period		-		-		-		-
Loans and advances with group companies at amortised cost at 1 January 2023	26,576	-	-	-	-	-	26,576	-
Financial assets derecognised during the period	6,695	-	-	-	-	-	6,695	-
At 30 June 2023	33,271	-	-	-	-	-	33,271	-
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 2022	138,921	-	-	-	-	-	138,921	-
Financial assets derecognised during the year	(72,113)	-	-	-	-	-	(72,113)	-
At 31 December 2022	66,808	-	-	-	-	-	66,808	-
Total net income statement change during the year	-	-	-	-	-	-	-	-
Investments at amortised cost at 1 January 2022	60,685	-	-	-	-	-	60,685	-
Financial assets originated or purchased during the year	38,379	-	-	-	-	-	38,379	-
At 31 December 2022	99,064	-	-	-	-	-	99,064	-
Total net income statement change during the year	-	-	-	-	-	-	-	-
Loans and advances to banks at amortised cost at 1 January 2022	48,165	-	-	-	-	-	48,165	-
Financial assets derecognised during the year	(20,809)	-	-	-	-	-	(20,809)	-
At 31 December 2022	27,356	-	-	-	-	-	27,356	-
Total net income statement change during the year	-	-	-	-	-	-	-	-
Loans and advances to group companies at amortised cost at 1 January 2022	15,486	-	-	-	-	-	15,486	-
Financial assets originated or purchased during the year	11,090	-	-	-	-	-	11,090	-
At 31 December 2022	26,576	-	-	-	-	-	26,576	-
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 2023	375,980	(20,605)	29,362	(8,246)	68,185	(36,880)	473,527	(65,731)
New and further lending	261,198	(16,463)	16,522	(5,357)	11,694	(5,656)	289,414	(27,476)
Repayments and disposals	(197,320)	12,208	(14,971)	5,154	(43,956)	14,757	(256,247)	32,119
Transfers of financial instruments								
Transfer from Stage 1 to Stage 2	(23,544)	1,920	23,544	(1,920)	-	-	-	-
Transfer from Stage 1 to Stage 3	(24,423)	1,914	-	-	24,423	(1,914)	-	-
Transfer from Stage 2 to Stage 1	4,323	(1,071)	(4,323)	1,071	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	(19,081)	5,279	19,081	(5,279)	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	(376)	-	(5,625)	-	(12,009)	-	(18,010)
Write-offs	-	-	-	-	(4,007)	(20,786)	(4,007)	(20,786)
Total net income statement charge during the period		(1,868)		(1,398)		(30,887)	-	(34,153)
Impact of unwinding ECL provisions		-		-		-	-	-
Write-offs		-		-		23,883	-	23,883
Exchange differences and other movements	(5,965)	426	(727)	208	(631)	348	(7,323)	982
At 30 June 2023	390,249	(22,047)	30,326	(9,436)	74,789	(43,536)	495,364	(75,019)

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 movement in ECL allowances amounting to €133,000 as at 30 June 2023 (31 December 2022: €1,533,000) 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 2022	286,826	(15,627)	21,864	(5,847)	81,982	(41,101)	390,672	(62,575)
New and further lending	509,729	(30,061)	30,426	(8,905)	52,791	(16,109)	592,946	(55,075)
Repayments and disposals	(366,691)	21,112	(20,373)	5,417	(107,029)	32,671	(484,093)	59,200
Transfers of financial instruments								
Transfer from Stage 1 to Stage 2	(13,159)	822	13,159	(822)	-	-	-	-
Transfer from Stage 1 to Stage 3	(36,222)	2,449	-	-	36,222	(2,449)	-	-
Transfer from Stage 2 to Stage 1	3,119	(810)	(3,119)	810	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	(11,647)	3,121	11,647	(3,121)	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters		865		(2,346)		(12,643)	-	(14,124)
Write-offs	-	-	-	-	(6,357)	(50,573)	(6,357)	(50,573)
Total net income statement charge during the year		(5,623)		(2,725)		(52,224)	-	(60,572)
Impact of unwinding ECL provisions		-		-		(340)	-	(340)
Write-offs		-		-		56,287	-	56,287
Exchange differences and other movements	(7,622)	645	(948)	326	(1,071)	498	(9,641)	1,469
At 31 December 2022	375,980	(20,605)	29,362	(8,246)	68,185	(36,880)	473,527	(65,731)

