

Dr Gordon Cordina

Chairperson
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Dr Gordon Cordina is a leading economist in the Maltese islands. He has professional experience spanning 25 years, covering banking, policy-making, academia and private sector consultancy. He serves as Chairperson of the Board of Directors, the Nominations Committee and is a member of the Technology and Digital Strategy Committee.

Dr Cordina is a graduate of the University of Cambridge and the University of Malta. His main area of academic interest is the growth and macroeconomic dynamics facing economies that are prone to heightened risks.

Dr Cordina has several years of Board and Risk Committee experience in major financial institutions in Malta, amongst which at Bank of Valletta p.l.c., served as Manager of the Research Department of the Central Bank of Malta, Director General of the National Statistics Office of Malta, Head of the Economics Department of the University of Malta and Economic Advisor to the Malta Council for Economic and Social Development. Through the private consultancy firm he co-founded in 2006, he is involved in a number of local and international research projects and consultancy assignments with institutions including the EU Commission, NGOs and private sector entities. Dr Cordina is also a visiting senior lecturer at the University of Malta.

Dr Cordina was appointed Chairperson of the Bank of Valletta p.l.c. in October 2020, of MAPFRE MSV Life in September 2021 and director of MAPFRE Middlesea in September 2022.

Chairperson's statement

Dr Gordon Cordina
Chairperson



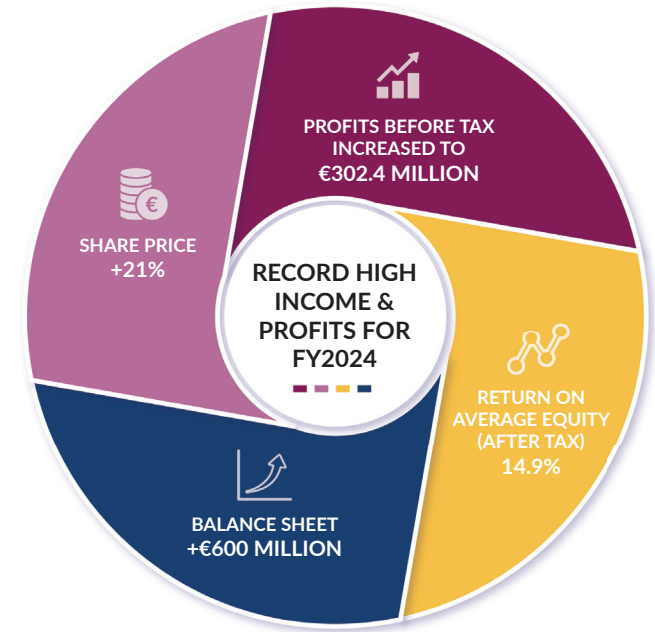
The financial results of Bank of Valletta plc for FY2024, the fiftieth year of its operations, featured record high income and profits, as well as sustained growth in its balance sheet. The Group's profits before tax for the year amounted to €302.4 million (2023: €251.6 million) resulting in a Return on Average Equity (after tax) of 14.9% (2023: 14.1%). The balance sheet grew by nearly €600 million to close the year at €15.1 billion, with the main drivers being increased deposits which were productively deployed in interest bearing assets.

BOV's share price increased by more than 21% in 2024, from €1.42 to €1.72. This has led to the Bank's market capitalisation amount exceeding the €1 billion mark for the first time in history.

A Medium-Term Retrospective View

The results accomplished in FY2024 were the fruit of years of transformation that saw the Bank resolve legacy challenges and exploit new opportunities, amid ever more complex external dynamics on the regulatory, financial, economic and technological fronts.

The role played by the Bank during the COVID period, straddling 2020 to 2021, confirmed its unparalleled commitment to the national economy. During these unprecedentedly challenging times, the Bank provided targeted recovery financial measures to thousands of Maltese businesses for hundreds of millions of euro. It also assured continuity of banking services to the economy, at great sacrifice. These efforts were no doubt key to the rapid economic recovery which Malta experienced following this event.

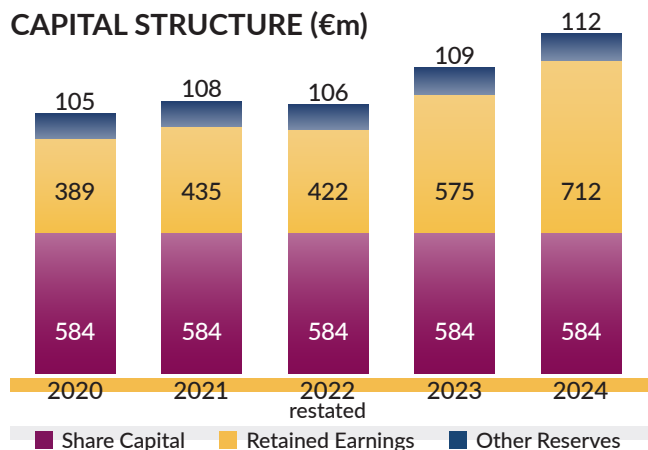


Another notable accomplishment was the resolution, in May 2022, of the long-standing Deiulemar litigation attack on the Bank. The Bank reached an out-of-court settlement without any fault on its side, allowing it to resume a path where it could plan to continue to grow and restore its potential for dividend distribution.

The global economy was from 2022 defined by elevated inflation and consequent high interest rates. During this period, the Bank adopted a well-managed approach, justified by its strong liquidity and capital base, whereby it shielded its customers and the Maltese economy from an unwarranted shock in interest rate costs, at a time when imported inflation was at a historic peak. This contributed to the continued growth of the Maltese economy at rates well-above the EU average. This strategy furthermore contributed positively to the financial results of the Bank, and no doubt was key to a sustained improvement in credit-related asset quality ratios.

The Bank managed to overcome such challenges and continues to be the key financial player within the country on the strength of its well-designed capital structure. Strong capital buffers were built along the years to make the Bank more resilient against financial and economic shocks. The Bank's Capital Base was continuously strengthened along the years mainly through the reinvestment of profits, with the retained earnings reserve increasing by 83% over a five-year period. This increase in the amount of capital retained was also translated in higher regulatory capital ratios with the CET1 ratio in the levels of 22.3% which is well above regulatory expectations.

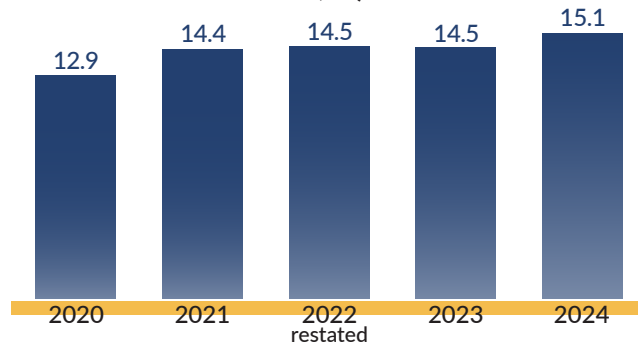
CAPITAL STRUCTURE (€m)



The issue of the €350 million Senior non-preferred note issued in December 2022 also continued to strengthen the Bank's capital position and aimed specifically to address the MREL regulatory requirements (MREL). This issue, which was floated and is trading on the Irish Stock Exchange provided the Bank with an opportunity to strengthen its presence within the international bond issuances market and managed to attract high-quality international investors.

