BOV Bank of Valletta

ANNUAL REPORT 2024

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GENERAL INFORMATION

BOARD OF DIRECTORS

Dr Gordon Cordina (Chairperson)
Nicola Angeli
Dr Diane Bugeja
Kenneth Farrugia
Anatoli Grech
James Grech
Anita Mangion
Deborah Schembri
Dr Robert Suban
Godfrey Swain
Hadrian Sammut *(appointed on 28 June 2024)*
Dr Christian Bonnici West *(appointed on 31 May 2024)*
Dr Jonathan Spiteri *(appointed on 31 May 2024)*
Kevin J Borg *(resigned on 31 May 2024)*
Elizabeth Camilleri *(resigned on 31 May 2024)*

COMPANY SECRETARY

Dr Ruth Spiteri Longhurst

EXECUTIVE COMMITTEE (ExCo) as at 31 December 2024

Kenneth Farrugia *(Chief Executive Officer)*
Ernest John Agius *(Chief Operations Officer)*
Simon Azzopardi *(Chief Personal & Wealth Officer)*
Ivo Camilleri *(Chief Strategy, Transformation & Data Officer)*
Kevin Cardona *(Chief Financial Officer)*
Ryan Caruana *(Group Chief Anti-Financial Crime Officer & MLRO)*
Ray Debattista *(Chief People & Culture Officer)*
Elena Dourou *(Group Chief Internal Auditor)*
Bjorn Ekstedt *(Chief Information Officer)*
Anatoli Grech *(Group Chief Compliance Officer)*
Simon Grech *(Chief Commercial Officer)*
Danielle Grima *(Chief Risk Officer)*
Theodoros Papadopoulos *(Chief Customer Experience Officer)*
Roderick Meilaq *(Secretary)*

AUDITORS

KPMG

LEGAL ADVISORS

Camilleri Preziosi

NOTICE OF MEETING

The Annual General Meeting of the Bank will be held at the Grand Master Suite, Hilton Malta, St Julian's, on Thursday 29 May 2025 at 10.00 a.m.

ADDRESS

BOV Centre,
Triq il-Kanun, Central Business District,
Santa Venera CBD 4060 - Malta

Registered Office:
58, Triq San Żakkarija,
Il-Belt Valletta VLT 1130 - Malta

Registration Number: C 2833

Bank of Valletta p.l.c. is a public limited company licensed to carry out the business of banking and conduct investment services by the Malta Financial Services Authority. Bank of Valletta p.l.c. is an enrolled tied insurance intermediary of MAPFRE MSV Life p.l.c. (MMSV). MMSV is authorised and regulated by the Malta Financial Services Authority to carry on long term business under the Insurance Business Act 1998.

Since last publication there were no changes to the name of the reporting entity.

Readers are reminded that the official statutory Annual Report and Account 2024, authorised for issue by the Board of Directors, is in European Single Electronic Format (ESEF) available at *https://cdn.borzamalta.com.mt/ESEFAPP//BOV_20241231_CON_AFR_529900RWC8ZYB066JF16_20250326124724073/529900RWC8ZYB066JF16-2024-12-31-en-InlineViewer.xhtml.*

A copy of the Independent auditor's report issued on the official statutory Annual Report and Accounts 2024 is included within this printed document and comprises the auditor's report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the ESEF RTS), by reference to Capital Markets Rule 5.55.6.

Dr Gordon Cordina

Chairperson

NC TDS NED *

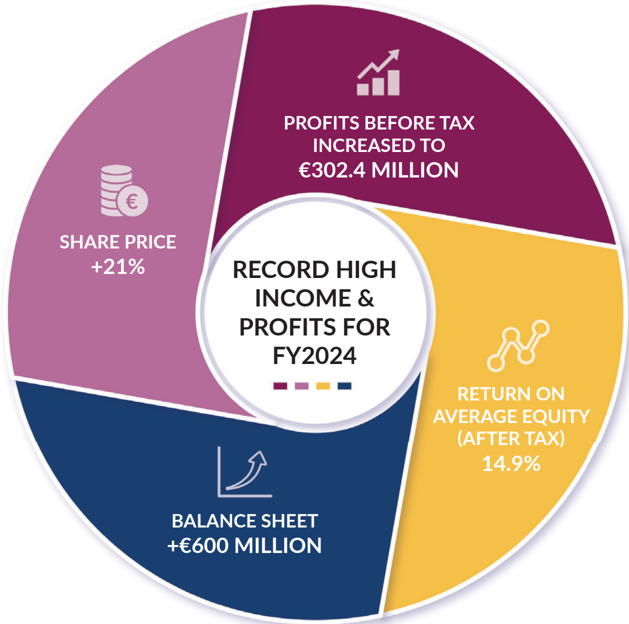
Dr Gordon Cordina is a leading economist in the Maltese islands. He has professional experience spanning 25 years, covering banking, policy-making, academia and private sector consultancy. He serves as Chairperson of the Board of Directors, the Nominations Committee and is a member of the Technology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



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.

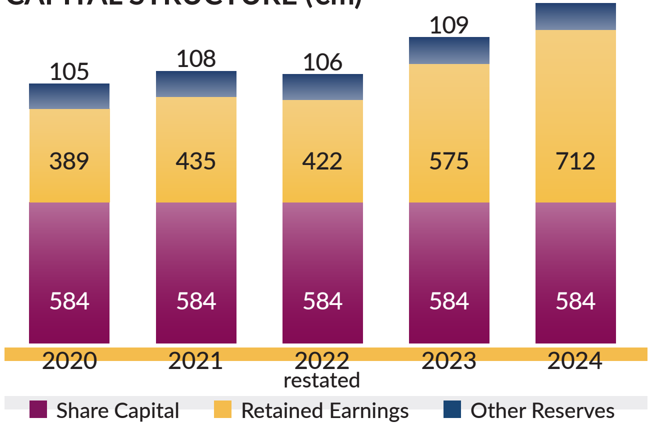
The role played by the Bank during the COVID period, straddling 2020 to 2021, confirmed its unparalleled commitment to the national economy. During these unprecedentedly challenging times, the Bank provided targeted recovery financial measures to thousands of Maltese businesses for hundreds of millions 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.

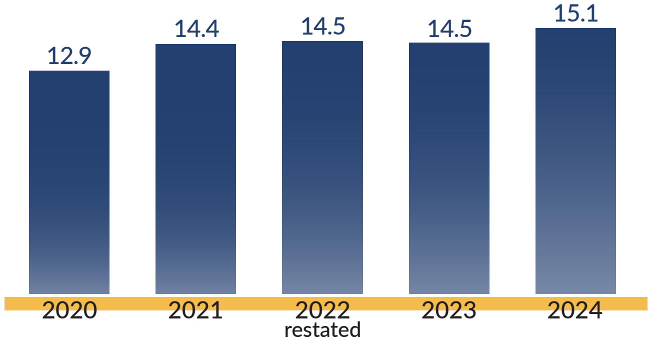
CAPITAL STRUCTURE (€m)



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.

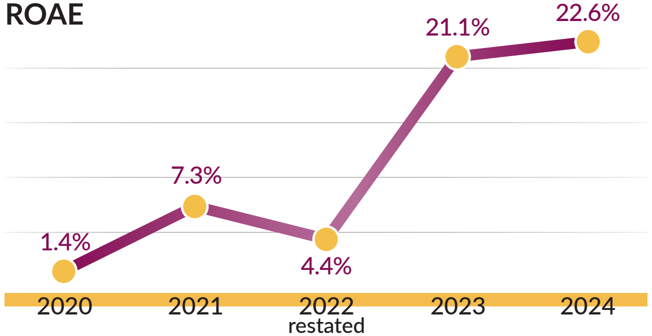
The bond issue was also the advent of the Banks's medium-term programme to rebalance its capital structure, between Tier 1 and Tier 2 Capital. This capital bolstering and rebalancing programme not only served to increase capital buffers and helped the Bank overcome challenges but also served as a springboard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

BALANCE SHEET SIZE (€b)



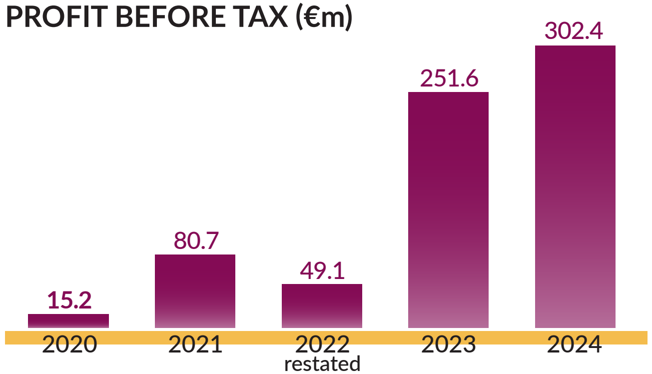
Despite the internal and macroeconomic challenges that it had to deal with, the Bank still managed to continue to grow its business, with the balance sheet size increasing by 17%, between 2020 and 2024. Customer deposits were the main catalyst for this growth with a €1.5 billion increase over this period, 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



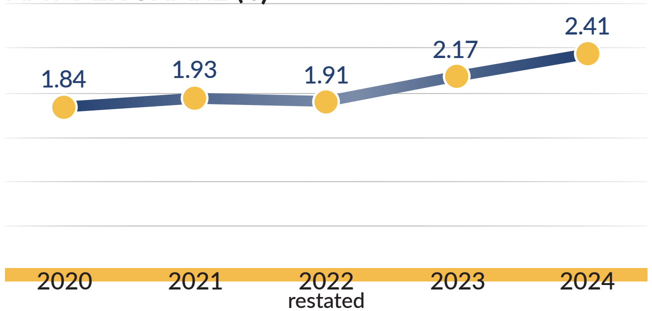
The profitability for FY2023 and FY2024 reached all-time highs leading to a pre-tax Return on Average Equity ratio exceeding the 20% mark for both years. The current ROAE is comparatively amongst the highest both within the local context but also when compared to international peers.

PROFIT BEFORE TAX (€m)



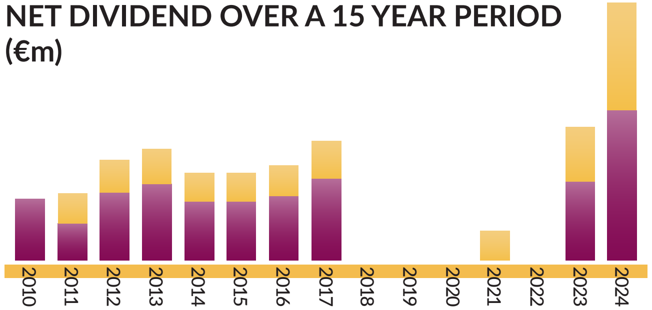
The combination of healthy medium term sustainable profits, and a prudent dividend policy have driven the Bank's Net Asset Value upwards, with the NAV per share increasing from €1.85 in December 2020 to €2.41 in December 2024. Apart from wealth held within the Bank's equity, the institution is also providing 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 (€)



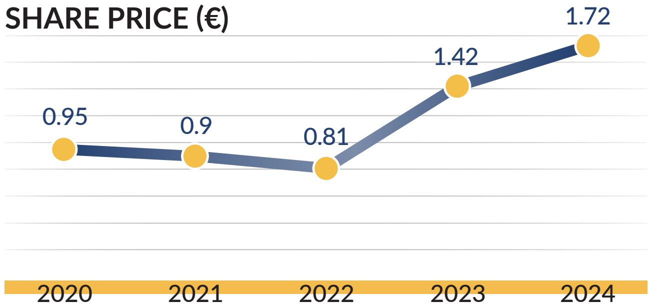
An appreciation in the share price was also noticed with an increase of 112% being registered in the past 2 years and leading to a market capitalization exceeding €1 billion, the highest amount on the Malta Stock Exchange.

NET DIVIDEND OVER A 15 YEAR PERIOD (€m)

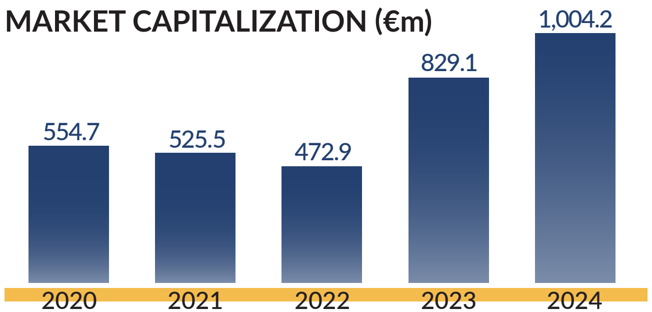


	Interim	Final
2010	-	€20.8M
2011	€9.8M	€12.5M
2012	€10.5M	€22.8M
2013	€11.7M	€25.4M
2014	€9.1M	€19.8M
2015	€9.1M	€19.9M
2016	€9.9M	€21.6M
2017	€12.3M	€27.3M
2018	-	-
2019	-	-
2020	-	-
2021	€10M	-
2022	-	-
2023	€17.5M	€26.6M
2024	€35.1M	€49.9M

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.

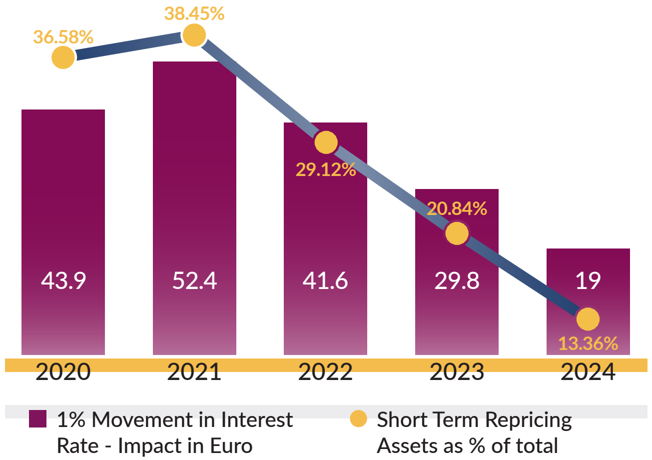
The Bank deployed a significant portion of short-term liquid assets into longer-term high-quality investments over the past two years, to cushion the effects of monetary policy interest rate cuts on its income. Through this strategy, the sensitivity of the Bank's income to a 1% interest rate shock has 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.