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 2023	9,908	(727)	756	(389)	3,445	(2,391)	14,109	(3,507)
New and further lending	4,170	(1,177)	724	(374)	582	(394)	5,476	(1,945)
Repayments and disposals	(6,985)	998	(395)	190	(1,947)	1,465	(9,327)	2,653
Transfers of financial instruments								
Transfer from Stage 1 to Stage 2	(290)	59	290	(59)	-	-	-	-
Transfer from Stage 1 to Stage 3	(700)	154	-	-	700	(154)	-	-
Transfer from Stage 2 to Stage 1	53	(26)	(53)	26	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	(644)	333	644	(333)	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	84	-	(85)	-	(574)	-	(575)
Total net income statement charge during the year		92		31		10		133
At 30 June 2023	6,156	(635)	678	(358)	3,424	(2,381)	10,258	(3,374)

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 2023 decreased by €3,851,000 (31 December 2022: increase of €7,594,000). 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 and other commitments at amortised cost at 1 January 2022	4,318	(623)	650	(335)	1,547	(1,016)	6,515	(1,974)
New and further lending	20,906	(2,473)	1,164	(595)	2,860	(1,948)	24,930	(5,016)
Repayments and disposals	(14,162)	2,385	(584)	310	(2,590)	1,909	(17,336)	4,604
Transfers of financial instruments								
Transfer from Stage 1 to Stage 2	(75)	11	75	(11)	-	-	-	-
Transfer from Stage 1 to Stage 3	(1,124)	181	-	-	1,124	(181)	-	-
Transfer from Stage 2 to Stage 1	45	(22)	(45)	22	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	(504)	260	504	(260)	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	(186)	-	(40)	-	(895)	-	(1,121)
Total net income statement charge during the year		(104)		(54)		(1,375)		(1,533)
At 31 December 2022	9,908	(727)	756	(389)	3,445	(2,391)	14,109	(3,507)

3. Fair value measurement of financial instruments

The Bank's financial instruments for the period ended 30 June 2023 and the financial year ended 31 December 2022, which are carried at fair value include the Bank's Derivative financial instrument measured at fair value through profit and loss (FVTPL). 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 €'000	Level 2 €'000	Level 3 €'000	Total €'000
At 30 June 2023				
Financial assets				
Derivative financial instrument measured at FVTPL	-	1,358	-	1,358
Share option measured at FVTPL	-	-	4,000	4,000
Total financial assets	-	1,358	4,000	5,358
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
At 31 December 2022				
Financial assets				
Derivative financial instrument measured at FVTPL	-	729	-	729
Total financial assets	-	729	-	729

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.

3. Fair value measurement of financial instruments - continued

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

For the six-month period ended 30 June 2023 and for the year ended 2022, 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 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.

The fair value of the investment in securitisation portfolio and the investment in debt instruments as at 30 June 2023 was €78,240,000 (31 December 2022: €76,139,000) and €33,943,000 (31 December 2022: €19,990,000), respectively, compared to their respective carrying amounts of €82,656,000 (31 December 2022: €77,957,000) and €34,082,000 (31 December 2022: €21,107,000), respectively. The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

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 two main geographic areas being Northern and Western Europe, and Eastern Europe. These two geographic areas are identified as operating segments and reported separately as they are operating segments exceeding the quantitative thresholds in IFRS 8.

4. Segmental reporting - continued

The Northern and Western Europe reportable segment comprises the Nordic and Western countries, mainly Sweden, Norway, Finland, Denmark and Germany, while the remaining Eastern Europe reportable segment comprises Latvia, Czech Republic, Estonia, Romania, Bulgaria, Croatia and Slovenia.

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", "Investments" and "Amounts owed to customers" 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 2023		
	Northern and Western Europe €'000	Eastern Europe €'000	Total €'000
Operating profit	43,247	31,782	75,029
Operating expenses	(20,126)	(14,761)	(34,887)
Net impairment losses	(21,343)	(12,677)	(34,020)
Profit before tax	1,778	4,344	6,122

	For the six-month period ended 30 June 2022 (As restated)		
	Northern and Western Europe €'000	Eastern Europe €'000	Total €'000
Operating profit	38,563	29,450	68,013
Operating expenses	(17,121)	(12,580)	(29,701)
Net impairment losses	(17,883)	(9,761)	(27,644)
Profit before tax	3,559	7,109	10,668