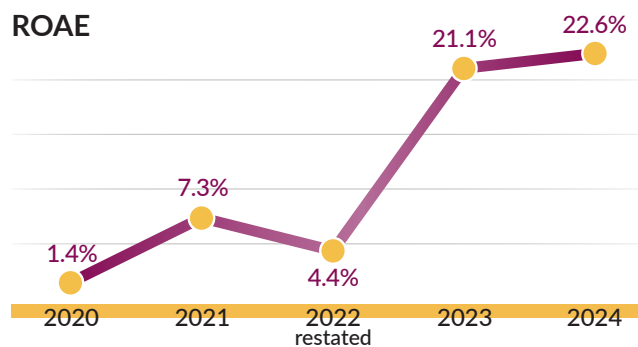
The bond issue was also the advent of the Bank's medium-term programme to rebalance its capital structure, between Tier 1 and Tier 2 Capital. This capital bolstering and rebalancing programme not only served to increase capital buffers and helped the Bank overcome challenges but also served as a springboard to leverage further growth, navigate the forces of competition, and win market share.

BALANCE SHEET SIZE (€b)



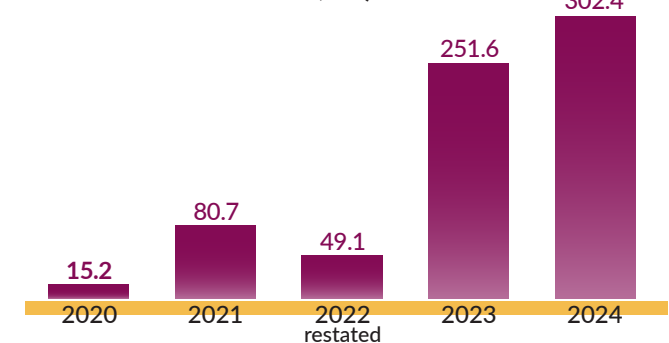
Despite the internal and macroeconomic challenges that it had to deal with, the Bank still managed to continue to grow its business, with the balance sheet size increasing by 17%, between 2020 and 2024. Customer deposits were the main catalyst for this growth with a €1.5 billion increase over this period, allowing the Bank to increase its credit and investments portfolios. Such growth is testament of the high level of trust that the Bank enjoys within the community. The growth in total assets, and particularly in interest earning assets, both on the credit portfolio and investments, meant more robust income streams which translated in increased bottom line profits, and solid earnings per every share.

ROAE



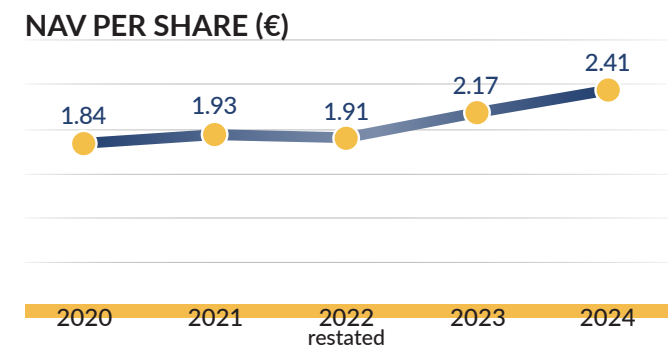
The profitability for FY2023 and FY2024 reached all-time highs leading to a pre-tax Return on Average Equity ratio exceeding the 20% mark for both years. The current ROAE is comparatively amongst the highest both within the local context but also when compared to international peers.

PROFIT BEFORE TAX (€m)



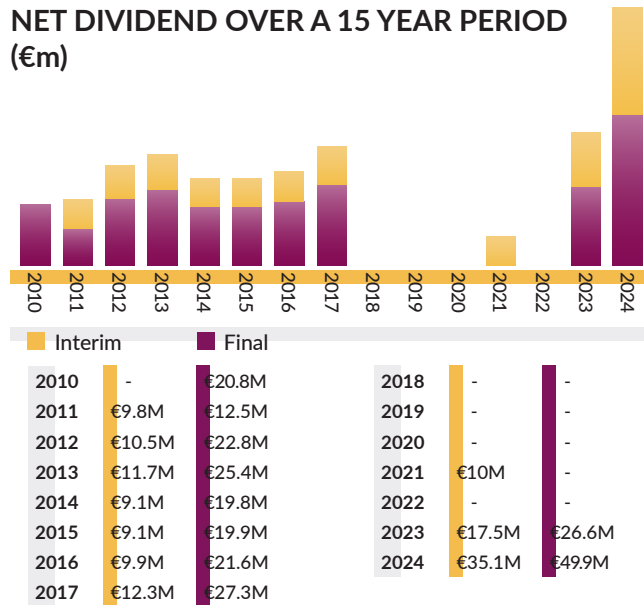
The combination of healthy medium term sustainable profits, and a prudent dividend policy have driven the Bank's Net Asset Value upwards, with the NAV per share increasing from €1.85 in December 2020 to €2.41 in December 2024. Apart from wealth held within the Bank's equity, the institution is also providing income to its shareholders through the distribution of dividends. This year's proposed net dividend, which amounts to €85 million for the full year and equivalent to 42.6% of PAT making it the highest distribution amount from a historical perspective, equates to 14.6 euro cents per share.

NAV PER SHARE (€)

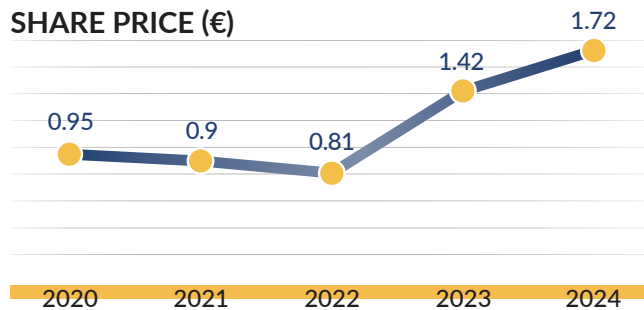


An appreciation in the share price was also noticed with an increase of 112% being registered in the past 2 years and leading to a market capitalization exceeding €1 billion, the highest amount on the Malta Stock Exchange.