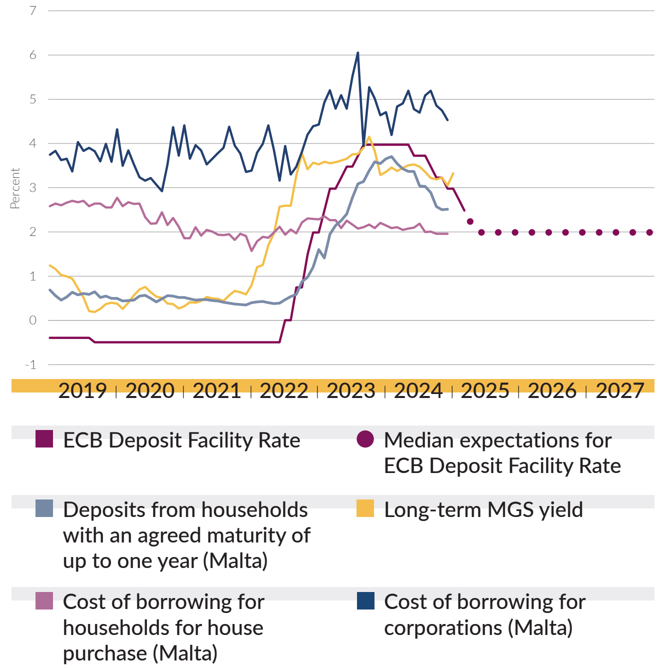
While the negative impacts of overseas conflicts should not be overlooked, the main uncertainty revolves around the potential for international economic confrontations through tariffs and other trade barriers. While the situation remains very fluid, global powers are increasingly tempted to use economic 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.

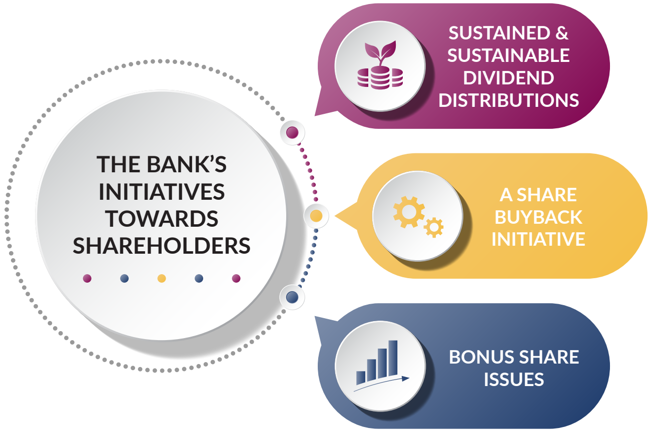
In the absence of new shocks, not least those which could be occasioned by trade wars among major economic blocs, Malta's inflation is set to converge towards the ECB's target of 2%. The unemployment rate is expected to hover close to the historic low of 3%, maintaining tight labour market conditions. 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 plans 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 BANK'S KEY PRIORITIES

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
ED

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 (NFCI), 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 successful 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.

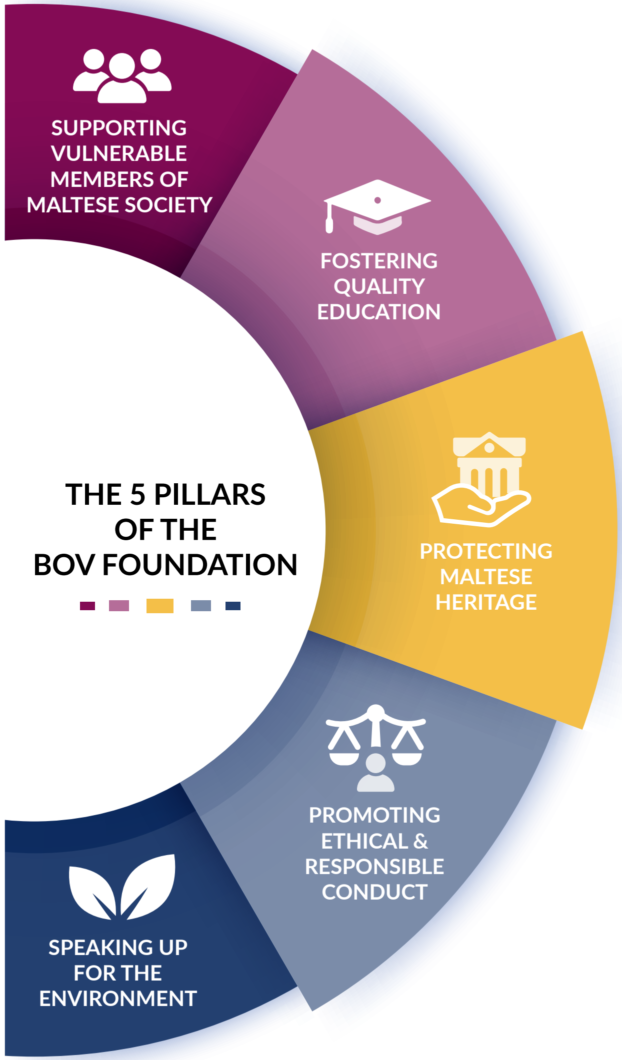
This year, protecting customers from fraudulent activities has been given significant importance. As online transactions and activities increase, fraudsters are employing more sophisticated technological tools to deceive individuals. Consequently, fraud cases have surged, prompting us to take various 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 exceed 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 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

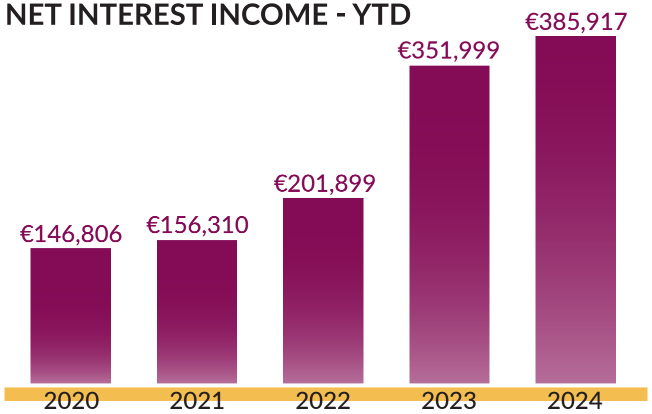
i. Operating Income

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.

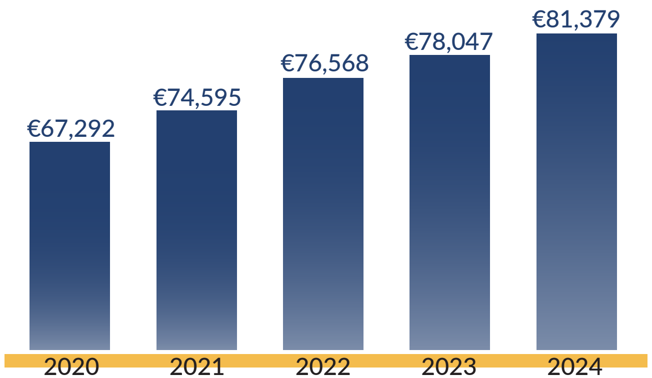
NET INTEREST INCOME - YTD



- 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 (FHRD) 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.

Dr Gordon Cordina
Chairperson

Nicola Angeli
Non Executive Director

James Grech
Non Executive Director

Dr Jonathan Spiteri
Non Executive Director

Kenneth Farrugia
Chief Executive Officer
Executive Director

Dr Christian Bonnici West
Non Executive Director

Anita Mangion
Non Executive Director

Dr Robert Suban
Non Executive Director

Dr Diane Bugeja
Non Executive Director

Hadrian Sammut
Non Executive Director

Godfrey Swain
Non Executive Director

Anatoli Grech
Executive Director

Deborah Schembri
Non Executive Director

Dr Ruth Spiteri Longhurst
Group Company Secretary

Nicola Angeli

Director

RC R NED *

Mr. Nicola Angeli currently chairs the Remuneration Committee and is a member of the Risk Committee. He has extensive knowledge of the European banking sector, accumulated over 10 years of experience working on transactions in the private and public markets.

Based in Italy, he started his career in the Debt Capital Markets team of UniCredit S.p.A., where he assisted medium and large corporations in the execution of financing transactions in the fixed-income market. In 2015 he moved to his current position in the Group M&A and Corporate Development team, where his responsibilities focus on carrying out M&A proprietary transactions for the UniCredit Group. Nicola was involved in several transformational inorganic projects, including M&A and capital markets deals.

Mr. Angeli has significant knowledge of the European financial sector across several geographies (e.g. Italy, Germany, Central and Eastern Europe) and sectors (e.g. retail and corporate banking, investment banking, consumer finance and other product factories).

Mr. Angeli has a master's degree cum laude in Banking, Business and Financial Markets and a bachelor of science cum laude in Economics, both from the University of Trento (Italy).

Mr. Angeli was appointed to the Board in May 2023.

Dr. Christian Bonnici West

Director

CAFC TDS NED *

Dr. Christian Bonnici West is currently a member of the Compliance and Anti-Financial Crime Committee and Technology and Digital Strategy Committee.

Dr. Bonnici West is also a resident academic in the Insurance and Risk Management Department at the Faculty of Economics, Management, and Accountancy, University of Malta.

His interdisciplinary research spans consent, privacy, surveillance, risk management, emerging technologies, strategy, and management systems.

Over the years, Dr. Bonnici West has accumulated extensive professional experience in Information Security and Privacy Management. His work includes roles in the gaming industry, Public Key Infrastructure projects, IT compliance in the pharmaceutical sector, and consultancy and auditing within a Big Four environment. He served on the Maltese National Cyber Security Steering Committee and is currently a Council member of the Malta Association of Risk Management.

Dr. Bonnici West holds a Ph.D. and MSc in Information Security from Royal Holloway, University of London, and a BSc (Hons) in Computing and Information Systems from Goldsmiths College, University of London.

Dr. Bonnici West was appointed to the Board in May 2024.

Dr. Diane Bugeja

Director

A CAFC NC NED *

Dr. Diane Bugeja currently chairs the Compliance and Anti-Financial Crime Committee and is a member of the Audit Committee and Nominations Committee.

Dr. Bugeja is a lawyer by profession, practising primarily in financial services law, financial regulation and anti-financial crime compliance. She is currently a Senior Associate at Camilleri Preziosi Advocates. Prior to joining Camilleri Preziosi, Dr. Bugeja held the post of Senior Manager at a Big Four accounting firm, working in Malta and in London. She subsequently joined the enforcement departments of the UK Financial Conduct Authority and the Malta Financial Services Authority.

Dr. Bugeja holds a Ph.D in law from King's College London and an M.Sc from the London School of Economics and Political Science.

Dr. Bugeja was appointed to the Board in December 2019.

Anatoli Grech

Director

ED

Mr. Anatoli Grech holds the position of Group Chief Compliance Officer and is an Executive Director on Board of Bank of Valletta plc.

He is a voting member of the Executive Committee, the Internal Control and Risk Management Committee, the Asset and Liability Committee, the Data Committee and chairs the Product Governance and Pricing Committee. Mr. Grech is a Director on the Board of BOV Asset Management Limited, Chair of its Risk and Regulatory Committee and Chair of the Risk and Regulatory Committee of BOV Fund Services.

Mr. Grech is also a member of the Risk and Regulatory Committee of Mapfre MSV Life p.l.c. He is a delegate member of the Coordination Committee of the World Savings and Retail Banking Institute and Alternate Board Director of the European Savings Banking Group.

Mr. Grech was appointed to the Board in August 2023.

James Grech

Director

NED

Mr. James Grech is a distinguished professional with over 25 years of experience in the banking sector, including 15 years as a Non-Executive Director. He began his career as a Management Accountant and joined Bank of Valletta in 1998, where he has held various significant roles. From 2004 to 2008, he served as a Director representing workers' interests. In December 2014, he was re-elected to the Board of Directors through the shareholders' Annual General Meeting and continues to hold this position to date.

Throughout his tenure at BOV, Mr. Grech has actively participated in several committees, including the Asset and Liability Committee, Compliance Committee, Credit Committee, and Risk Management Committee. He also served as Chairman of the Board of Trustees of the BOV Employees' Foundation. Additionally, he played a crucial role as a member of the European Banking Federation Correspondent banking task force, leveraging his expertise in Correspondent Banking thereby strengthening BOV's position in the international banking community.

Beyond his contributions to BOV, Mr. Grech has demonstrated strong leadership in other sectors. He served as Chairman of Malta Industrial Parks and currently holds the position of Chairman of Gozo Channel (Holding) Co. Ltd. Additionally, he serves as a director in a number of local companies, showcasing his wide-ranging expertise.

Mr. Grech possesses a wealth of knowledge and expertise in Corporate Governance. He holds an Honours Degree in Management and a Master's in Business Administration from Henley Management College, UK. Notably, his Master's dissertation in 2006 focused on the effectiveness of Board performance and Corporate Governance.

In addition to his professional roles, Mr. Grech is a respected educator. He has lectured on Financial Services at the Malta College of Arts, Science, and Technology, and on Corporate Governance at the University of Malta.

Appointed to the Board in 2004 till 2008. Re-appointed to the Board by the shareholders in the respective AGMs in December 2014 to date.

Anita Mangion

Director

TDS NED *

Ms. Anita Mangion currently chairs the Technology and Digital Strategy Committee and is a member of the BOV Foundation Board.

Ms. Mangion is an experienced board director with over 20 years hands-on professional experience in Strategy, Digitalisation, Business Process Re-engineering (BPR) and Innovation. Over the years she worked with local and multinational organisations as well as NGOs and collaborated with global partners, tech giants, C-Level executives and boards. Anita is currently a director on the boards of The Joseph Calleja Foundation and Vilhena SICAV plc.

Ever since joining BOV, Ms. Mangion has been instrumental in Digital Strategic Projects and Fintech Strategy work groups appointed by the Board. She also served in numerous board committees namely the Remuneration Committee, Audit Committee, Compliance and Anti Financial Crime Committee and ESG Committee.

Ms. Mangion served as board director at Malta Industrial Parks (INDIS) from 2013- 2017 and was a member of the Tenders Committee, Audit Committee and chaired the ICT Steering group. Ms. Mangion holds an Executive MBA (eBusiness); B.Com. Management Hons and B.Sc. Business and Computing (University of Malta). She also studied Business and IT at Indiana University-USA; Technology Entrepreneurship at University of Malta in collab with Oxford University-UK. Ms. Anita Mangion has a Pro License in coaching and is a certified Netball Head coach.

Ms. Mangion was appointed to the Board in December 2016.

Hadrian Sammut

Director

A R NED *

Mr. Hadrian Sammut is currently a member of the Audit Committee and Risk Committee. He has extensive experience in strategic implementation and holistic management of information systems. Over the past thirty-five years, Mr. Sammut has been heavily involved in the implementation of several large-scale projects in the public and private sector.