5. Segmental reporting - continued

Segmental Reporting - Statement of Financial Position

	For the six-month period ended 30 June 2023		
	Northern and Western Europe €'000	Eastern Europe €'000	Total €'000
Loans and advances to customers	273,971	146,374	420,345
Investments	82,656	34,082	116,738
Amounts owed to customers	569,047	3,733	572,780

	For the year ended 31 December 2022		
	Northern and Western Europe €'000	Eastern Europe €'000	Total €'000
Loans and advances to customers	278,162	129,634	407,796
Investments	77,957	21,107	99,064
Amounts owed to customers	499,900	3,477	503,377

5. Interest and similar income

	For the six-month period ended 30 June	
	2023 €'000	2022 (As restated) €'000
On loans and advances to banks	587	-
On loans and advances to customers	77,150	68,070
On loans and advances to group companies	1,031	674
On investments	3,308	1,244
	82,076	69,988

6. Interest and similar expense

	For the six-month period ended 30 June	
	2023	2022 (As restated)
	€'000	€'000
On borrowed funds	-	113
On loans and advances from group companies	-	217
On debt securities	152	69
On lease liability	21	13
On amounts owed to customers	5,882	1,674
	6,055	2,086

7. Fee and commission income and expense

(a) Fee and commission income

	For the six-month period ended 30 June	
	2023	2022
	€'000	€'000
Fee and other related income	731	852

(b) Fee and commission expense

	For the six-month period ended 30 June	
	2023	2022 (As restated)
	€'000	€'000
Sales and commissions and other loan handling fees	240	311
Interbank transaction fees	21	16
Other fees	217	137
	478	464

An amount of €3,137,000 pertaining to the period ended 30 June 2022 and originally reported under *Fee and commission expense* has been reclassified to *Interest and similar income* and *Interest and similar expense* in the Statement of comprehensive income to conform with the current period's presentation for the purposes of fairer presentation. Refer to Note 11 for details regarding the restatement.

8. Investments

	As at 30 June 2023 €'000	As at 31 December 2022 €'000
Investment in securitisation portfolio	82,656	77,957
Investment in debt instruments	34,082	21,107
	116,738	99,064

The movement in investments is analysed as follows:

	Investments in securitisation portfolio €'000	Investments in debt instruments €'000	Total €'000
At 1 January 2022			
Cost	60,497	-	60,497
Accumulated accrued interest	188	-	188
Net book amount	60,685	-	60,685
Year ended 31 December 2022			
Opening net book amount	60,685	-	60,685
Additions	17,200	20,800	38,000
Accrued interest	72	307	379
Closing net book amount	77,957	21,107	99,064
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
Period ended 30 June 2023			
Opening net book amount	77,957	21,107	99,064
Additions	4,691	12,800	17,491
Accrued interest	8	175	183
Closing net book amount	82,656	34,082	116,738
At 30 June 2023			
Cost	82,388	33,600	115,988
Accumulated accrued interest	268	482	750
Net book amount	82,656	34,082	116,738

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 2023, Ferratum Portfolio S.À.R.L, held a portfolio of SME loans in Netherlands, Sweden, Finland 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 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 reserving 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. As at the period ended 30 June 2023, the Bank has a commitment to acquire an additional €2,400,000 of these secured bonds.

The Bank conducts periodical assessments in relation to the respective portfolio, in order to assess whether the Bank should provide for expected credit losses. The outcome of such assessments, coupled with the several clauses contained within the agreement, does not reflect any need for the Bank to account for expected credit losses in relation to this investment as at period ended 30 June 2023. Refer to note 2.5 for information on credit quality of investments.

9. Debt securities

	As at June 2023 €'000	As at December 2022 €'000
Original face value of bonds issued	5,052	5,052
Accrued interest expense on securities	63	204
	5,115	5,256
Gross amount of bond issue costs	(290)	(290)
Amortisation of gross amount of bond issue costs: Amortisation charge for the current period	9	14
Accumulated amortisation at end of period	23	14
Amortised cost and closing carrying amount of bonds	4,848	4,980

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 2023 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 2023, €2 million worth of bonds were held by the Bank's ultimate parent company while the remaining amount were held by third parties.