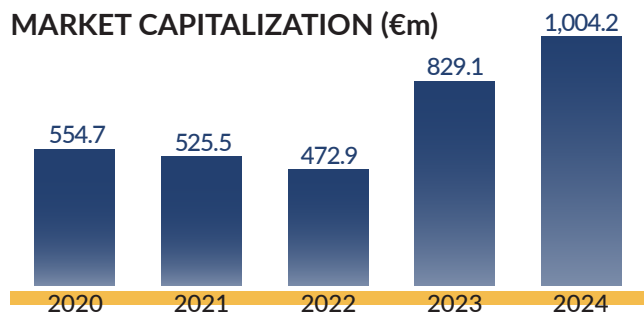
NET DIVIDEND OVER A 15 YEAR PERIOD (€m)



SHARE PRICE (€)



MARKET CAPITALIZATION (€m)



The Economic Context

The results for FY2024 were achieved in a euro-area environment characterised by persistent geopolitical tensions, sluggish growth and moderating inflation. The ECB implemented four rate cuts totalling one percentage point in the course of 2024.

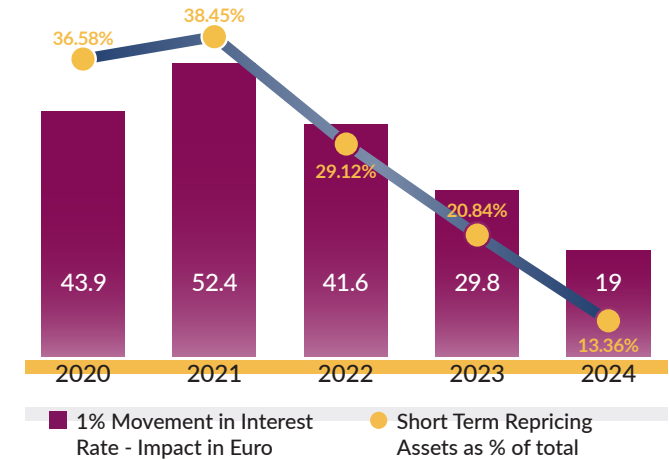
The Bank deployed a significant portion of short-term liquid assets into longer-term high-quality investments over the past two years, to cushion the effects of monetary policy interest rate cuts on its income. Through this strategy, the sensitivity of the Bank's income to a 1% interest rate shock has been reduced from over €50 million in 2021 to under €20 million by the end of 2024. This aligns with the Bank's efforts to achieve a steady trajectory for net income and reduce volatility in its performance across economic cycles.

Interest rates are expected to continue declining in 2025, probably by a similar magnitude, and then stabilise as from year 2026. BOV expects interest rates to settle in positive territory for the foreseeable future, such that there will not be a repetition of the exceptional negative interest rate experienced in the past decade.

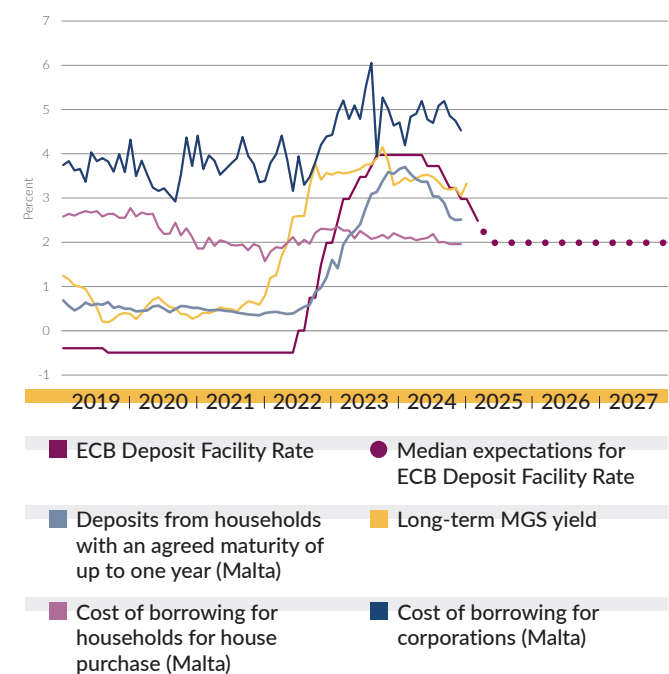
While the negative impacts of overseas conflicts should not be overlooked, the main uncertainty revolves around the potential for international economic confrontations through tariffs and other trade barriers. While the situation remains very fluid, global powers are increasingly tempted to use economic tools to reshape international relations in their favour and consolidate their spheres of influence. Such concerns are particularly relevant for Malta, as a member of the European Union with a substantial trade sector. At this stage, there are many diverse scenarios, and it is challenging to predict the exact impact on the Maltese economy, and consequently on the Bank, as this could depend on whether any tariffs are targeted or broad, and the extent of retaliation by other countries.

While BOV remains vigilant in respect to these tendencies, it is also soberly optimistic with regards to the short- to medium-term prospects for the Maltese economy. In 2024, the Maltese economy grew by 6%, surpassing initial expectations. The number of inbound tourists reached a new record, private consumption growth was robust, and activity in the property sector remained sustained, all of which were positive developments in view of the Bank's material exposures to these sectors.

INTEREST INCOME SENSITIVITY TO 1% MOVEMENT (€m)



INTEREST RATES



Independent institutions project that the economic momentum will continue into 2025, with Malta's real GDP growth forecasts clustering around 4%, which is significantly higher than in the euro area. This environment was conducive to the €700 million growth in the credit portfolio during the year, with various sectors of the economy being served by our Bank for their business development and working capital needs.

In the absence of new shocks, not least those which could be occasioned by trade wars among major economic blocs, Malta's inflation is set to converge towards the ECB's target of 2%. The unemployment rate is expected to hover close to the historic low of 3%, maintaining tight labour market conditions. Residential property prices are anticipated to continue their upward trend, supported by stable interest rates and the projected economic expansion and population growth. It is understood that any possible tightening of Malta's migration policy is primarily geared towards protecting Third Country Nationals and this is unlikely to halt the inflow of more foreign workers where needed.

Malta's fiscal policy remains supportive of growth while transitioning towards the 3% deficit-to-GDP ceiling prescribed by the fiscal rules. Furthermore, the country is not vulnerable to debt-related stress since its public debt ratio offers a comfortable buffer compared to the 60% of GDP ceiling.

Nonetheless, the country's medium to long term challenges should not be overlooked. Over the past decade, growth has been very job rich and significant mismatches have emerged between labour demand and labour supply in various sectors. While immigration has contributed to bridge such gaps, this phenomenon has created its own challenges due to very high population density and added pressures on the infrastructure. Going forward, more emphasis is needed to boost productivity, strengthen the country's infrastructure, and where possible, utilise more capital in lieu of labour resources. BOV will be there to help support such transition.

A Strong and Sustainable Bank

BOV enjoys the benefits stemming from its unique position in terms of size and strong liquidity. As Malta's largest bank, offering a comprehensive range of services, it benefits from a large clientele and low liquidity costs.