Mr. Sammut has had an extensive career in the field of Information Technology (IT). He started his career at the Central Bank of Malta, implementing the preliminary banking and financial information system within this institution. He then joined the Malta Stock Exchange, developing their initial back-office trading application and establishing Malta's first Central Securities Depository (CSD).

Subsequently, he assumed responsibility for the strategic planning and programme management endeavours related to the implementation of the Malta Government's initial Departmental Accounting System (DAS). As an Associate Director with a leading 'Big Four' audit firm, Mr. Sammut also provided information system advisory services to various local and foreign clients.

Over the last two decades, Mr. Sammut has also been responsible for multiple engagements related to IT implementation, governance, performance and compliance across various regulated business sectors, both locally and abroad.

As a keen bibliophile, Mr. Sammut also acts as a visiting lecturer within the Faculty of Media & Knowledge Sciences (MAKS) of the University of Malta, teaching the principles of analysis, design, implementation and management of library information systems.

Mr. Sammut holds an MBA degree in E-commerce from the University of Malta and a BSc (Hons.) degree in computing from the University of Greenwich, UK.

Mr. Sammut was appointed to the Board in June 2024.

Deborah Schembri

Director

A CAFC NED *

Ms. Deborah Schembri currently chairs the Audit Committee and is a member of the Compliance and Anti-Financial Crime Committee and a Director on the Board of MAPFRE MSV Life plc. Ms. Schembri is a Certified Public Accountant, holding a Master's degree in Business Administration from Henley Management College (UK) and an Advanced Diploma in Retirement Provision pursued with the UK Pensions Management Institute.

Ms. Schembri served as the Chairperson of the Malta Association of Retirement Scheme Administrators and has experience in strategy formulation and implementation, corporate governance, business and product development, customer relationships and employee engagement.

She has over 20 years' experience in the financial services and other local entities. She used to work with one of the Big Four audit firms and also served for 10 years as the CEO and Managing Director of a financial services organisation.

Currently, Ms. Schembri holds the role of Group CFO of a major local diversified group of companies operating locally and internationally. She also sits on committees within the Malta Chamber of Commerce and the Institute of Financial Services Practitioners.

Ms. Schembri was appointed to the Board in June 2022.

Dr. Jonathan Spiteri

Director

NC ESG NED *

Dr. Jonathan Spiteri is currently a member of the Nominations Committee and ESG Committee.

Dr. Spiteri is a Senior Lecturer within the Faculty of Economics, Management and Accountancy at the University of Malta. A PhD graduate in Economics from the University of Edinburgh. Dr. Spiteri's research interests include sustainability, public health, macroeconomics and behavioural science, and his research has been published in several leading peer-reviewed journals and books. He has also spearheaded the development of ESG teaching in Malta, both as part of existing university degrees as well as through the launch of a university-accredited course for industry professionals through the Institute of Financial Services (IFS).

Beyond academia, Dr. Spiteri's consultancy experience spans more than 13 years, predominantly focusing on ESG issues and macroeconomic policy for both public and private sector entities alike, across various sectors including aerospace, textiles, hospitality and the automotive industry. He has been appointed as an expert by the European Economic and Social Committee in the drafting of several opinions covering topics like green bonds, sustainable growth and the Single Market and is currently the Deputy Chairperson of Malta's Climate Action Authority.

Dr. Spiteri is a co-opted member of the European Chemicals Agency's Committee for Socio-Economic Analysis, primarily in the evaluation of applications for authorisation submitted by European businesses for the use of substances of very high concern (SVHC) as defined under the REACH regulation.

Dr. Spiteri was appointed to the Board in May 2024.

Dr. Robert Suban

Director

RC ESG R NED *

Dr. Robert Suban currently chairs the Risk Committee and is a member of the ESG Committee and Remuneration Committee. He is a full-time academic and Head of the Department of Banking, Finance and Investments at the University of Malta. He lectures at undergraduate and post-graduate level on subjects related to banking and finance.

He holds a Bachelor in Business Administration, a Masters Degree, and a Ph.D. in Accounting and Finance from the Alliance Manchester Business School. He has also completed the ACCA qualification.

Dr. Suban regularly attends and presents his research at various internationally peer-reviewed academic conferences in banking and finance.

Dr. Suban has considerable experience as a practitioner, having worked at the Central Bank of Malta, Jobsplus and a leading private travel organisation in Malta. Currently, he is a non-executive director of Malita Investments p.l.c.

Dr. Suban was appointed to the Board in May 2023.

Godfrey Swain

Director

RC ESG NED *

Mr. Godfrey Swain currently chairs the ESG Committee and is a member of the Remuneration Committee and the BOV Foundation Board.

He is an international executive with 30 years of banking experience until a few years ago serving as CEO of Myanmar Citizens Bank (MCB) based in Yangon, where he was tasked with executing a banking transformational strategy in partnership with the International Finance Corporation (IFC), an arm of the World Bank.

Mr. Swain previously served as Deputy CEO and Head of Retail Banking and Marketing for Vietnam International Bank (VIB), a large-scale bank with Vietnamese and Australian shareholding where he was based in Ho Chi Minh City delivering a strong growth and modernisation mission for the Bank.

Mr. Swain served as a senior Hong Kong and Shanghai Bank (HSBC) international executive for 20 years. He held key roles as Managing Director and Country Head of Retail Banking and Wealth Management for HSBC in Japan, Vietnam and previously Malta, where he also held the role of Head of Marketing and Communications and Founding CEO/MD of HSBC Life Assurance (Malta) Limited.

Mr. Swain was a member of the Hong Kong based HSBC Asia Pacific Regional Management team. He was also Director of various Boards including Life Assurance and Fund Management subsidiaries at HSBC and a member of all key Bank committees including EXCO, ALCO, Risk Management and Governance in the countries and territories where he served.

Mr. Swain started his financial services career in Adelaide and Sydney with National Mutual Life, Australia.

Mr. Swain is a business graduate from Monash University, holds a diploma in Strategic Management from Henley School of Management and participated in several HSBC executive programmes in London, Hong Kong and Singapore.

Mr. Swain was appointed to the Board in May 2021.

Dr. Ruth Spiteri Longhurst

Group Company Secretary

Dr. Ruth Spiteri Longhurst joined BOV in 2002 and was appointed Group Company Secretary in April 2016. During her employment within BOV she occupied the positions of Head Legal Advice and Executive Head Compliance Unit. Dr. Spiteri Longhurst is also the Company Secretary of MAPFRE MSV Life p.l.c., BOV Asset Management Limited and BOV Fund Services Limited.

Dr. Spiteri Longhurst graduated with a Doctor of Law from the University of Malta in 2001 and obtained a Master of Arts in Financial Services in 2004.

A	Audit Committee
CAFC	Compliance and Anti Financial Crime Committee
NC	Nominations Committee
RC	Remuneration Committee
ESG	Environmental, Social, and Governance Committee
R	Risk Committee
TDS	Technology and Digital Strategy Committee
ED	Executive Director
NED	Non-Executive Director
*	Independent

Kenneth Farrugia
Chief Executive Officer

Ernest Agius
Chief Operations Officer

Ryan Caruana
Group Chief Anti-Financial Crime Officer & MLRO

Anatoli Grech
Group Chief Compliance Officer

Simon Azzopardi
Chief Personal & Wealth Officer

Ray Debattista
Chief People & Culture Officer

Simon Grech
Chief Commercial Officer

Ivo Camilleri
Chief Strategy, Transformation & Data Officer

Elena Dourou
Group Chief Internal Auditor (Observer on ExCo)

Danielle Grima
Chief Risk Officer

Kevin Cardona
Chief Financial Officer

Bjorn Ekstedt
Chief Information Officer

Theodoros Papadopoulos
Chief Customer Experience Officer

Ernest Agius
Chief Operations Officer

Ernest Agius was appointed BOV's Chief Operations Officer, in May 2016. He is responsible for the Bank's Administration Functions including Corporate Real Estate, Security and Health and Safety, Procurement, Architect Services and Property Projects, Investment, Custody Operations and FBR, Corporate Social Responsibility, Continuity, Outsourcing & ESG, Digital Scanning and archiving, Centralised Operations including, Cash, Cheque, ATM, Reconciliations and Safe Deposit Lockers Management, SWIFT & SEPA Payments Processing and Reconciliations.

Ernest joined Bank of Valletta in 2015. With over 37 years of experience within financial services working for local and global institutions, leading major programmes across countries and regions. Ernest has held several senior executive positions within the Business, migrating Customers to digital channels and IT. He has vast experience in Banking Operations, Core Banking System Implementations, Strategic Outlook, and Financial Crime Compliance, and he has led major global transformation projects involving complex Technology, Automation, Human Resources, and de-risking.

He has been a member of the Executive Committee since June 2016, a member of the Projects Evaluation Committee, the Internal Control & Risk Management Committee, the ESG Steerco and the Incident Management Team.

Simon Azzopardi
Chief Personal & Wealth Officer

Simon Azzopardi has been appointed as Chief Personal and Wealth Officer on 2 August 2023. He is primarily responsible for the Branch Network, Investment Centres, Private Banking, Wealth Management and Digital Channels. Mr. Azzopardi joined Bank of Valletta in 1987 and he has served in various areas of the Bank including the retail network, corporate finance, strategic planning, and marketing, and enjoys considerable experience in investment services. During his career at BOV, he has occupied various senior positions at Risk Management, International Corporate Centre, Chairman's Office and the various subsidiaries.

He was also responsible for the setting up and running of the Cairo representative office. Mr. Azzopardi became a member of the Bank's Executive Committee in January 2021 when he was appointed as Chief Wealth Management Officer. He is currently a Director of the BOV Fund Services Board. He is also a member of various committees which include, the MMSV Investment Committee, the MMS Investment Committee and the BOV Funds Services Risk & Regulatory Committee.

Mr. Azzopardi holds a Degree (B.Comm Hons) in Banking & Finance from the University of Malta, and a MSc International Securities, Investment and Banking from the University of Reading. He is also an Associate of the Chartered Insurance Institute and a Fellow of the London Institute of Banking and Finance.

Ivo Camilleri
Chief Strategy, Transformation & Data Officer

Ivo Camilleri is a seasoned professional with a career that spans more than three decades in the domains of banking business and financial technology. He commenced his tenure with Bank of Valletta plc in 1987 and has been entrusted with senior leadership roles in strategically critical sectors for the past 24 years.

Mr. Ivo Camilleri has an established record of spearheading transformative initiatives in the areas of strategy, product innovation, digital channel development, card and electronic payment businesses. Mr. Camilleri has headed teams that have led to Bank of Valletta winning awards in the areas of Strategy, Digital Channels, Mobile Banking and Mobile Payments.

He has also served the Bank in pivotal leadership capacities across various technical disciplines, including software application development, technical services, and data-related technologies.

Mr. Camilleri holds a first-class honours degree in Information Technology from the University of Malta.

Kevin Cardona
Chief Financial Officer

Kevin Cardona was appointed as the Bank's Chief Financial Officer on the 1 March 2024.

He serves as Chair of Asset and Liability Management Committee and is a Member of the Bank's Executive Committee and a number of management committees. Mr. Cardona is a permanent attendee at the BOV's Board of Directors and Audit Committees as well the MAPFRE MSV Life p.l.c Audit Committee. In his capacity as CFO, Mr. Cardona oversees a broad array of duties that are essential for the financial health and regulatory compliance of the institution. Among these responsibilities, he takes a central role in shaping the Bank's strategic financial plan, while actively engaging in financial reporting and control, tax, economics, budgeting, forecasting, capital and balance sheet optimisation. Additionally, Mr. Cardona manages treasury and financial operations, including measurement, monitoring and mitigating key risks including liquidity, solvency and interest rate risks.

Mr. Cardona is a Certified Public Accountant with 24 years of experience working in the banking industry. Prior to being appointed as CFO, he has accumulated extensive experience in Risk Management and Commercial Banking, spanning more than 17 years. His primary focus areas encompassed credit portfolio management, corporate finance, data analytics, regulation, as well as financial and credit risk management.

Mr. Cardona holds a Masters in Financial Management from Heriot Watt University, with specialization in Finance, Risk Management and Quantitative methods. He is recognised as a Fellow member of the Association of Chartered Certified Accountants (FCCA) as well as holding first degrees in Taxation and Accounting.

Ryan Caruana

Group Chief Anti-Financial Crime & MLRO

Ryan Caruana holds the position of Group Chief Anti-Financial Crime Officer & MLRO in which amongst others he drives strategic initiatives, enhances the organisation's resilience, and fosters partnerships for effective financial crime risk management.

Mr. Caruana is a seasoned professional with an extensive background in law enforcement, investigations, financial intelligence and financial crime risk assessments. He possesses a deep understanding of the financial crime landscapes and regulatory frameworks through his experiences and assignments both locally and on the international scene.

For the past years Ryan has been an MLRO and Head of financial crime compliance, ensuring compliance with anti-money laundering and counter-terrorism financing measures. Ryan holds a Master Degree (MSc) in Forensic Accounting from Portsmouth University UK, a Master Degree in Business Administration from Chester University UK , a graduate from the International Compliance Association (ICA) and a Certified Anti-Financial Crime Professional (CAFCP).

Ray Debattista

Chief People & Culture Officer

Ray Debattista was appointed Chief People and Culture Officer in October 2023, following his tenure as Acting Chief since August 2022. He began his journey with the Bank in 1984, undertaking a variety of roles across the retail network and corporate functions. Over two decades in Human Resources, Ray developed comprehensive expertise in areas such as recruitment, employee engagement, performance management, training, career development, talent management, and employee and industrial relations.

As a key member of the Bank's Executive Committee, Ray is responsible for formulating and implementing HR strategies that align with the Bank's overarching business objectives and strategic vision.

He leads initiatives to position the Bank as an Employer of Choice by enhancing employee experiences and career development opportunities, while promoting programs that support employee well-being. Together with his team in People & Culture, Ray oversees succession planning, talent and change management, and maintains constructive relationships with key stakeholders, including employee representative groups.

Ray holds a Master of Business Administration from Henley Business School, a triple-accredited institution recognised for its excellence in management education.

Elena Dourou

Group Chief Internal Auditor

Elena Dourou joined BOV on 1 October 2020 as Group Chief Internal Auditor.

She has vast experience in the financial sector and internal audit and a successful international career. Among other major institutions, she has worked in Deloitte and National Bank of Greece in positions relevant to consulting, internal audit and internal controls and in ABN Amro Bank (Greece & Italy), Piraeus Bank (Greece), and Ferratum Bank (Malta) in Executive Internal Audit positions. Before joining BOV, she was working at the Hellenic Corporation of Assets and Participations, where she was responsible for monitoring the internal audit departments of its subsidiaries to ensure harmonisation of processes and application of Internal Audit Standards in 15 major Greek Public Sector organisations.