10. Related party transactions

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 2023, other assets include amounts due from immediate parent company, amounting to €7,907,000 (December 2022: €10,171,000). Amounts due from immediate parent company and from group companies are repayable on demand, unsecured and bear no interest.

As at 30 June 2023, other liabilities include amounts to group company, amounting to €1,249,000 (December 2022: €754,000). 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 the same 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 gains amounting to €4,695,000 (2022: net foreign exchange gain €5,600,000), 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.

10. Related party transactions - continued

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

	For the six-month period ended 30 June	
	2023	2022
	€'000	€'000
Income on loans and advances to group companies	1,031	674
Expense on loans and advances from group companies	-	(217)
Fee and other related income from group company	663	779
Recharge of expenses from ultimate parent company: information technology costs, marketing fees and other costs	-	(3,481)
Recharge of information technology costs, marketing, credit management expenses and staff training expenses from other group companies	(20,720)	(12,171)
Foreign exchange risk management fees charged by group company	(1,533)	(1,455)
Dividend payable to parent company	-	(18,000)
Impairment loss realised on the sale of debt through forward-flow agreement	-	(79)
Consideration for loans and advances acquired from group company	358	-
Capital contributions	-	18,000
Consideration for share option acquired from ultimate parent company	4,000	-

Loans and advances to group companies

	As at 30 June 2023	As at 31 December 2022
	€'000	€'000
Net advances to group company	33,271	26,576

The movements in the loans and advances are analysed below:

	As at 30 June 2023	As at 31 December 2022
	€'000	€'000
At beginning of the year	26,576	15,486
Net advances to group company	6,695	11,090
At end of the period	33,271	26,576

10. Related party transactions - continued

During the period ended 30 June 2023 and the financial year ended 31 December 2022, 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 2023 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 2023, €2 million worth of bonds issued by the Bank were held by the Bank's ultimate parent company, as explained in note 9.

As further explained in note 3, during 2023 the Bank purchased an option amounting to €4 million from the ultimate parent company to acquire shares in a Finnish entity.

11. Restatement of prior period financial information

As explained in Note 33 of the Bank's Annual Report and Financial Statements 2022, during the financial year ended 31 December 2022, the Bank reviewed the manner in which sales and commission fees payable to third parties upon the origination of specific lending products are captured, and the pattern of recognition of such cost within the statement of profit or loss, impacting the Bank's financial results. Prior to this review, these costs were expensed during the financial year in which such amounts were incurred and presented within "fee expenses". Subsequent to the modification, such fees, which are considered as transaction costs that are directly attributable to the acquisition of loans and advances to customers in line with the requirements of IFRS 9, are treated as an integral part of the effective interest rate of originated loans and advances. In accordance with the requirements of IFRS 9, these transaction costs are amortised to annual the statement of profit or loss over the estimated life of the related loans and advances as an adjustment to the effective interest rate, utilising the effective interest rate method. Transaction costs are adjusted against the initial fair value of the loan at inception, and reflected within the carrying amount of the related loans and advances. The impact of this restatement is that the timing of the expense recognition changes, and, interest income and fee expense both decrease due to modified presentation of the expense within the statement of comprehensive income.

Comparative financial information presented within the Bank's Statement of Financial Position and Statement of Comprehensive Income has been restated to reflect the outcome of the review and the resultant modified accounting treatment. The impact of this modification on the financial results for the period ended 30 June 2022 was a decrease in net interest income of €2,870,000 and a decrease in net fee and commission expense of €3,137,000.



Independent auditor's review report

To the Shareholders of Multitude Bank plc

Report on review of interim financial information

Introduction

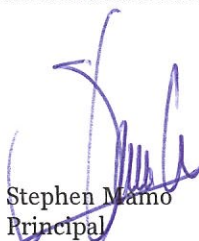
We have reviewed the accompanying condensed interim statement of financial position of Multitude Bank plc as of 30 June 2023, the related condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other 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".



Stephen Mamo
Principal

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

24 August 2023

Additional Regulatory Disclosures
30 June 2023

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 2023	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	4,704	-	717,931	-
Loans on demand	4,704	-	123,671	-
Loans and advances to customers	-	-	420,345	-
Loans and advances to group companies	-	-	33,271	-
Investment securities	-	-	116,738	-
Derivative financial instruments	-	-	5,358	-
Other assets	-	-	18,548	-

The Bank does not encumber any of the collateral received, if applicable. Moreover, as at 30 June 2023, 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.