Our clients can thus anticipate remaining shielded from disruptive changes to borrowing costs as the Bank continues to adopt a very cautious approach towards rate pass-throughs on both its assets and liabilities. Interest rate stability, supported by BOV's high liquidity, allowed households to enjoy the lowest borrowing costs in the euro area in 2024 and this resulted in improved asset quality metrics throughout all portfolios. Overall, the strategy of not passing on the rate hikes by the ECB on most borrowers was made possible as our deposits remained at very healthy levels, with a 5.4% growth in deposit balances being achieved during the year. Our deposits' growth was supported by the financial wealth generated from the economy's expansion and domestic saving behaviour.

The robustness of the Bank's business model has been reaffirmed when in December 2024, S&P Global Ratings raised its long- and short-term issuer credit ratings on BOV by one notch to BBB with a stable outlook. This upgrade is a testament to the sustained progress that the Bank has been making, particularly the efforts directed towards restoring sustained profitability, strengthening capital and making the Group more secure, for the benefit of our all our stakeholders. The main strengths as highlighted by the rating agency included the strong capital position of the Bank where solid buffers add protection to creditors, the leading position within the local market and the solid deposit base which provides an ample liquidity buffer.

During 2024, capital positions and relative buffers remained a primary focus for the Bank, with proactive preparations being put in place for the advent of the new CRR3 regulatory obligations in 2025. As part of such planning, the Bank successfully tapped into the financial markets with the first tranche of its Unsecured Medium Term Bond Programme through an issuance of €100 million subordinated debt. This was issued on the Malta Stock Exchange in Q4 2024 and was oversubscribed within the first days from being launched. This positive outing on the market provides comfort with respect to investor confidence, and the plan is for the Bank to continue strengthening the capital base through further issuances to cater for increased growth prospects for the years to come.

Delivering Value to Shareholders

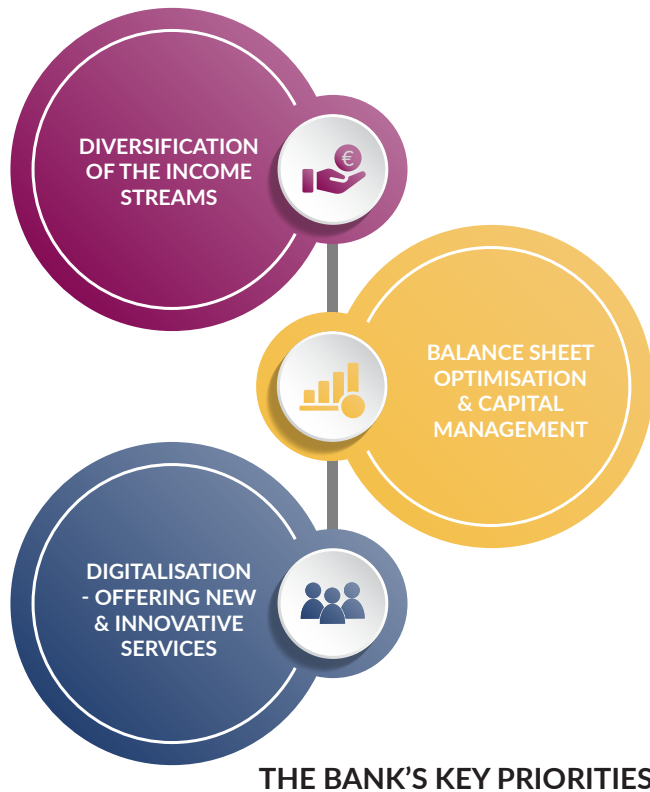
The Bank's intention is to continue working to make shareholders benefit more from their investment and this is aimed to be achieved through a mix of initiatives, including:

- sustained and sustainable dividend distributions;
- a share buyback initiative aimed at enhancing the liquidity of the BOV equity on the capital market. This is subject to regulatory approval; and
- bonus share issues to strengthen the amount of share capital and provide further opportunities for our shareholders to liquidate the value of their investment in the Bank. This is subject to regulatory approval.

The Bank operates such initiatives through a solid governance policy framework, which factor in financial affordability, regulatory expectations with respect to capital positions, future capital requirements for business growth and reasonable shareholders expectations.

Our Future Course

As we reflect on the achievements of the previous year results, we look forward to the future with optimism. BOV has a solid course of action to enable it to move forward with confidence in the face of challenges. We can leverage our business model, along with our consistent strategic vision, to seize new opportunities and achieve strong financial results in future. At a more granular level, the Bank's key priorities for the upcoming months will be based on three fundamental priorities which will sit above transversal areas of strength achieved over the last years including risk and compliance management, asset quality, effective risk-based pricing and sustainability amongst others.



The primary area of focus for FY2025 will be the diversification of the income streams. As the interest rates are expected to continue going down with consequential negative impacts on net interest income, the Bank will seek to supplement such lost revenue through new products and services, which are expected to lead to higher levels of fee and commission income. Fee and commission income derived from a diverse set of services will be a primary key of focus for the Bank with a view of consolidating and reduce volatility in its income streams.

Recognising that liquidity and capital are the engine for the Bank's organisational financial model, another area of focus in the Bank's strategic drive will revolve around balance sheet optimisation and capital management, where the Bank will continue to strengthen its long term debt and reserves to ensure that it is well capitalised and prepared for future growth in key business areas, primarily in commercial lending, which attracts high risk weighted assets. As part of our strategic initiatives, the Bank has over the last months embarked on the development of a comprehensive Balance Sheet Model to enhance financial forecasting capabilities. This model integrates key macroeconomic indicators, customer behaviours, and financial assumptions to provide a robust framework for projecting the Bank's future financial performance. In parallel, the Bank continues to optimize Risk-Weighted Assets (RWA) and capital allocation to strengthen financial resilience and ensure regulatory compliance. Through improved forecasting, risk assessment, and capital efficiency measures, we aim to enhance returns while maintaining a prudent risk posture. These efforts align with our commitment to sustainable growth and long-term value creation for our stakeholders.

The last area of focus will revolve around digitalisation, with new and innovative services aimed to be launched during the year, for more efficient, effective and customer-centric offerings. As the Bank's 2024-2026 strategy is gaining increased momentum, the Bank is expected to invest increased amounts to ensure that it elevates its business proposition to new heights for the long-term benefit of its client base.

Sustainability continues to be a core focus for the Bank with a key commitment to continue assisting the national economy transition to more environmentally friendly levels. Banks, and especially BOV as Malta's leading bank, play a crucial role in helping the economy transition to more sustainable practices and improve the quality of life. Our goal is to work closely with our clients to meet their needs while contributing to a sustainable economy. So far, ESG initiatives have centred mostly on data reporting and launching of some green loan products, but over the coming years the Bank plans to embed ESG at the heart of its operations. We consider it our responsibility to improve financial literacy in the country and enable households to manage their assets more efficiently and build the appropriate type of buffers.