Ms. Dourou is a member of the Board of the Institute of Internal Auditors in Malta, a Certified Internal Auditor, a Fellow Certified Chartered Accountant and a Certified Information Systems Auditor and holds an MBA from Oxford Brookes University.

Bjorn Ekstedt

Chief Information Officer

Bjorn Ekstedt had a distinguished career in the Swedish Air Force and was the Armed Forces Chief Controller and Head of Strategic Management before he pursued his IT career in 2007.

Mr. Ekstedt occupied various positions in major European companies where he served as Vice President of IT in roles such as Director of Enterprise Architecture, Director of IT Operations and Business Group CIO. He thereafter occupied Group CIO positions and formed part of the Executive Team in several large international corporations.

Before joining BOV, he was an Executive Advisor for large corporations and IT Suppliers in the Nordics.

Mr. Ekstedt holds an MBA from Warwick Business School, UK and an MSc from Linkoping Institute of Technology, Sweden.

Anatoli Grech

Group Chief Compliance Officer

Anatoli Grech holds the position of Group Chief Compliance Officer and is an Executive Director on Board of Bank of Valletta plc.

He is a voting member of the Executive Committee, the Internal Control and Risk Management Committee, the Asset and Liability Committee, the Data Committee and chairs the Product Governance and Pricing Committee. Anatoli is a Director on the Board of BOV Asset Management Limited, Chair of its Risk and Regulatory Committee and Chair of the Risk and Regulatory Committee of BOV Fund Services.

Anatoli is also a member of the Risk and Regulatory Committee of Mapfre MSV Life p.l.c. He is a delegate member of the Coordination Committee of the World Savings and Retail Banking Institute and Alternate Board Director of the European Savings Banking Group.

Simon Grech
Chief Commercial Officer

Simon Grech has been employed within the local financial services industry since 1985, returning to Bank of Valletta in 2015 following a period of experiences outside the Bank.

During his years in the industry, he has served in various areas, primarily retail banking, corporate and business finance, risk management and financial crime compliance. Mr. Grech has occupied various senior positions and leading roles in the aforementioned areas over the past two decades and has also held the position of president of the local Institute of Financial Services between 2012 and 2015.

Since October 2020, Simon has been heading the Bank's SME Finance area, supporting small and medium sized enterprises with their banking and financing needs, through several specialised offices across Malta and Gozo and was appointed to the role of Chief Commercial Officer in July 2023.

Mr. Grech holds a Masters in Business Administration from the University of Bangor (Wales) and a Bachelor of Science (Hons.) in Financial Services from the University of Manchester. He is also a Fellow of the London Institute of Banking and Finance as well as an accredited trainer for the same institute, following twenty-five years of lecturing experience both locally and internationally.

Danielle Grima
Chief Risk Officer

Danielle Grima started her career at the Central Bank of Malta in 2003 as part of the Financial Stability Department, with responsibility for data aggregation and analyses of data received from credit and financial institutions. She joined Bank of Valletta in 2011 and occupied the role of Head of the Enterprise Risk Management Unit, responsible for the oversight of a wide range of risks. She was also Head of the Supervisory Coordination Unit, responsible for establishing and maintaining a strong relationship with the JST and managing and coordinating Bank-wide projects and assignments.

Ms. Grima holds a Degree in Bachelor of Commerce (Hons) in Banking and Finance from the University of Malta.

Theodoros Papadopoulos
Chief Customer Experience Officer

Theodoros Papadopoulos was appointed Chief Customer Experience Officer (CXO) in November 2024. Prior to this, he served as Chief Digital Officer (CDO) for three years, having joined Bank of Valletta in September 2021. In 2022, he was also entrusted with leading the Bank's Transformation and Strategy efforts. He currently serves on various management committees, including PGPC and the Data Council.

With a strong track record in Customer Experience transformation, Theodoros has led large-scale initiatives that enhance customer journeys, drive engagement, and embed customer-centricity across organisations. He is highly skilled in Voice of the Customer, Design Thinking, and Customer Journey Mapping, ensuring that customer insights are at the core of strategic decision-making.

Beyond CX, Theodoros is a recognised leader in Change Management and Culture Inclusion, successfully fostering environments where employees are empowered to contribute to transformation efforts. His expertise in digital strategy, innovation, and operational efficiency has enabled organisations to modernise and adapt in highly competitive markets.

Before joining Bank of Valletta, he was Manager of Strategic Partnerships at Booking.com in the Netherlands in 2013. In 2016, he joined Eurobank EFG in Athens, Greece, as Director of User Experience, where he played a key role in expanding the bank's digital footprint.

Theodoros holds an MSc in Digital Communications and Media/Multimedia from Stockholm University, an MSc in International Business (Public Policy) from Södertörn University in Sweden, and a BA in Public Relations and Communication Policy. With experience working with Fortune 500 companies, he is known for driving impactful CX transformations, fostering innovation, and championing inclusive workplace cultures that support long-term business growth.

Corporate Social Responsibility (CSR)

During 2024, Bank of Valletta significantly enhanced its Community Engagement with the Launch of the 'BOV Foundation', a foundation whose only focus is the benefit of the local community and Maltese society.

Bank of Valletta, throughout its 50-year history, has always played a critical role in shaping the Maltese economy, more so today as a systemically important Bank that services a large percentage of the population. With deep roots in many aspects of Maltese society, the communities in which we operate remain important stakeholders for us. The BOV Foundation is another step in the right direction in our efforts to be leaders and innovators in the financial sector, and a catalyst for positive change

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.

Supporting vulnerable members of Maltese society

The BOV Volunteering Initiative, aimed at fostering community engagement, grants each and every BOV staff member a day of volunteering service within the Maltese community. Primarily aimed at supporting NGOs in the environment and Social aspect, the initiative has the potential of creating over 20,000 man hours of volunteering work annually with over 400 BOV employees already dedicating a day to this initiative during 2024.

BOV Volunteering - Nature Trust

L-istrina BOV Piggy Bank Campaign

The L-Istrina BOV Piggy Bank Campaign, now in its 21st consecutive year and under a 5th Presidency, continues to stress on the importance of working together and supporting each other as one whole human family, and through this campaign, a small sacrifice goes a long way in helping those in need.

The Bank is also spearheading the complete overhaul and refurbishment of the kitchen and dining area of the men's quarters at Caritas Malta's San Blas Drug Rehabilitation Unit aiming to enhance the overall well-being and quality of life as residents of the Centre journey through their rehabilitation program.

Puttinu Cares - London Apartment Project

A collaboration with the Richmond Foundation introduced the concept of mental wellbeing and the role of professional support among schoolchildren, a long-term project planning to target all schoolchildren over the next few years. Puttinu Cares' new apartment block in central London also received BOV's support.

The Bank continues to collaborate closely with the major NGO's in this field, such as Hospice Malta, id-Dar tal-Providenza and the Karl Vella Foundation, among others to assist them in continuing to provide their services for the betterment of the Community.

Environmental, Resource and Climate Sustainability

A new initiative, BOV Rebbiegħa was an open call to registered NGO's to propose projects aimed at revitalising and protecting Malta's environment while fostering a greater understanding and care for the natural environment for the Bank's support. 6 major projects were selected from this open call and are in various stages of implementation.

Dinja Waħda Awards

The Bank continues to focus on the future wellbeing of our planet, supporting 'Dinja Waħda' – A collaboration between the Bank and Birdlife Malta for all primary schoolchildren in Malta and Gozo The collaboration connects children with nature, instilling the necessary awareness and skills to preserve and improve the natural environment around them.

These actions reflect BOV's dedication to environmental sustainability and their broader ESG (Environmental, Social, and Governance) strategy.

Cultural heritage & environmental capital of the Maltese Islands

Three art exhbitions were organised by Bank of Valletta, the first, a retrospective view of Noel Galea Bason's career, the 28th edition in the BOV Retrospective Exhibitions series launched in 1999. The Exhibition was held at the Gran Salon within the National Museum of Archaeology, a majestic hall whose wall decorations are also meticulously being restored through the Bank's support.

BOV Retrospective Exhibition featuring works by Noel Galea Bason

The second was an exhibition of 58 works from BOV's collection of over 900 artworks meticulously curated by Prof Keith Sciberras and held at the Camerone within MUŻA with the aim of sharing the Bank's varied collection with the public. The Bank also gave space to its artistic employees by organising an exhibition at its BOV Centre in Santa Venera.

BOV Contemporary Art Exhibition

Malta's Heritage continued to find BOV's support with BOV supporting the restoration of the Chapel dedicated to San Mikiel tas-Sancir, possibly Malta's oldest mediaeval chapel. A number of musical concerts celebrating BOV's 50th Anniversary were held in venues where BOV had a close nexus through past and ongoing restoration projects.

Restoration of the Chapel dedicated to San Mikiel tas-Sancir

Ethical and Responsible Behaviour

Bank of Valletta firmly believes in Ethical and responsible behaviour characterised by a strong moral standard and a consistent value system. As the major sponsor of sporting activities in Malta and Gozo, BOV advocates embodying the spirit of sportsmanship, respecting opponents and striving for victory with honour.

BOV Basketball Champions

The Bank is increasing its focus on grassroots level sports across various sporting disciplined, such as football, basketball, water polo and bowling among others. Investing in the younger generation of athletes will ensure a crop of top athletes with high morals and ethical behaviour that will also spill outside the sports arena and into their private lives, resulting in a better community.

BOV Water Polo

Directors' Report as at 31 December 2024

The Directors present their 51st Annual Report, together with the audited financial statements of the Bank of Valletta Group (the Group) and the Bank for the Financial Year (FY) ended 31 December 2024.

Principal Activities

The Bank of Valletta Group comprises Bank of Valletta p.l.c. (the Bank) and two (2) subsidiary companies namely BOV Asset Management Limited (BOV AM) and BOV Fund Services Limited (BOV FS). The Group also has two equity-accounted investee companies, MAPFRE Middlesea p.l.c. and MAPFRE MSV Life p.l.c. The Group's principal activities are set out below.

Pursuant to relevant articles found within the MFSA Banking Rule 07 on the Publication of the Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Banking Act the Group offers banking, financial and investment services and connected activities within the domestic Maltese market. The principal activities of the Bank comprise the following:

1. The receipt and acceptance of customers' monies for deposit in current, savings and term accounts which may be denominated in Euro and other major currencies,
2. The provision of loans and advances to a wide array of customers, and
3. The provision of investment services, covering a comprehensive suite of investment products and services that meet the customers' needs throughout their lifecycle, including stockbroking, advisory and discretionary portfolio management services.

The Group also provides a number of other services, including, bancassurance, corporate advisory, fund management, fund administration, and other services, such as 24-hour internet banking service, issuance of major credit cards, night safe facilities, automated teller machines, foreign exchange transactions, and outward and inward payment transfers.

The Parent Company

Bank of Valletta p.l.c. is licensed to carry out the business of banking and investment services in terms of the Banking Act, 1994 (Chapter 371, Laws of Malta) and the Investment Services Act, 1994 (Chapter 370, Laws of Malta). The Bank is an enrolled tied insurance intermediary of MAPFRE MSV Life p.l.c. under the Insurance Distribution Act, (Chapter 487, Laws of Malta).

The Bank offers the entire range of retail banking services as well as the sale of financial products such as units in collective investment schemes. The Bank also offers investment banking services, including underwriting and management of Initial Public Offerings (IPOs).

The Subsidiaries

BOV AM provides management services for collective investment schemes and portfolio management services for institutional clients. BOV AM is a fully owned subsidiary of the Bank and has three (3) regulatory functions: Asset Management, Risk Management and Compliance.

BOV FS is also a fully owned subsidiary of the Bank and is recognised as a fund administrator and licensed as a Company Services Provider by the Malta Financial Services Authority (MFSA). BOV FS provides a comprehensive suite of services to fund managers and fund promoters, as well as a full suite of fund administration, shareholder registry services, regulatory reporting and corporate services.

Equity-Accounted Investees

MAPFRE MSV Life p.l.c. operates as a life assurance company licensed under the Insurance Business Act, 1998 (Chapter 403, Laws of Malta). MAPFRE Middlesea p.l.c. is engaged in the business of insurance, including group life assurance.

The Bank's Strategic Plan

Guided by the Bank's Risk Appetite Framework (RAF) and inputs by various key stakeholders, in 2023 the Board of Directors and Executive Management evaluated and approved several strategic initiatives for the strategy period 2024-2026. FY2024, being the first year of this period, has been very active across the Strategy's four (4) core pillars: Customers, Internal Operations, People & Culture Change and Governance and Risk Management. The Board focused on the Bank's optimisation of its Balance Sheet as a strategic enabler, whilst equally monitoring the leveraging of technological advancements, digital innovation and data analytics as complementary strategic enablers.

The Bank's Strategy Plan 2024-2026 includes clear objectives and measurable targets, which the Board of Directors and Executive Management have followed closely and regularly throughout the year. The structured monitoring of the execution of strategic initiatives, and the Strategic Key Performance Indicators (KPIs) was conducted with a view to aligning them with dynamic market conditions, regulatory requirements and operational dynamics. The purpose of this approach is to ensure strategic agility, enabling the Bank to proactively address challenges and capitalise on opportunities, thereby driving sustained success in a dynamic business environment.

The Strategic execution in FY2024 has been in harmony with the Bank's vision to remain a major contributor to the local economy, attracting current and future customers and investors whilst operating in an innovative, compliant, and secure manner. These efforts target a faster and a more targeted customer-centric service that ultimately delivers an equitable return to Shareholders. Concurrently, the Board remained committed to maintaining a regulatory compliant and sound risk management culture across all functions of the Bank.

For more information on the Bank's Strategic Plan, refer to the CEO's Commentary.

Directors' Report as at 31 December 2024 (continued)

Principal Risks and Uncertainties pursuant to Article 177 of the Companies Act, 1995 (Chapter 386, Laws of Malta)

The Directors are aware of the various risks faced by the Group as a result of its involvement in different business lines and operations. Various measures are in place to ensure that such risks and uncertainties are maintained at acceptable levels and are in line with the Group's risk appetite and strategy of sustainable, long-term growth and profitability. In line with Bank policy, the Risk Appetite Framework (RAF) was reviewed and approved by the Board of Directors in December 2023; the BOV RAF Policy was also revised in February 2024. The aforementioned RAF was used to monitor and report on a monthly basis, the risk level on different material risk types during the year ended 31 December 2024, also triggering timely and decisive corrective action where risk levels surpassed defined thresholds. The RAF was again reviewed in December 2024. Such a revised iteration will be used in the financial year 2025. The document lays out the responsibilities of various stakeholders, including the Board of Directors and Senior Management, and establishes various qualitative and quantitative parameters for acceptable risk-taking categorised by different risk types.

In line with the provisions of the Risk Appetite Statement and Framework, Senior Management is responsible for the day-to-day monitoring and control of risk-taking, subject to the ongoing oversight of the Board of Directors through the Risk Committee. The overall structure is aimed at ensuring a sound risk culture supported by a performance management system that discourages excessive risk taking.

The key risks faced by the Group include the following risks: credit, market, liquidity, operational, environmental, social, and governance. These, and other risks and uncertainties inherent in the business, require sound capital management to ensure adequacy against regulatory requirements and adverse events. With this in mind, the Group regularly sets out and reviews capital targets in line with actual and forecasted business levels and monitors performance against such targets on a regular basis. A more detailed explanation of key risks and capital management is included within the Pillar 3 Disclosures Report available on the Bank's website, as well as Note 39 to the Financial Statements.

The Directors also recognise the fact that the Group may be subject to reputation and litigation risk as a result of its actions and operations. Conscious of the serious repercussions such risks may have on the Group's and the various stakeholders' well-being, both the Board of Directors and Senior Management exercise zero tolerance to conduct risk and aim to instil the highest levels of ethical behaviour through various policies, procedures, and controls. In this regard, it should also be noted that all BOV Group officials are to be guided by, and required to adhere to, the Code of Conduct and Ethics which is an overarching document applicable to all policies, procedures, and guidance notes.

Operational Overview

A review of the business of the Group for the year ended 31 December 2024 and an indication of future developments are provided in the Chairperson's Statement and the CEO's Commentary, which can be found in the front section of this Annual Report.

Dividends

The Board believes it should continue to balance the Bank's long-term sustainability and shareholders' dividend expectations. In this respect, an interim cash dividend of €0.0924 gross per share amounting to €53.9 million (net ordinary dividend of €0.0601 per share amounting to €35.1 million) was paid on the 27 November 2024 to all members that appeared on the Bank's Register of Members, as maintained at the Central Securities Depository at the Malta Stock Exchange, at the close of business of Tuesday 12 November 2024.

The Board of Directors further resolved to recommend for the approval of the Annual General Meeting (AGM) the payment of a final gross cash dividend of €0.1314 per share making for a final net cash dividend of €0.0854 per share which, if approved by the AGM, would make for a total gross dividend for the year of €0.2238 per share (total net dividend per share €0.1455). This equates to a distribution of €76.7 million from H2 profits, amounting to €49.9 million on a net basis. Combined with the interim distribution, the total gross dividend payout amounts to €130.7 million (€84.9 million on a net basis).

Total Dividend for FY2024	
Gross	€ 130.67 mio
Tax at source	€ 45.74 mio
Net	€ 84.93 mio

At the forthcoming AGM, the Board of Directors is proposing a bonus share issue of 1 share for every 10 shares held, subject to regulatory approval. This will result in the issue of an additional 58,384,927 shares and thereby increasing the issued Share Capital from the current 583,849,270 shares to 642,234,197 shares of €1.00 each fully paid up, resulting in a paid up capital of €642,234,197.

Directors' Report as at 31 December 2024 (continued)

Board of Directors

The following Directors served on the Board during FY2024:

Gordon Cordina (Chairperson)

Anatoli Grech

Anita Mangion

Christian Bonnici West (appointed 31 May 2024)*

Deborah Schembri

Diane Bugeja

Elizabeth Camilleri (resigned on 31 May 2024)

Godfrey Swain

Hadrian Sammut (appointed 28 June 2024)**

James Grech

Jonathan Spiteri (appointed 31 May 2024)*

Kenneth Farrugia

Kevin J Borg (resigned on 31 May 2024)

Nicola Angeli

Robert Suban

** Dr. Christian Bonnici West and Dr. Jonathan Spiteri were appointed Directors on the Bank of Valletta Board during the AGM held on the 31 May 2024. Their appointment was subject to regulatory approval, which approval was received on the 24 July 2024 in the case of Dr. Christian Bonnici West and on the 19 August 2024 in the case of Dr. Jonathan Spiteri.*

*** Hadrian Sammut was appointed on the Board by co-option with effect from the 28 June 2024.*

Directors' Responsibilities

The Directors are required by the Companies Act, 1995 (Chapter 386, Laws of Malta) to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU which give a true and fair view of the state of affairs of the Group and the Bank as at the end of the financial year and of the profit or loss of the Group and the Bank for the year then ended.

In preparing the financial statements, the Directors should:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Bank will continue in business as a going concern.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Bank, and which enable the Directors to ensure that the financial statements comply with the Banking Act, 1994 (Chapter 371, Laws of Malta), Companies Act, 1995 (Chapter 386, Laws of Malta) and with the requirements of Article 4 of the Regulation on the application of IFRS as adopted by the EU. This responsibility includes designing, implementing and maintaining such internal controls as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Group and the Bank, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

After reviewing the Group's plans for the coming financial years, the Directors are satisfied that at the time of approving these financial statements, it is appropriate to continue adopting the going-concern basis in preparing these financial statements.

Auditors

The Bank has carried out a comprehensive tender process for the external audit contract. The tender process was overseen by the Audit Committee and resulted in a recommendation to appoint PwC Malta as the Group's external auditors, which recommendation was endorsed by the Board. The appointment of PwC as the Bank's external auditors will be proposed for shareholders' approval at the forthcoming AGM. The Board's decision to change its auditors was underpinned by considerations of best practice, in light of the length of the service of the auditors KPMG Malta. Subject to the approval of shareholders, PwC will undertake the audit of the BOV Group for the year ending 31 December 2025.

The Bank thanks KPMG Malta for the sterling service and professionalism demonstrated in their external audit role over the past years.

Going concern – Capital Markets Rule 5.62

The financial statements are prepared on a going concern basis. The Directors regard that pursuant to Capital Markets Rule 5.62, this is appropriate, after due consideration of the Bank's profitability, liquidity, the statement of financial position, capital adequacy and solvency. Specifically, the Directors have prepared financial and capital plans for the next three (3) years which show that the Bank is in a position to continue operating as a going concern for the foreseeable future, which is at least, but is not limited to, twelve (12) months from the end of the reporting period. These plans take into account risks arising in its ordinary course of business including complaints or legal proceedings by third parties, operational and compliance risks in relation to but not limited to compliance with legislation and regulations.

Directors' Report as at 31 December 2024 (continued)

Information Pursuant to Capital Markets Rule 5.64

1. Authorised Share Capital

The Bank has an authorised share capital of €1,000 million divided into 1,000 million ordinary shares with a nominal value of €1.00 each.

2. Issued Share Capital

The issued shares of the Bank consist of one class of ordinary shares with equal voting rights attached. The Bank has an issued and fully paid-up share capital of €583,849,270 divided into 583,849,270 shares with a nominal value of €1.00 each. There were no changes to the issued share capital during FY2024.

3. Shareholding Structure

Clause 5.3 of the Bank's Memorandum of Association provides that, with the exception of existing large shareholders, presently the Government of Malta and UniCredit S.p.A., no person may at any time, whether directly or indirectly and in any manner whatsoever, acquire such number of shares in the Bank, as would in aggregate be in excess of 5% of the issued share capital of the Bank.

As at 31 December 2024, Malta Government Investments Limited had a shareholding in the Bank of 0.48% and National Development and Social Fund (NDSF) had a shareholding in the Bank of 2.88%. Both entities are fully owned by the Government.

Any shareholder holding in excess of 50% of the issued share capital of the Bank or if no such shareholder exists, the shareholder holding the highest number of shares not being less than 25% of the issued share capital, may appoint the Chairperson. Qualifying Shareholders with 10% or more of the shares in issue are entitled to recommend one Director for every 10% holding.

The Directors confirm that as at 31 December 2024, shareholding in excess of 5% of the issued share capital of the Bank was held directly by:

Government of Malta:	25.0%
UniCredit S.p.A.:	10.2%

4. Appointment of Directors

The rules governing the appointment and replacement of the Bank's Directors are contained in Articles 24 to 31 of the Bank's Articles of Association. More details on the appointment and rotation process of Directors are found under the Corporate Governance Statement of Compliance, under Principle 3.

An extraordinary resolution approved by the shareholders in the general meeting is required to amend the Memorandum and Articles of Association.

5. Powers of Directors

The Board of Directors has the power to transact all business of whatever nature, not expressly reserved by the Memorandum and Articles of Association of the Bank, to be exercised by the Bank in general meeting or by any provisions contained in any applicable laws.

The shareholders in the general meeting authorised the Board to exercise during the Prescribed Period all the powers of the Bank to issue and allot shares up to an aggregate nominal amount equal to the Prescribed Amount. The Prescribed Period refers to a term of five (5) years approved during an AGM held on 2 June 2022 and which term expires on the 1 June 2027. This authority is renewable for further periods of five (5) years each.

6. Directors' Service Contracts

The Directors have service contracts with the Bank. More information on the Directors' service contracts can be found under the Remuneration Report.

7. Collective Agreements

The relative Collective Agreements regulate the compensation payable to employees in case of resignation, redundancy or termination of employment for other reasons. More information relating to Collective Agreements is found further below under the section entitled Non-Financial Disclosures.

8. Employee Share Scheme

The Bank has a Variable Remuneration Share Plan, through which the Board of Directors is authorised to:

i. establish the Plan and to do all such acts and things as may be necessary or expedient to give effect to the Plan; and

ii. issue up to and including 14,596,232 shares from the authorised share capital of the Bank for the purpose of satisfying the obligations of the Bank that will ensue from the operation of the Plan, without first offering the same to shareholders in proportion to their then existing holdings.

During FY2024 no shares were issued from the authorised share capital of the Bank for the purpose of satisfying the obligations of the Bank pursuant to the Plan.

Directors' Report as at 31 December 2024 (continued)

9. Amendments to the Articles of Association

Following the 50th Annual General Meeting held on the 31 May 2024, and in accordance with Resolution 7 regarding amendments to the Memorandum and Articles of Association, Article 28 concerning the Rotation of Directors, along with related references throughout the other articles, was removed in its entirety from the Bank's Memorandum and Articles of Association. This change was mainly implemented to simplify the process for the appointment and re-appointment of directors.

Information pursuant to Capital Markets Rules 5.64.7 and 5.64.10

It is hereby declared that as at 31 December 2024, information required under Capital Markets Rules 5.64.7 and 5.64.10 was not applicable to the Bank.

Information pursuant to Capital Markets Rule 5.70.1

There were no material contracts to which the Bank, or any one of its subsidiaries, was a party and in which anyone of the Bank's Directors was directly or indirectly interested.

Declaration pursuant to the following Investment Services Rules for Investment Services Providers:

- **Part BI: Rules applicable to Investment Services Licence Holders which qualify as MiFID firms (R1-2.2.3)**
- **Part BIV: Standard Licence Conditions applicable to Investment Services Licence Holders which qualify as Depositories (2.30)**

Pursuant to the captioned Malta Financial Services Authority (MFSA) Investment Services Rules, it is hereby declared that during the reporting period, there were no breaches of the MFSA Investment Services Rules, Standard License Conditions or other regulatory requirements which were subject to an administrative penalty or other regulatory sanction.

Whistleblowing

The Bank has in place a Whistleblowing Policy aimed to encourage reporting of improper practices and suspected wrongdoing in a controlled manner which safeguards the confidentiality of the whistleblower. The nature of the disclosures made through the Whistleblowing process are reported to the Audit Committee.

Information pursuant to the Sixth Schedule of the Companies Act, 1995 (Chapter 386, Laws of Malta)

Branches, Agencies and Centres

The Bank has the following Branches, Agencies and Centres around Malta and Gozo:

- 15 Main Branches offering both deposit taking and lending services including home loans;
- 12 Satellite Branches offering both deposit taking and lending services excluding home loans;
- 2 Satellite Branches offering lending services and ancillary services;
- 3 Agencies offering deposit services, limited lending services and ancillary services;
- 1 Corporate Finance Centre;
- 5 Business Centres;
- 1 Wealth Management Centre;
- 5 Investment Centres.

Research and Development

In light of the business sector in which it operates, the Bank does not consider research and development as a main area of activity.

Events occurring after the end of the accounting period

There were no events occurring after the end of the accounting period which warrant reporting in this Annual Report other than that reported in Note 12 to the financial statements relating to the bonus issue.

Related Party Transactions

No significant related party transactions occurred during FY2024. A more detailed explanation on Related Party Transactions is included in Note 37 to the Financial Statements.

Directors' Report as at 31 December 2024 (continued)

Non-Financial Disclosures

The following disclosures are made pursuant to Directive 2014/95/EU:

1. Business Model

Throughout this year, the Bank has executed various strategic initiatives outlined in the 3-year plan to optimise the Bank's market potential. Key enablers included initiatives supporting the transformation of our operational model, strengthening the Bank's data architecture and data management, and reinforcing the risk control framework.

The changes to the Bank's business model are driven by several initiatives aimed at improving our customer experience across both the personal and commercial customer segments and in the process of strengthening the Bank's financial performance. These initiatives included the reorganisation and improvement of our service channels, the introduction of new and innovative products and services to meet the evolving requirements of the clients ensuring that the Bank remains relevant in the process, as well as the launch of various automation and digitalisation initiatives aimed at enhancing the Bank's operational efficiency. The Bank has equally strengthened the way it manage its balance sheet to better manage capital requirements and leverage the Bank's liquidity to support its revenue growth objectives.

Personal Banking: The Bank's Personal and Wealth Management business line is now serviced through a regional approach focusing on personal clients as well as micro businesses. This regional strategy allows for tailored services to be provided through specific branches, enabling customers to make appointments via the website or the Bank's 24/7 Customer Service Centre in any branch of their choice. The Bank's product catalogue includes payment solutions, investment solutions such as bancassurance, investment funds and brokerage services, home ownership credit products, debit and credit cards and micro-business lending products.

This year, the Bank also opened its first dedicated Financial Well-Being Centre in Floriana. Through this Centre, the Bank is providing its clients with a comprehensive suite of services including financial planning, budgeting, credit financing solutions, investments, and retirement planning. Services are provided through appointments with relationship managers and specialised employees, offering one-to-one meetings in a private space to ensure client privacy and confidentiality.