In previous years, BOV has taken a pro-active approach in advocating for private pensions and in this respect, it is proud to have pushed for the expansion of second pillar pensions in Malta. BOV is confident that the added support in this area, which was launched by the Government as from 2025, is likely to allow this important market to take off in Malta too, creating fresh opportunities to expand our service offering in collaboration with MAPFRE.

Despite the uncertainties, we are firm believers on the importance of achieving positive change. It is recognised that Bank of Valletta is well placed in the local competitive landscape being home to the largest deposit base in the Maltese islands, the largest supplier of credit to the local business community, and the largest provider of support for individuals and families in their bid to finance their dwellings and personal needs. Even when compared with international peers of the same size and other European Significantly Important Financial Institutions (SIFIs) the bank remains with the upper part of the 25-75 percentile in terms of return on equity, notwithstanding that equity growth continues to outperform peers. Interest rate pressures, arising from an abating inflationary scenario and sluggish economic growth in the euro area will undoubtedly effect profitability, however the resilience of our balance sheet, and strong positioning shields shareholder's returns.

To start planning for a longer time horizon, BOV is commissioning a study which will analyse in greater depth the possible future scenarios facing Malta over the next decade. This work will enable us to understand better the possible constraints and opportunities facing the country and help us make the right decisions to support positive change and make our Bank future-proof.

In its fiftieth-year anniversary, Bank of Valletta achieved very positive financial results completing a five-year period of turnaround in activity and performance that have tested its resilience in the face of uncertainties and consolidated its key role in supporting the Maltese economy. I thank our shareholders for their continued support, the executive team, and staff, for their valuable work and commitment, without which such positive results would not have been achieved. The achievements over the past years can only spur us to do even better in a brighter future to come.

Kenneth Farrugia

Director & CEO

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Kenneth Farrugia is the Chief Executive Officer of Bank of Valletta Group. He sits on the Bank's Board of Directors, chairs the Executive Committee and is a member of several management committees. Kenneth is also a director on the Boards of BOV Fund Services Limited, BOV Asset Management Limited, MAPFRE MSV Life plc as well as the European Savings and Banking Group and the European Banking Federation.

Kenneth began his career at Bank of Valletta in 1985 and has over the years occupied various executive positions covering the Bank's asset management, retail banking and credit business areas.

Over the course of his career, he has also held various financial services-related industry positions, including Chair of the Malta Asset Servicing Association, board member of the European Fund and Asset Management Association, Chairman of FinanceMalta, Malta's national promotional body for the financial services industry as well as Chairman of Malita Investments plc which is listed on the Malta Stock Exchange.

Kenneth is an alumnus of Harvard Business School.

CEO's Commentary



Kenneth Farrugia
Chief Executive Officer

Achieving New Milestones as We Journey from Good to Great!

Building on our record performance achieved in FY2023, I am pleased to announce that FY2024 was another outstanding year for the Bank. Profit before tax surpassed the €300 million mark for the first time, closing at €302.4 million, reflecting a €50 million increase in profits compared to the previous year.

Total assets grew by €592 million, reaching €15.1 billion. This growth was driven mainly by an increased deposit base effectively deployed in interest-bearing credit and investment portfolios. The gross Loan to Deposit ratio also increased to 54.5%.

The ECB rate cuts in the last two quarters had limited impact on our interest income due to the dynamic management of our balance sheet aimed at optimising our investments in interest-bearing assets. Net Interest Income (NII) derived from our commercial and personal lending, credit card business lines, as well as our Treasury portfolio continued to exhibit strong growth.

This performance was also evidenced in our Net Fee Commission Income (NFICI), where the Bank registered double digit percentage growth.

Moreover, our focus on cost management initiatives, effective risk management, and debt collection contributed to further impairment reversals, reducing the non-performing ratio to 2.7%. These factors also contributed to the Bank achieving higher operating profit.

These achievements were made possible by the collective efforts of our dedicated team members across the organisation, the ongoing guidance and support of the Board of Directors, as well as the strong loyalty and trust of our esteemed customers.

FY2024 also marked the first year of our current three-year strategic cycle, with numerous projects completed over this period that are delivering value to our customers and also enabling us to meet regulatory expectations. An outline of the key initiatives and achievements registered during this reporting period is being provided hereunder.



1. Reshaping Customer Service Delivery

A fundamental component of the Bank's Strategy for FY2024 - FY2026 involves the adoption of a new approach for our retail branch network which remains the strongest in the market. We have reorganised the network into fifteen main branches, each supported by numerous satellite branches, all managed by regional managers within 5 designated regions across Malta and Gozo.

In this manner, we have also improved customer accessibility by extending operating hours for fourteen branches on selected days and maintaining priority cash services for elderly customers during specific timeframes. This strategy ensures a robust physical presence throughout the islands, offering more convenient options for customers who value the personalised service available at physical locations.

Complementing this initiative is the Bank's renovation program, which seeks to enhance both customer and employee experiences through the modernisation of our BOV branches and offices.

In 2024, branches in Republic Street Valletta, Bugibba, and Luqa, as well as the BOV Centre in Qormi, were refurbished. The Bank's ESG goals were embedded in these renovation projects promoting sustainability through the use of natural and reusable materials. The updated offices feature high energy efficiency through the use of intelligent lighting and the installation of sound-proof materials, creating a sustainable, private and comfortable environment for both customers and employees alike.

In a pioneering move for BOV and the Maltese islands, we also launched the BOV Financial Well-Being Centre in Floriana. This innovative concept provides our customers with a comprehensive financial planning services channel that covers credit financing, investments as well as retirement planning solutions. These services are delivered by expert employees through private, one-to-one consultations.

2. BOV's Digital Transformation

To complement our focus in optimising our branch network, we are actively moving forward in our digital transformation journey. By reengineering processes and utilising digital solutions, we have significantly reduced manual tasks in areas such as internal scanning operations, digital signatures, procurement, and payment processes.

On the customer front, we have streamlined the onboarding process using digital solutions that provide quicker, smoother, and simpler outcomes.



The branch online booking system, initially a pilot project, has now been fully implemented across all our branches. This provides our customers with the opportunity to schedule an appointment in any of our branches across Malta and Gozo.

Insofar as the Bank's product catalogue is concerned, we have successfully launched on the market the BOV MobilePos enabling business customers to accept payments on their mobile phone. Moreover, we have successfully launched instant payments in the market highlighting our role as an innovator and catalyst, a position BOV has long held and is now reinforcing.

In 2024, we also launched a newly designed website, offering an enhanced user experience tailored to the preferences of the modern, tech-savvy customer. The revamped site showcases our new digital identity with a fully responsive interface, ensuring a seamless experience across all devices, including mobiles, laptops, and tablets.