Additionally, the Bank has continued to support its customers through an extensive fleet of ATMs in Malta and Gozo, with nearly one-third of these ATMs being replaced with modern machines to enhance our customers' service experience. The Bank payment solutions have also been improved with the launch of BOV MobilePOS, allowing card payments via mobile devices, which has been well received by our business customers and particularly sole traders.

These developments and others that the Bank has launched over the year have positively impacted the customer experience, as evidenced by various customer service surveys conducted by the Bank that are trending in the right direction.

Commercial Banking: This important business line of the Bank has experienced strong growth over the past year particularly in credit financing as well as trade financing services. Large corporations are currently being serviced through the Bank's Corporate Centre, while small to mid-sized enterprises are supported through Business Centres located across Malta and Gozo. The Bank has managed to register strong growth in credit financing income through strong commercial lending and trade financing activities.

Human Capital: In line with our client-centric approach the Bank's employees are crucial to our strategic and financial successes. The Bank strives to promote a culture of care, inclusivity, and diversity while fostering high-performance teams to improve retention and attract new talent. Investments in training and development occur both in-house through both our BOV Academy and external training programs to maximise employee potential within the organisation. These programs revolve around leadership, empowerment, and team cultures aiming to better service our customers, adopt new technologies, and manage risks to maintain competitiveness.

ESG: The Bank is committed to embedding Environmental, Social, and Governance (ESG) principles in its business and operational model. The Bank supports ESG principles with all stakeholders. The Bank's CSR Program contributes to society's well-being, covering Malta's heritage, arts, culture, sports, and various not-for-profit organisations. Additionally, the Bank's Corporate Social Responsibility Program invests in enhancing the well-being of the society the Bank operates in, covering Malta's heritage, arts, culture, sports, and various not-for-profit organisations. Some of the key ESG initiatives the Bank has taken forward revolve around reducing its carbon footprint, promoting financial inclusion and supporting community-led initiatives.

Looking ahead, the Bank aims to enhance its digital transformation and customer-centric approach that resides at the core of the Bank's strategy. The Bank will continue to focus on rolling out its Strategy 2024-2026 initiatives through the implementation of various scheduled planned projects that will induce innovation and efficiency. This will support the Bank in navigating the evolving financial landscape from both a regulatory and business angle and in the process allow the Bank to deliver value to customers, employees, and other important stakeholders.

2. Environmentally Friendly Measures – Environmental Social Governance (ESG) Risk Management and Disclosures

The Non-Financial Disclosure relating to ESG is found in the ESG Risk Management and Disclosures section on page 47 of this Annual Report.

Directors' Report as at 31 December 2024 (continued)

3. Social Matters

a. Trade Unions

The Trade Union element within the BOV Group is still strong with a substantial number of employees within the Bank being members of a trade union. The two (2) main trade unions within the Bank are Malta Union of Bank Employees (MUBE) and General Workers Union (GWU). The GWU is currently the recognised union with which the Bank negotiates its Collective Agreement. The Bank's relationship with both unions is very good and is characterised by unilateral communication and healthy discussions. In fact, the Bank has not experienced industrial actions of any form in years.

b. Community Programme

During 2024, Bank of Valletta significantly enhanced its Community Engagement with the Launch of the 'BOV Foundation', a foundation whose only focus is the benefit of the local community and Maltese Society.

Bank of Valletta, throughout its 50-year history, has always played a critical role in shaping the Maltese economy, more so today as a systemically important Bank that services a large percentage of the population. With deep roots in many aspects of Maltese society, the communities that the Bank operates in remain important stakeholders for the Bank. The BOV Foundation is another step in the right direction in our efforts to be leaders and innovators in the financial sector, and a catalyst for positive change

The purpose of the BOV Foundation is to implement the Bank's CSR Strategy based on five (5) pillars: supporting vulnerable members of Maltese society, fostering quality education, protecting Maltese heritage, promoting ethical and responsible conduct and speaking up for the environment.

Supporting vulnerable members of Maltese society

The BOV Volunteering Initiative, aimed at fostering community engagement, grants every BOV staff member a day of volunteering service within the Maltese community. Primarily aimed at supporting NGOs in the environment and social aspect, the initiative has the potential of creating over 20,000-man hours of volunteering work annually with over 400 BOV employees already dedicating a day to this initiative during 2024.

The L-Istrina BOV Piggy Bank Campaign, now in its 21st consecutive year and under a 5th Presidency continues to stress on the importance of working together and supporting each other as one whole human family, and through this campaign, a small sacrifice goes a long way in helping those in need.

The Bank is also spearheading the complete overhaul and refurbishment of the kitchen and dining area of the men's quarters at Caritas Malta's San Blas Drug Rehabilitation Unit aiming to enhance the overall well-being and quality of life as residents of the Centre journey through their rehabilitation program.

A collaboration with the Richmond Foundation introduced the concept of mental well-being and the role of professional support among schoolchildren, a long-term project planned to target all school children over the next few years. Puttinu Cares' new apartment block in central London also received BOV's support.

Environmental, Resource and Climate Sustainability

A new initiative, BOV Rebbiegħa was an open call to registered NGO's to propose projects aimed at revitalising and protecting Malta's environment while fostering a greater understanding and care for the natural environment for the Bank's support. Six (6) major projects were selected from this open call and are in various stages of implementation.

The Bank continues to focus on the future well-being of our planet, supporting 'Dinja Waħda' – A collaboration between the Bank and Birdlife Malta's for all primary schoolchildren in Malta and Gozo. The collaboration connects children with nature, instilling the necessary awareness and skills to preserve and improve the nature around them.

These actions reflect BOV's dedication to environmental sustainability and their broader ESG strategy.

Cultural heritage & environmental capital of the Maltese Islands

Three (3) art exhbitions were organised by Bank of Valletta, the first, a retrospective view of Noel Galea Bason's career, the 28th edition in the BOV Retrospective Exhibitions series launched in 1999. The Exhibition was held at the Gran Salon within the National Museum of Archaeology, a majestic hall whose wall decorations are also meticulously being restored through the Bank's support. The second was an exhibition of 58 works from BOV's collection of over 900 artworks meticulously curated by Professor Keith Sciberras and held at the Camerone within MUŻA with the aim of sharing the Bank's varied collection with the public. The Bank also gave space to its artistic employees by organising an exhibition at its BOV Centre in Santa Venera.

Malta's Heritage continued to find BOV's support with BOV supporting the restoration of the Chapel dedicated to San Mikiel tas-Sancir, possibly Malta's oldest mediaeval chapel. A number of musical concerts celebrating BOV's 50th Anniversary were held in venues where BOV had a close nexus through past and ongoing restoration projects.

Directors' Report as at 31 December 2024 (continued)

Ethical and Responsible Behaviour

Bank of Valletta firmly believes in ethical and responsible behaviour characterised by a strong moral standard and a consistent value system. As the major sponsor of sporting activities in Malta and Gozo, BOV advocates embodying the spirit of sportsmanship, respecting opponents and striving for victory with honour.

The Bank is increasing its focus on grassroots level sports across various sporting disciplines, such as football, basketball, water polo and bowling among others. Investing in the younger generation of athletes will ensure a crop of top athletes with high morals and ethical behaviour that will also spill outside the sports arena and into their private lives, resulting in a better community.

c. Relationship Management

As the largest financial institution in the country, the Bank is dedicated to maintaining its market position as the bank of choice. The Bank prides itself on catering to its customers' diverse needs across various segments and providing bespoke services to the medium and high end of the personal and business markets. Building on the robust infrastructure established throughout previous years, the Bank's strategy will continue to focus on delivering a customer experience that aligns with evolving expectations.

The Bank plans to significantly increase its investments in digital platforms, financial advice, and innovative lending instruments. The Bank's strategy will continue to be heavily influenced by our sound ESG principles, with the ultimate goal of assisting our customers and society in achieving a more sustainable future.

The Bank has observed a significant shift in customer preferences towards our mobile and internet banking channels. To enhance our digital offerings, supported by the largest bank-operated ATM network, Bank of Valletta will continue to operate the largest branch network across the island. A new operational model for branches is currently being developed, with two (2) regions already operating a new timetable. Main branches are offering extended services on two (2) days a week, while satellite branches are open on a five-day-a-week basis. Meanwhile, the Bank's commitment to improve its retail presence by continuing the refurbishment of its retail network will allow branches to increasingly focus on personalised services, assisting clients as they progress through various stages in life.

4. Employee Matters

As at end of December 2024, the total employee headcount stood at 2,554. The organisation has experienced modest growth (11.58%) in its workforce compared to the previous year, coupled with a decreasing 6.54% turnover rate.

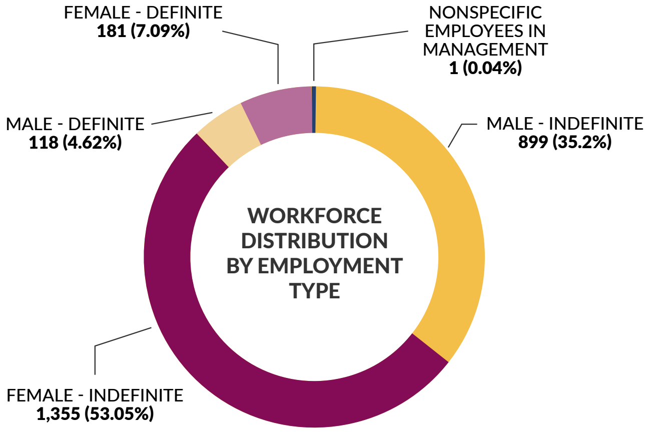
The gender distribution of the organisation stands at a stable 60%/40% = 1.5 female-male ratio. Additionally, there is a fifty-five percent (55.24%) female representation within the management level (Category 4 and above).

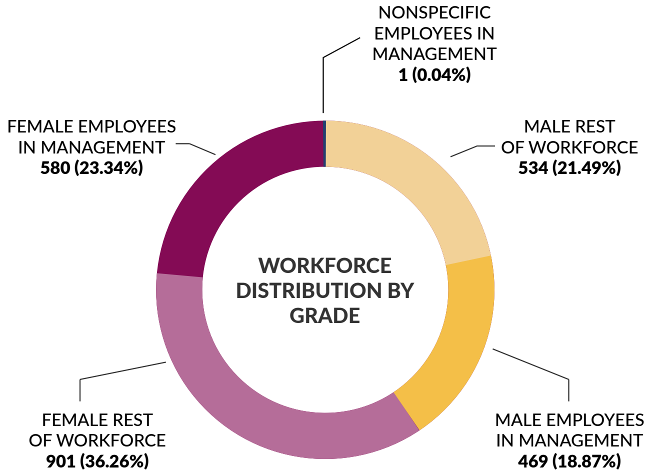
In terms of the demographic structure, 4.35% of employees hail from over forty (40) different countries.

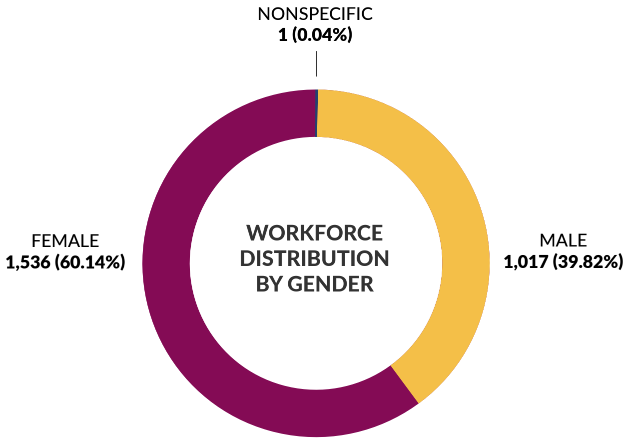
	Number of Head Count				
Employment Type	**Definite**		**Indefinite**		
By Role	**Female**	**Male**	**Female**	**Male**	**NonSpecific**
Employees in Management	6	8	574	461	1
Employees on Special Leave	1	-	54	14	-
Rest of Workforce	174	110	727	424	-
By Nationality	**Female**	**Male**	**Female**	**Male**	**NonSpecific**
Foreign	6	13	38	54	-
Maltese	175	105	1,317	845	1

Directors' Report as at 31 December 2024 (continued)

STAFF COMPLEMENT BREAKDOWN







The Bank uses various tools for screening new employees as part of its due diligence process, including the sighting of Police Conduct, Safe Watch and Credit Info screening, reference letters and others, whilst remaining within the ambit of the General Data Protection Regulation (GDPR) requirements. The due diligence process with respect to recruitment and resourcing is laid down in the Bank's Recruitment Policy.

During the course of employment, employees are also expected to abide by other policies and guidelines, primarily the Code of Conduct and Ethics, the Conflict-of-Interest Policy, as well as other role-specific policies to ensure that staff members abide with regulatory requirements. Compliance is ensured through regular internal and external audits and audit trails. Non-compliance and breaches of the above, as well as other policies, may lead to sanctions as contemplated in the Discipline section of the Collective Agreement.

The ratio of the average basic remuneration, by gender is € 41,227 for the male workforce and € 36,237 for the female workforce. The reason for this variance is due to the difference in tenure, with that of males being higher than females (on average 2.5 years). The ratio of the average basic remuneration by gender was worked out as a sum of female (or male) salary per capita/sum of all salaries per capita.

The Bank is covered by a Collective Agreement which binds the relationship between the organisation and its employees. The percentage of employees under this collective agreement is ninety-two percent (92%) and includes all employees from Category 1 up to Category 4 and support employees, less those working on part-time basis and definite contract. The Collective Agreements include several Family Friendly measures ensuring employee matters are taken care of, including but not limited to Reduced Hours Work Arrangements, Adoption/Fostering Leave, Bereavement Leave, Community Work Leave, Health Insurance, Employee Welfare, Employee Wellness Allowance and Childcare & Summer School Subsidies.

BOV offers also its own Voluntary Occupation Pension Scheme (VOPS). All full-time employees are eligible to enroll in this scheme, which provides for direct contributions by the Bank into the employee's personal pension pot. Under this workplace pension (Pillar 2), the Bank is effectively committed to match every employee's contribution up to a maximum of €2,400 per calendar year. This commitment is guaranteed until 2030. As at December 2024, take-up was to the tune of 1069 employees.

The last Collective Agreement restructured the salary grid and levels within the Bank, removed additional layers which were inhibiting career or salary progression whilst facilitating enhanced lines of communication and colleague empowerment. The Bank moved from an eight (8) Salary Level Grid to four (4) Categories resulting in a salary structure that has been broadened significantly. As a result, high performing employees will be able to progress their salary ahead of promotion opportunities. This will enable the Bank to be in a better position to reflect market salary levels for more specialised roles needed for the future.