3. Strengthening Governance

Corporate governance at the Bank revolves around a set of principles that ensures we constantly operate in a transparent and accountable manner. Over the past years, we have been fortifying our governance and responsibility frameworks, adopting a robust risk management approach coupled with stringent controls and guidelines.

These frameworks steer each employee to act in alignment with these principles, ensuring ethical and responsible behaviour across the board.

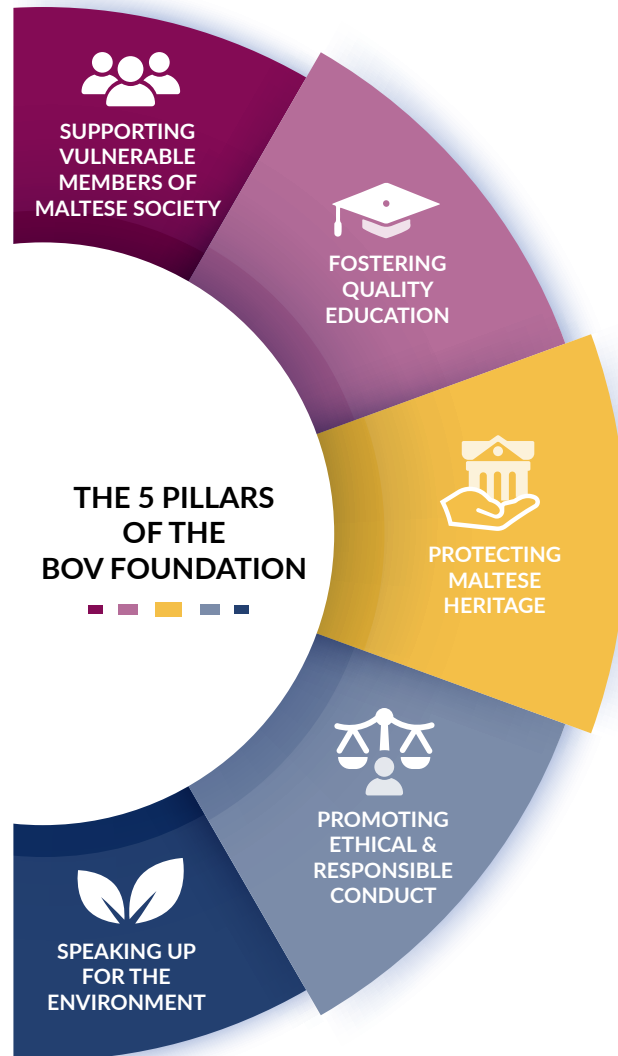
This year, protecting customers from fraudulent activities has been given significant importance. As online transactions and activities increase, fraudsters are employing more sophisticated technological tools to deceive individuals. Consequently, fraud cases have surged, prompting us to take various proactive measures to safeguard our customers from such malicious activities. We have implemented advanced security protocols and launched various awareness programs to educate our clients about potential threats and how to avoid falling prey to scams.

4. Investing in the Community

Bank of Valletta is an institution that deeply engages in supporting the growth and well-being of the various communities it serves. This commitment is exemplified through its comprehensive Corporate Social Responsibility (CSR) Program, which encompasses a wide range of initiatives designed to benefit vulnerable members of society, promote sustainability and environmental causes, preserve cultural heritage, and support educational endeavours. A detailed report on these CSR initiatives can be found on page xxii.

One of the most notable efforts is the establishment of the Bank of Valletta (BOV) Foundation, a non-profit organisation dedicated to creating a lasting positive impact across the Maltese islands. The BOV Foundation aims to sustain the Bank's community engagement and corporate philanthropy that have always been a top priority for the Bank throughout its 50-year history, a commitment that was consolidated back in 2005 with the establishment of the BOV Community Programme. Over the years, the Bank has played an active role in making a positive impact on Maltese society, and the setting up of this new Foundation is a consolidation of all these efforts. The purpose of the Foundation is to implement the Bank's CSR Strategy based on five pillars: supporting vulnerable members of Maltese society, fostering quality education, protecting Maltese heritage, promoting ethical and responsible conduct and speaking up for the environment.

By intertwining social responsibility with its business strategy, Bank of Valletta continues to demonstrate a holistic approach to corporate governance, ensuring that its actions benefit not only its stakeholders but also the wider community. These initiatives reflect the Bank's core values of Innovation, Inclusion, Excellence, Integrity, and Sustainability, guiding its efforts to build a better future for all.



5. Investing In our People

Our people are the cornerstone of our organisation and the driving force behind our achievements. Recognising the indispensable value of our human capital, we have made significant investments in 2024 to empower and support our employees at every level. Their dedication and professionalism are integral to the Bank's mission of being the preferred bank of choice for our customers.

Throughout 2024, we introduced a variety of initiatives aimed at enhancing the skills and well-being of our team. The Learning & Development Academy played a pivotal role, offering various training programs aimed at current leaders and in the process also aiming to cultivate future leaders.

We also prioritised employee well-being by implementing numerous family and work-life balance measures, and providing additional benefits through our Voluntary Occupational Pension Scheme. Furthermore, we launched a Digital Support Application, which offers a wealth of resources and access to personal coaching for guidance and support.

Bank of Valletta is proud to be a forward-thinking organisation that fosters a culture of continuous learning, enhances employee engagement, and prioritises inclusivity and diversity. We support self-development and prioritise both the physical and mental health of our staff. This commitment is reflected in the launch of our new core values of Innovation, Inclusion, Excellence, Integrity, and Sustainability, which form the foundation of our efforts to build a better future for our employees and the communities we serve.

6. BOV and the ESG Landscape

Bank of Valletta continues to reinforce its commitment to sustainability and integrating Environmental, Social, and Governance (ESG) principles across all aspects of our operations. Our approach ensures that discussions around sustainability lead to real, actionable outcomes.

We identified key sectors that are of critical importance in the national drive to reduce carbon emissions currently lagging in adopting ESG principles and have been supporting these sectors in integrating sustainability practices into their operations. We have set clear targets to decrease emissions under Scopes 1 and 2 which have been duly exceeded as a result of various initiatives that we have taken forward. These include the introduction of digital signatures to reduce paper usage and initiatives to reduce electricity consumption across all buildings. On the customer front, we have launched various green investment and credit financing products on the market tailored to personal customers and the SME community. On the credit financing side, our credit scoring tools take into consideration the use of green materials and rewards borrowing customers with lower financing rates.

Through these proactive measures, we are committed to reducing our environmental impact and fostering a sustainable future for Malta. Our ESG initiatives support this mission, ensuring that our actions benefit both our business and the wider community.

7. Bank of Valletta's 2024 Strategic Achievements

Bank of Valletta has made significant strides in implementing its strategic plan, which aims to sustain financial results while enhancing customer and employee experiences. Central to this strategy is the belief that the customer is the foundation of BOV's growth and success where our human capital is a key enabler in the process.

As part of our three-year transformation journey, the Bank has focused on four key areas: personal and business propositions, operational digitalisation, risk management, and human capital development. These initiatives are complemented by substantial investments in data capabilities and the integration of Environmental, Social, and Governance principles.

In 2024, Bank of Valletta laid the groundwork for significant strategic initiatives aimed at modernising its operations and enhancing its organisational structure. The setting up of a dedicated transformation delivery team and the introduction of expertise in resource allocation across multi-disciplinary teams led to improved collaborative strategies and facilitated the achievement of strategic objectives. The Bank has also set up a Data Intelligence Hub supported by the recruitment of specialists such as data scientists and machine learning experts to enable us to make better use of our data to enhance our focus on the business. Other transformative efforts such as the setting up of the Agile and Value Stream team, the creation of a new Business Process Management function, our investment in the Portfolio Delivery team and the introduction of a new project management methodologies have all markedly contributed to improve project completion rates and benefit extraction.

These foundational initiatives have collectively advanced BOV's strategic execution capabilities and at the same time have fostered a culture of innovation delivering numerous business process re-engineering projects. These include the introduction of an automated online channel enabling customers to update information the Bank holds on its systems, a self-service appointment booking system, and a simplified customer onboarding process amongst others. On the corporate customers side, the Bank also embarked on an initiative aimed at restructuring business centres across the island and refining our credit financing processes to better meet customer needs and expectations. These initiatives aim to strengthen and streamline our operations and enable us to achieve enhanced efficiency in the process.

On the governance area, the Bank introduced an AI-enabled pre-transaction monitoring tool, significantly improving the speed and robustness of this process. BOV continues to explore additional AI tools to further optimise operations, reflecting our commitment to digital transformation and modern technology.

Overall, the various strategic initiatives executed over FY2024 have reinforced the Bank's position as a forward-thinking organisation, fostering continuous improvement and ensuring sustainable growth in the process.

8. Financial Performance of the Group

In 2024, BOV Group delivered a robust financial performance, achieving a profit before tax of €302.4 million, up from €251.6 million in 2023. This positive outcome was driven by a strategic focus on both revenue and cost management, with operating income rising by 10.1% year-on-year, while costs increased by only 2.7%. Consequently, the cost-to-income ratio improved significantly, decreasing by 3.2% to 44.6% over the year.

These positive results stem from the Bank's core areas of credit and investments, demonstrating its commitment to efficiency, customer focus, and sustainable growth.

Financial Position

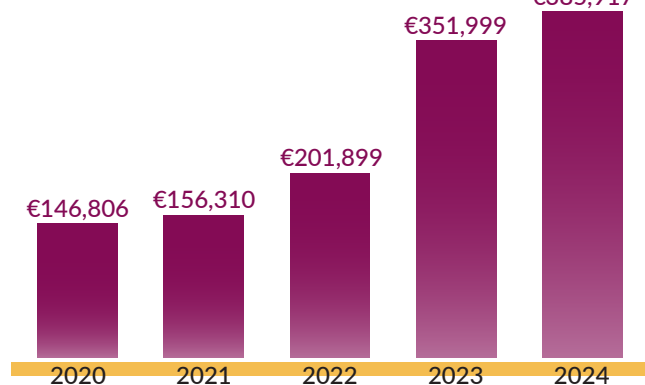
i. Operating Income

The Group's operating income increased by 10.1% to €485.8 million, up by €44.8 million (2023: €441 million). This growth is mainly due to the expansion of loan portfolios, improved net fee and commission income, and an ongoing balance sheet optimisation strategy. Despite reductions in ECB interest rates, interest income remained relatively stable with some reductions being experienced in the last months of the year. As mentioned in my introduction, the Bank has been investing in high-quality long-term assets to ensure stable income with decreasing interest rates.

- **Net Interest Income**

NII amounted to €385.9 million, marking an increase of €33.9 million, or 9.6%, over the prior year (2023: €352.0 million). Over the past year, the Bank has enhanced its lending activities and proprietary investments while also benefiting from better deposit rates on cash reserves. At the same time, interest expenses remained comparable to the previous year, primarily influenced by the MREL bond. NII levels have been growing for at least the past years as evidenced by the graph hereunder.

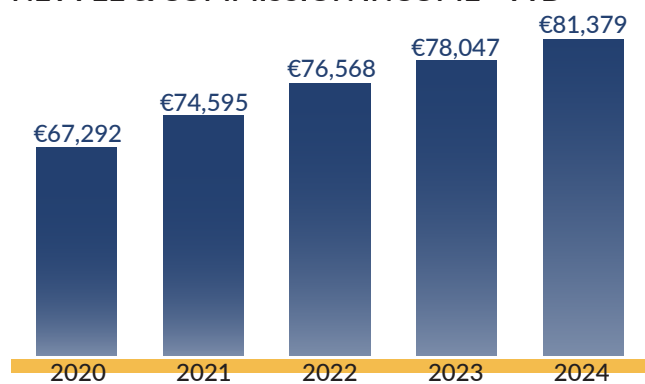
NET INTEREST INCOME - YTD



- **Net Fee and Commission Income**

NFCI stood at €81.4 million for the year 2024 which was up by €3.4 million, or 4.3% when compared to 2023 (2023: 78.0 million). Credit-related and Trade Finance activities maintained positive momentum, with notable improvements in card and investment-related fee income. This source of income remains a very important revenue stream for the Bank as it ensures a diversified balance of revenue sources which will sustain the Bank's operating profit going forward.

NET FEE & COMMISSION INCOME - YTD



Total net non-interest income for the year amounted to €99.8 million, increasing by €10.8 million or 12.2% when compared to prior year (2023: €89.0 million). This increase is mainly attributable to a growth of circa €10 million in trading profits relating to foreign exchange and favourable fair value movements.

ii. Costs and Operational Efficiencies

The Bank has placed a strong emphasis on operational efficiency, achieving a cost-to-income ratio of 44.6%, a notable improvement from 47.8% in 2023, that is, 3.2% lower. This improvement is due to effective cost management and procurement initiatives. The Bank's long-term transformation strategy, which includes investments in technology, business process reengineering, and a focus on customer experience, is yielding positive financial and operational results. Additionally, operational resilience has been a key priority, with the Bank taking steps to meet DORA regulatory requirements. Significant investments in IT security infrastructure are being made to proactively address and mitigate emerging risks.

The aggregate expenses excluding strategy related costs for the year totalled €202.9 million (2023: €199.9 million), reflecting an increase of €3.0 million or 1.5% compared to the amounts recorded in 2023. This increase aligns with the Group's continued efforts to prioritise talent development, compensation and benefits, technological advancements and regulatory compliance. The Bank continued to focus on its procurement excellence methodology ensuring that operational costs and human resources are optimised. The capacity planning program introduced during the year has now moved to a new phase aiming to streamline operations and optimise resource allocation. This exercise ensures that the Bank is equipped with the skills and knowledge to thrive in a rapidly evolving industry whilst enhancing professional growth for our employees as part of the Bank's transformation journey.