Directors' Report as at 31 December 2024 (continued)

Several other initiatives were continued from the previous years with the specific intent of supporting employees' well-being. These include incentives for employees who are members of a voluntary NGO and for those who carry out at least eighty percent (80%) of their work commute either walking, cycling, using public transport, electric vehicles, or carpooling. These benefits are consistent with the Bank's desire to support our colleagues, the community, and the environment as part of its wider ESG commitment. The Bank has a number of initiatives both in place and in the pipeline for FY2025 with the specific intent of supporting employees' well-being and engagement. These include the annual employee engagement surveys that help identify areas of disengagement and provide engagement best practice tips and assistance to management where required. It also provides information the Bank uses to address areas for improvement such as career progression. During FY2024 the Bank started the implementation of holistic Corporate Wellness Programme which incorporates all the benefits the Bank currently offers as well as other further benefits such as hybrid working arrangements, the choice to disconnect and access to a fully confidential, free, holistic well-being mobile application. The following table depicts the number of employees entitled to parental leave, the number of employees who have taken up the family friendly measure, the latter also being compared to the total labour hours. Parental leave taken is 2.32% of total labour hours.

	Male	Female	Total
Total Parental Leave hours	1,922.25	116,686.35	118,608.60
Total Labour Hours	2,120,820	2,983,760	5,104,580
	0.09%	3.91%	2.32%

The Bank also has in place several policies ensuring respect for human rights including a Bullying Policy, a Sexual Harassment Policy, a Code of Conduct and Ethics, an Employee Grievance Policy and an Equality, Diversity and Inclusion Policy.

In 2023, the Bank has been re-certified with the Equality Mark by the National Commission for the Promotion of Equality (NCPE), a reward that was first received in 2011. The Equality Mark recognises the Bank's efforts to provide a healthy work environment that is free from any type of discrimination. It also acknowledges the Bank's responsibility to provide equal access to opportunities and career development based on employees' skills, irrespective of their gender and caring responsibilities.

This year, the Bank was also awarded the FHRD Quality Mark recognising the organisation's HR Competence, Professionalism and effective processes. The HR Quality Mark gives Bank of Valletta both internal and external recognition, enhancing our employer brand which plays an important role in attracting talent.

Indeed, Bank of Valletta employs over the requested quota for employees with different abilities. The different ability employment percentage at BOV is 2.16%.

Moreover, the Bank has an Employee Assistance Programme that assists employees in resolving personal or work-related problems that may impact on their ability to carry out their work-duties. The Bank, in conjunction with the Richmond Foundation, also offers its staff members free Mental Health Care related services on a confidential basis. This benefit is complemented by an innovation in the well-being of space. In May 2024, the Bank launched Support Room. Support Room is a mobile application which gives employees access to coaches and therapists on all aspects of well-being, ranging from mental to physical to financial well-being. The application is free, confidential and can be accessed from anywhere at any time of the day.

Meanwhile, as part of its people strategy, the Bank gives significant importance to Human Rights matters in various ways, as follows:

Grievances

The Bank is highly committed in ensuring that all employees are given the opportunity to voice their personal and/or collective grievance without any fear, hesitation, or doubt that this will have a negative impact on their employment and career. To this effect, the Bank has a grievance policy in place to regulate and facilitate the process of addressing grievances. This involves the setting up of an independent board, which is well versed in the Bank's Collective Agreement. The Board listens to and evaluates grievances received, before taking a decision on the remedy to the case. During FY2024, the Bank registered seven (7) claims under the Grievance Policy.

Ad Hoc Boards

In those instances where People & Culture is notified of any situation/s, either by employees or third parties, which might be adversely affected by one or more aspects of the Bank's daily operations, People & Culture may also appoint an ad-hoc independent board to investigate the matter and its veracity and propose a suitable action and way forward. There were no such instances in FY2024.

Discipline

The Bank requires all its employees to comply with its Code of Conduct and Ethics as well as with the proper standards of performance and behaviour. These are intended to maintain the highest level of integrity both inside and outside the Bank. In the case of breaches of these standards, the Bank takes the appropriate disciplinary action regulated by its Discipline Policy. During FY2024, there were thirty-eight (38) cases that merited disciplinary action. These were all addressed in line with the Discipline Policy.

Directors' Report as at 31 December 2024 (continued)

Bullying Policy

The Bank considers any unwelcome physical, verbal or non-verbal behaviour which denigrates, ridicules, or intimidates individuals, as unacceptable. Through this policy, the Bank wants to ensure that its employees are treated with respect and dignity, and that their rights are safeguarded at all times. Moreover, the objective of this policy is to raise organisation-wide awareness on the impact of bullying on fellow colleagues as well as the implications and consequences of such inappropriate behaviour. There were no reported cases of bullying in FY2024.

Sexual Harassment Policy

The Bank is committed to providing a professional work environment for every individual that comes into contact with the organisation. The Bank does not tolerate, condone or allow sexual harassment (verbal or physical) whether engaged in by fellow employees, management, associates and partners or by outside clients or other non-employees who conduct business with the Bank. The Policy also acknowledges that the victim of sexual harassment may experience emotional stress, physical stress and/or a negative change in job performance. Therefore, necessary support through the Staff and Organisation Support Programme would be made available. There were no reported cases of sexual harassment in FY2024.

Performance Management Process

The performance management framework of the Bank serves as the cornerstone of our Organisation's success. It is designed to align individual and team objectives with corporate and strategic objectives. This comprehensive process ensures that every employee's contribution is recognised and valued.

At its core, the process commences with clear objective setting through thorough collaboration and open communication. Objectives are established via a top-down approach, creating a roadmap that connects individual efforts to broader organisational targets. The performance management process fosters a culture of open communication between employees and management alike, through one-to-one meetings and continuous feedback. These feedback sessions ensure that employees stay on track, address areas for improvement and provide a space for continuous development.

Consistency and fairness are two (2) important elements in performance management which enhance employee engagement. The calibration exercise, which was carried out in December 2024, ascertains that this aim is reached. This is closely followed by end-of-year reviews which completion date is end March 2025. During this phase of the process, recognising employee performance takes centre-stage, as also outlined in the performance reward framework. Employees are rewarded for their output and behaviour, two (2) components which add up as the final rating.

In October 2024, employees were encouraged to complete a self-appraisal, an opportunity to evaluate their performance, identify their strengths and highlight their achievements vis-à-vis the objectives assigned to them at start-of-year.

Percentage of Employees Eligible for the Performance Management Programme in 2024 organised by Category:

Category	Female	Male
Senior Management	15%	85%
5	38%	62%
4	61%	39%
3	65%	35%
2	61%	39%
1	57%	43%

The table above displays the percentage female-to-male ratios for employees that are eligible under the Group's performance management programme for FY2024. The information presents aggregates for both definite and indefinite employment contracts organised by category.

There was a total of 2260 employees who participated in the Achieve performance framework, this being equivalent to 88.5% of the total workforce.

Diversity, Equality, and Inclusion

The Diversity, Equality, and Inclusion (DEI) Committee features a core team that is working together to promote a healthy environment, ensuring that employees have equal opportunities regardless of age, race, cultural background, skills, beliefs and sexual orientation.

Its mission is to foster a diverse, equitable, and inclusive environment where every employee feels valued, respected, and empowered to thrive. The Bank is committed in creating a culture that embraces and celebrates the unique perspectives, backgrounds, and identities of our employees. Through collaborative efforts and proactive initiatives, the Bank strives to eliminate systemic barriers, promote equal opportunities, and cultivate a sense of belonging for all.

Directors' Report as at 31 December 2024 (continued)

In a bid to take its mission forward, and ensure as broad a representation as possible, the Committee opened an internal call for anyone interested in serving on one of its sub-committees with the theme "Let's work together toward a more Diverse and Inclusive Bank". These are:

Racial and Ethnic Diversity	This team will focus on initiatives that promote equality, understanding, and respect for people of different races
Domestic Violence	Initiatives will focus on raising awareness and educating about domestic violence
LGBTQ+ Inclusion	Initiatives will focus on ensuring the inclusion of individual employees across all the gender spectrum
Age Inclusion	This team will address differences across age brackets, and show the value of individuals across different age groups, challenging ageism and promoting intergenerational collaboration
Disability and Neurodiversity Inclusion	Here, the team will be focusing on recognising people with different skill sets and abilities, ensuring there is a broader understanding of their challenges and that they are fully integrated into the BOV family

The BOV Sports & Social Committee (BOVSSC) in collaboration with the Diversity, Equality, and Inclusion Committee (DEI), hosted an event aptly named "Bringing Cultures Together". The event celebrated the vibrant cultures that make up our Bank's international community. BOV employees prepared traditional dishes from their home countries. International employees also shared fascinating insights into their homelands' traditions, histories, and cultures. It was a beautiful reminder of the diversity that enriches our everyday work life at BOV.

The Bank's LGBTIQ+ arm of the Diversity, Equity and Inclusion (DEI) team, along with many of our colleagues, actively participated in the Pride March held both in Malta and in Gozo, to show their support. This year's theme, #20YearsofPride, highlighted not just the celebration of diversity, but also the ongoing fight for LGBTIQ+ rights and visibility.

In a vibrant display of commitment to diversity, inclusion, and community spirit, nineteen (19) staff members from Bank of Valletta (BOV) took part in the successful "Run for Diversity" event, organised by the Malta Employers' Association (MESA). The event, held on the 13 November, brought together individuals from various sectors, all united by a shared goal: to promote and celebrate diversity in the workplace and society. The BOV team was awarded with the "Genders Inclusion Award" by MESA president Mark Marlow.

This year, the Bank reviewed its Diversity, Equality and Inclusion Policy which aims to ensure that the Bank's organisation continues to foster an inclusive and equitable environment for all employees. By assessing current practices and identifying areas for improvement, the Bank can better support diversity and promote equal opportunities across all levels. This proactive approach not only enhances workplace culture but also aligns with the Bank's commitment to social responsibility and ethical standards.

In addition, a new workshop series aimed at fostering inclusivity for neurodivergent employees within the Bank's workplace was launched in November. Leaders across the Bank were invited to join this impactful training, which equips participants with the tools and understanding needed to support neurodiverse talent. By fostering a deeper understanding of neurodiversity, leaders can cultivate a work environment that respects diverse perspectives, talents, and needs.

As the Bank moves forward, it will continue to champion similar initiatives, recognising that the collective strength lies in the Bank's differences. At Bank of Valletta, we remain dedicated to fostering an inclusive environment where everyone can thrive.

5. Anti-Corruption and Bribery Matters

Bank of Valletta is committed to upholding high standards of ethical behaviour and has a zero-tolerance policy towards bribery and corruption. A specialised Anti-Bribery and Corruption team operates within the Compliance department as part of Governance and Ethics Unit, to support the business and stakeholders, the economy, and society at large in mitigating bribery and corruption risks through the Groups' Anti-Bribery and Corruption Policy and Standards.

The Bank mandates that all employees, including the Board of Directors and third-party providers, adhere to the principles outlined in the policy while performing of their duties on behalf of the Group. The policy requires all entities and individuals within the Group to implement controls designed to safeguard against bribery and corruption risks, particularly in areas such as the receiving and offering of Gifts and Hospitality, hiring, third-party management, speaker events, sponsorships, donations, charitable giving, joint ventures, mergers, and acquisitions. Specific procedures, systems, and controls to manage these risks have been detailed Group's procedures. Risk indicators are in place to review the position and escalate any issues as part of the governance committees' reporting.

In 2024, targeted training sessions were provided on key activities such as hiring, third party risks, and gifts and hospitality, to employees whose role expose them to increased bribery and corruption risks including risk owners, Branch Managers, Risk Correspondents, recruitment personnel and employees within Corporate and Social Responsibility. Furthermore, anti-bribery and corruption awareness training was integrated into the Zero Tolerance Conduct Training, specifically aimed at employees in leadership and appraisal roles. This initiative focuses on promoting ethical standards, integrity, and a culture of transparency to improve the corporate environment.

Directors' Report as at 31 December 2024 (continued)

6. Identification and Management of Principal Risks

In conducting its day-to-day business activities, the Bank is exposed to different risk types. The sound management and control of such risks is important to ensure that the relative probability of risk event materialisation is minimised to the greatest extent possible in the interest of institutional stakeholders.

Risk management and control is practised under the following configuration:

i. Top-level corporate governance

Board of Directors, various Board Committees such as the Risk Committee, the Compliance and Anti-Financial Crime Committee, and other management committees such as the Executive Committee and its sub-committees e.g. the Asset and Liability Management Committee and the Internal Control and Risk Management Committee.

ii. First line

With respect to revenue-generating business units, such have ingrained frontline risk management internal control measures, with dedicated risk correspondents appointed to facilitate the implementation of the operational risk policies and the embedment of the Bank's risk culture across the network.

iii. Second line

This comprises various second-tier risk control and oversight functions such as the Risk function's constituent departments i.e. Financial Risk Management, Risk Coordination and Quality, Model Development, Environmental Social and Governance, Credit Risk Management, and Operational Risk Management as well as the Compliance, Anti-Financial Crime, Financial Control, and other back-office support functions (example: quality control).

iv. Third line

Independent assurance and constructive challenge by Group Internal Audit. The main risk types are outlined hereunder:

a. Credit Risk:

The risk of loss arising from default or credit quality deterioration of a customer or other counterparty to whom the Bank has either directly provided credit or in respect of whom it has assumed a contractual obligation.

This risk is managed and controlled in various ways, such as through the regular review of credit policies aligned to the Bank's Risk Appetite Framework, credit scoring systems, an internal risk rating system supplemented by an Early Warning System to enable proactive monitoring, a forward-looking expected credit loss model for quantifying provisions compliant with the IFRS 9 accounting regime, stress testing relating to credit risk, and various other measures. Regular reporting on asset quality and credit risk is made to the Risk Committee and the Board of Directors. The Bank's underwriting processes include a dual voting mechanism for business credit facilities and retail facilities of significant magnitude. The Bank has implemented stringent policies relating to forbearance and non-performing loans and has implemented a framework to incorporate ESG considerations into the underwriting process. The Bank has further revised its credit risk-related Key Risk Indicators (KRIs) in the Bank's Risk Appetite Framework (RAF), internal limits relating to single-name and sectoral concentration risk, and various other mitigants.

b. Operational Risk:

The Group defines operational risk, in line with the Basel framework, as the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. It covers execution errors, fraud, legal, regulatory and conduct risk amongst its sub-categories.

Operational risk spans across all departments, products and channels of the Group and encompasses the entire value chain, including outsourcing service providers. For this reason, all employees are responsible for managing and controlling the operational risks generated by their activities.