During 2024, the Bank continued to invest in its strategic initiatives, with a particular focus on technological advancements. The spend for the year in this respect amounted to circa €13.8 million, an increase of 25% over the prior year (2023: €11.0 million).

iii. Releases of Credit Provisions

The asset quality of the credit portfolio remains an absolute priority for the Bank with positive yearly variances being registered in the main ratios and with results being in line with the target trends. The BOV Group maintained vigilant oversight over all asset quality metrics with particular attention being placed on the non-performing exposures portfolio (NPEs) and under-performing assets. As at 31 December 2024, the NPE ratio has declined from 3.1% at the end of 2023 to 2.7%, down by more than 40bps.

Net impairment reversal, which also includes recoveries and bad debts written off, increased by €23.8 million this year (2023: increased by €10.5 million), showing the Bank's success as we continue to strive in improving loan portfolio credit quality as well as strengthening the recoverable amount on material facilities through additional collateral.

Expected Credit Losses (ECL) coverage for credit-impaired assets slightly fell to 42.7% from last year's 43.9% as a result of the latter. As of 31 December 2024, the amount of legacy NPLs continued to decline with increased coverage being applied to ensure effective mitigation against potential losses and provide adequately for these high-risk assets. Several good recoveries which were previously written off have also been achieved during the year with the net proceeds feeding directly into the P/L.

iv. Share of Profit from Associates

The Group's share of profit from insurance associates for the year resulted in a profit of €9.5 million which reflects a reduction when compared to the €11 million registered in FY2023. One notes that the FY2023 financial results of the Associate companies operating in the insurance business, were positively influenced by a one-time transition of accounting standards from IFRS4 to IFRS17.

Balance Sheet Position

The Group's total assets grew by 4.1% from €14.5 billion in 2023 to €15.1 billion in 2024, marking an increase of €592.2 million. This asset growth underscores the Bank's solid market position and rising deposits. Material shifts were noticed between line items especially between balances held with central bank moving to investments and lending, as the Bank seeks to optimise long term returns. By the end of 2024, customer deposits stood at €12.8 billion (2023: €12.2 billion), which is a 5.4% increase or €651.7 million compared to 2023.

In 2024, effective management of surplus liquidity was maintained. Consequently, the cash balance and short-term assets decreased by about €1.3 billion, marking a 53.9% drop from the prior year. Cash and short-term funds amounted to €1.1 billion (2023: €2.4 billion) with the decline portraying the deployment of liquid assets in the treasury portfolio and expansion in quality credit.

The Bank's treasury portfolio experienced notable growth, expanding by 18.4% or €983.2 million over the course of the year, resulting in a total of €6.3 billion (2023: €5.4 billion). This rise was driven by an adept investment strategy that accounted for the sale of a substantial amount of bail-in MREL instruments, aiming to reduce RWAs considering the implementation of CRR3. Most of these investments are categorised at amortised cost, which is consistent with the Bank's strategy to hold securities until maturity to accrue interest income. The portfolio consists of highly rated securities, ensuring a low-risk profile, stable returns, and manageable risk-weighted asset consumption.

The net loans and advances to customers amounted to €6.9 billion at the end of 2024 (2023: €6.2 billion), resulting in the net increase of €717.1 million or 11.6%. The credit portfolio (on a net basis and including Fair Value and Loss loans) has shown consistent growth primarily due to sustained growth across all segments including business loans, home loans and personal loans, whilst also maintaining a strong focus on credit quality. This led to a favourable increase in the Group's gross loan-to-deposits ratio from 51.7% in 2023 to 54.5% in 2024. The Bank continues to place high emphasis on green lending by issuing specific products and better financing terms where financing investments are deemed to be sustainable in nature.

During the fourth quarter of 2024, the Bank has obtained regulatory approval of a Medium-Term Bond Programme of up to €250 million. This issue supports the Bank's efforts to achieve its ambitious strategic plan, its medium and long-term vision as well as its commitments towards sustainable growth. Such issue is a signal to the market of the Bank's confidence in its future growth strategy and is considered as another step towards the Bank's plans to strengthen its position as Malta's Bank of Choice. The first Tranche was issued for €100 million of 5% unsecured subordinated bonds maturing between 2029 and 2034. This Bond continues to further strengthen the MREL and capital base of the Bank.

The Group's liquidity remains well-above the minimum regulatory requirements with the LCR ratio at year being 369%, up from 362% as the end of 2023.

The capital ratios remained strong and above regulatory requirements, with the CET 1 and total capital ratios as at 31 December 2024 of 22.31% (December 2023: 22.66%) and 27.13% (December 2023: 25.94%), respectively.

9. Looking Ahead to a Promising Future

As we reflect on the achievements for FY2024, we are filled with pride and gratitude for the milestones we have achieved together. The year was marked by notable successes that underscore our steadfast commitment to excellence and innovation.

One of the most significant accomplishments was the oversubscription of our €100 million 5% unsecured subordinated bonds within the first day of its launch. This overwhelming response from the market is a testament to the trust and confidence that the public places in Bank of Valletta.

OUR STRATEGIC INITIATIVES



Moreover, our efforts to restore profitability and ensure security for our stakeholders were recognised by Standard & Poor's Global Ratings, who raised our credit rating. This upgrade highlights the robustness of our financial strategies and our dedication to maintaining a secure and profitable institution.

We were also honoured with several awards that reflect our commitment to excellence. The prestigious Malta Foundation for Human Resource Development (FHFD) HR Quality Mark was a significant recognition of our efforts in human resource development. Additionally, BOV Fund Services (BOVFS) was named Best Fund Administrator (Malta) 2024 by CFI.co. Our success at the Malta Business Awards, where we received two outstanding awards, was further capped by being crowned Company of the Year 2024 by the Malta Stock Exchange.

As we move into 2025, we are more determined than ever to build on our successes and continue our journey towards growth and excellence. The achievements of 2024 have set a solid foundation, and we are poised to pursue new opportunities with confidence and enthusiasm.

Our strategic initiatives will focus on further enhancing our service offerings, optimising our operations, and expanding our market presence. We will continue to invest in technology and innovation to deliver superior value to our customers and stakeholders.

We remain committed to fostering a culture of sustainability and social responsibility. Our efforts will be directed towards promoting green lending, supporting sustainable investments, and contributing positively to the communities we serve.

In conclusion, I extend my heartfelt gratitude to our board of directors, employees, customers, and shareholders for their unwavering support and trust. Together, we will navigate the challenges and seize the opportunities that lie ahead of us, ensuring that Bank of Valletta remains the Bank of Choice for years to come.