The Group's goal in terms of operational risk management is timely identification, assessment, and mitigation of material operational risks. This is achieved via the use of core risk management tools such as Risk and Control Self-Assessments (RCSAs) that are required to be undertaken by every functional area of the BOV Group as well as Risk Event management, which allows to record and analyse failures and losses and derive lessons learned.

The Group's overall operational risk appetite is low; and this aims to protect the BOV franchise, to support its strategic objectives, and ensure availability of services to support the local economy. Over the last year, the Bank has continued to take concrete measures to strengthen the Operational Risk Management Framework, enhance the core set of policies and implement robust governance arrangements and senior committees that are tasked to oversee the operational risk portfolio of the Group. Every area of the BOV Group has a dedicated Risk Correspondent, an essential role to support the embedding of operational risk management across the whole organisation. The Group continues to invest in its technical and human resources to meet and comply with the increased regulatory expectations and to ensure that it has solid foundations to facilitate timely, accurate, and meaningful operational risk reporting which is required to monitor and take remedial action to address existing and emerging risks. A dedicated IT solution fully integrates the core elements of operational risk thus having one single repository containing an inventory of key risks and controls including the functionality of action management and risk event management.

Directors' Report as at 31 December 2024 (continued)

c. Market Risk:

Market risk is the risk incurred as a result of exogenous market factors to the Bank such as interest rate, credit spreads, equity prices, and foreign exchange rates that affect the value of positions mainly in the Bank's investment portfolio. A robust and prudent Treasury Management Policy ensures that responsible and well-informed risk-taking is practiced by the Treasury function in line with the overall direction provided by ALCO and Risk Committee. Other important processes include the analysis of counterparty credit risk, credit valuation adjustment, and the development of a methodology to quantify credit spread risk and equity price risk on the part of the investment portfolio which is reported in the audited accounts at fair value (i.e. on a mark-to-market basis). The Bank has its own Interest Rate Risk in the Banking Book (IRRBB) model to quantify risk arising under different stressed scenarios as prescribed by applicable regulatory dicta and which is premised on two (2) approaches: the Economic Value of Equity approach and the Net Interest Earnings Based approach.

d. Liquidity Risk:

Liquidity risk is the risk that the Group would be unable to meet its obligations when they fall due or can only obtain them at an unreasonably high cost.

A range of liquidity risk metrics are used to monitor liquidity risk such as maturity ladder gap analysis and the regular updating of key metrics including: the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), the Loans-to-Deposit Ratio (L-t-D), the Maturity Transformation Metric (MaTM) and various others. Furthermore, over and above the Internal Liquidity Adequacy Assessment Process (ILAAP) which is thoroughly reviewed every year, the Bank conducts robust stress testing on liquidity in line with the stress testing programme which is reviewed and updated on an annual basis. Other important elements within the liquidity risk management toolkit include the Contingency Funding Plan which is regularly updated and tested by means of simulation exercise and a prudent Liquidity Risk Policy which is also updated annually.

e. Solvency Risk:

The Group ensures that it is adequately capitalised to meet all regulatory requirements to achieve its strategic objectives in line with its regulatory obligations and risk appetite, and to be able to withstand unforeseen macroeconomic downturns. The Group insists that capital should be managed in a transparent and consistent manner to ensure the most efficient outcome for shareholders, whilst at the same time be compliant with all relevant regulatory requirements and supervisory expectations.

As part of the Internal Capital Adequacy Assessment Process (ICAAP) the Bank monitors the capital position on a regular basis and updates its Capital Plan, including with financial budgets and forecasts, to ensure that there is enough capital not only to meet Pillar 1 risks such as credit, operational, and market, but also other Pillar 2 risks such as interest rate risk on the baking book (IRRBB), credit spread risk on the banking book (CSRBB), concentration risk, and operational risk.

Stress testing, which is performed on a quarterly basis, aims to ensure that the Bank's capital position is able to withstand severe macroeconomic downturns and/or other adverse events in terms of important capital related ratios, including the Common Equity Tier 1 Capital, total Capital Adequacy Ratio and Leverage Ratio.

f. Environmental, Social, and Governance (ESG) Risks

ESG risk is a fundamental aspect of corporate sustainability that BOV recognises as essential for its long-term success. While sustainability initiatives present significant growth opportunities, the Bank understands that poorly managed ESG risks can have detrimental effects on its performance, stakeholders, and society as a whole. These risks, spanning environmental, social, and governance dimensions, can directly impact profitability, liquidity, stability, and relationships with customers, employees, suppliers, and the broader environment.

Environmental risks, which encompasses climate and environmental risks, include, inter alia both physical (acute and chronic) and transition risks driven by climate change, regulatory shifts, and technological advancements, can disrupt operations and undermine financial stability. Social risks, particularly those related to Diversity, Equity, and Inclusion (DEI), pose a threat to the Bank's reputation and relationships with stakeholders if not properly addressed. Governance risks, stemming from weaknesses in corporate governance structures, can lead to financial instability and reputational damage. By proactively managing and mitigating these ESG risks, BOV ensures its long-term sustainability, resilience, and a positive impact on both its stakeholders and society at large.

g. Regulatory Compliance Risk

The risk of non-compliance with regulatory obligations as well as supervisory expectations which may result in administrative or disciplinary sanctions, or of material financial loss, due to failure to comply with the provisions governing the Group's licensable activities. By ensuring that these rules are observed, the Group works to protect its customers, shareholders, counterparties, and employees.

This is conducted in alignment with the Group strategy as operating a business model based on prudence and sound governance, and to continue strengthening the corporate ethos based on integrity, fairness and transparency.

Directors' Report as at 31 December 2024 (continued)

i. Financial Crime Compliance

The BOV Group is committed to fighting against financial crime and to set up and implement a programme to identify, understand and mitigate the financial crime risk. The financial crime risk encompasses:

a. money laundering and terrorist financing;
b. breaches of sanctions; and
c. bribery and corruption.

The Bank maintains a thorough anti-financial crime (AFC) risk assessment in order to identify, understand, manage and mitigate inherent AFC risks. Risk mitigations measures are designed and implemented to control adequately and effectively those inherent risks. Inherent and residual risks are managed in line with the Bank's risk appetite.

The Bank continues to invest heavily in a transformation programme and today is able to combat financial crime much more effectively and sustainably over the long-term.

BOV remains committed to implementing a robust financial crime compliance programme.

ii. Regulatory Compliance

Complying with the regulatory obligations and internal codes is the responsibility of all Group employees who must demonstrate compliance and integrity in their daily tasks. The Bank operates a Three Lines of Defence (LOD) governance model with the First Line responsible for identifying and managing risk as part of its accountability for achieving objectives.

The Second Line provides the necessary guidance, support, and training to enable compliance risks to be managed by the First Line.

The Third Line of Defence provides independent assurance.

Group Compliance is an independent risk control function headed by the Group Chief Compliance Officer (GCCO) and constitutes the second line of defence for compliance risk. Inter alia, the Group's Data Protection Officer reports to the GCCO. In turn, the GCCO reports to the Chief Executive Officer (CEO) and to the Compliance and Anti-Financial Crime Committee (CAFCC), which is a Board Committee.

As from early 2024, the BOV Group's organisational structure was revised such that anti-financial crime was set up as a distinct internal control function led by the Group Chief Anti-Financial Crime and Money Laundering Reporting Officer who reports to the CEO as well as directly to the Board of Directors.

h. Key Risk Indicators

The Group has in place a set of KRIs that are quantifiable measures which ensure that material risks are kept within defined thresholds as formalised in the RAF. A selection of key metrics is tabulated hereunder.

Risk Type	Metric	Reading as at 31.12.2024
Solvency	Common Equity Tier 1 Ratio	22.31%
	Capital Adequacy Ratio	27.13%
Liquidity	Liquidity Coverage Ratio	368.78%
	Net Stable Funding Ratio	195.53%
Profitability	Return on Average Equity (before-tax)	22.60%

Various non-financial KRIs enable the Directors also to evaluate the risk profile exhibited on other risks such as reputational, compliance, anti-financial crime, operational, ESG, and risk culture.

The KRIs are reported on a regular basis in the RAF Dashboard which includes threshold ranges set to facilitate comparison between progress achieved towards attainment of strategic objectives and the actual risk profile exhibited i.e.:
'Target', 'Tolerance', 'Limit', and 'Capacity'.

Other than as disclosed in Note 43 to the financial statements, there were no subsequent events which would have otherwise warranted an adjustment to or disclosure in these financial statements.

Statement of Responsibility by the Directors pursuant to Capital Markets Rule 5.68

We, the undersigned, declare that to the best of our knowledge, the financial statements prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and its subsidiaries included in the consolidation taken as a whole, and that this report includes a fair review of the performance of the business and the position of the Bank and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Bank's Board of Directors on 26 March 2025 by Gordon Cordina (Chairperson) and Kenneth Farrugia (Chief Executive Officer) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2024.

Corporate Governance Statement of Compliance

A. INTRODUCTION

Pursuant to the Capital Markets Rules, Bank of Valletta p.l.c. (the Bank) as a company whose equity securities are listed on a regulated market, should endeavour to adopt the Code of Principles of Good Corporate Governance (the Code) contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules. In terms of Capital Markets Rule 5.94, the Bank is obliged to prepare a report explaining how it has complied with the Code. For the purposes of the Capital Markets Rules, the Bank is hereby reporting on the extent of its adoption of the Code.

The Board of Directors (the Board) is committed to the values of truth, transparency, honesty and integrity in all its actions. The Board strongly believes that the Bank benefits from having in place more transparent governance structures and from improved relations with the market which enhance market integrity and confidence. The Board acknowledges that the Code recommends principles for the Board and the Bank's management to pursue objectives that are in the interest of the Bank and its shareholders.

Good Corporate Governance is the responsibility of the Board, and in this regard the Board has adopted a corporate decision-making and supervisory structure that is tailored to suit the requirements of the Bank's constitutional documents as well as its size, nature and operational needs. In addition, while the structure provides flexibility and an efficient decentralisation of selective decision-making, it concurrently provides a system of checks and balances. The Board believes that any structure which is adopted must be geared to meet the necessary standards of accountability and probity and considers that the structure which it has adopted does so. As per paragraph 28 of Banking Rule 07 (BR/07/2024), the Bank must detail its compliance with paragraphs 14 to 18 and paragraph 86 of Banking Rule 24 on Internal Governance. This Statement of Compliance includes disclosures mandated by this requirement.

As demonstrated by the information set out in this Statement, together with the information contained in the Remuneration Report, the Bank believes that it has, save as indicated herein, in the section entitled Non-Compliance with the Code, throughout the accounting period under review, applied the principles and complied with the provisions of the Code. In the Non-Compliance section, the Board indicates and explains the instances where it has departed from, or where it has not applied the Code.

B. COMPLIANCE WITH THE CODE

Principle 1: The Board

The Board's role and responsibility is to provide the necessary leadership, to set strategy and to exercise good oversight and stewardship. The Board is composed of two (2) Executive Directors and eleven (11) Non-Executive Directors, including the Chairperson. This mix of Executive and Non-Executive Directors on the Board enables the Non-Executive Directors to exercise their monitoring function over the management and the executive arm of the Board at the level of the Board. Moreover, the fact that the Chief Executive Officer (CEO) is also an Executive Director on the Board, enables the Board to be in receipt of timely and appropriate information in relation to the business of the Bank and Management's performance. As a result, the Board can contribute effectively to the decision-making process, whilst at the same time exercising prudent and effective controls.

The Board delegates specific responsibilities to a number of Committees, notably the Audit Committee, the Risk Committee, the Compliance and Anti-Financial Crime Committee, the Nominations Committee, the Remuneration Committee, the Environmental, Social and Governance Committee (ESG) and the Technology, Digital, Strategy Committee (TDSC) each of which operates under formal Terms of Reference approved by the Board.

Further details in relation to the Committees and the responsibilities of the Board are found under Principles 4 and 5 of this Statement.

Principle 2: Chairperson and Chief Executive Officer (CEO)

The Bank's organisational structure incorporates the position of a CEO. The position of the Chairperson and that of the CEO are occupied by different individuals. Their respective positions have been defined with specific roles rendering these positions separate from one another. These specific roles are identified within the Board Terms of Reference and in their contract of engagement. This separation of roles of the Chairperson and the CEO avoids concentration of authority and power in one individual.

The Chairperson is responsible to lead the Board and to set its agenda. The Chairperson ensures that the Board's discussions on any issue put before it goes into adequate depth, that the opinions of all the Directors are taken into account and that all the Board's decisions are supported by adequate and timely information. The Chairperson ensures that the CEO develops a strategy which is agreed to by the Board.

On the other hand, the CEO, besides being an Executive Director, leads the Bank's Executive Committee, which is the highest executive decision-making body within the Bank.

More information on the Bank's Executive Committee can be found under the section entitled Executive Committees, within this Statement.

Corporate Governance Statement of Compliance (continued)

Principle 3: Composition of the Board

The Board considers that during the year under review the size of the Board, whilst not being too large as to be unwieldy, was appropriate, taking into account the size of the Bank and its operations. The combined and varied knowledge, experience and skills of the Board members provided a balance of competencies that are required and add value to the proper functioning of the Board.

Independence of Directors

During Financial Year 2024 (FY2024), the Board consisted of ten (10) Independent Non-Executive Directors.

During the year under review, the Board included also one (1) Non-Independent Non-Executive Director and two (2) Executive Directors (as indicated on pages (xiii) to (xv) of the Annual Report). In determining the independence or otherwise of its Directors, the Board has considered, amongst others, the notion of independence as contained in the Code, the Bank's own practice as well as general good practice principles.

Moreover, the Non-Executive Directors have to prepare a written annual declaration of their independence to the Board in line with Code Provision 3.4 declaring that they undertake:

- to maintain in all circumstances his/her independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
- to clearly express his/her opposition in the event that s/he finds that a decision of the Board may harm the company.

The Board believes that, by definition, employment with the Bank rendered Director James Grech as Non-Independent from the Institution. Moreover, having considered Mr Grech's role and duties within the Bank as a Bank employee, the Bank deemed Mr Grech to be a Non-Executive Director.

Appointment of Executive Directors

The appointment of Executive Directors is regulated by article 24 of the Articles of Association. In accordance with the said article, the CEO of the Bank shall ex-officio become an Executive Director by virtue of his office and shall remain in office until the tenure of office as CEO.

The Non-Executive Directors shall appoint at least one (1) other Executive Director on the Board from amongst the Senior Management and may also appoint a third Executive Director if the Non-Executive Directors consider it in the best interest of the collective knowledge and competence of the Board to do so. Mr Anatoli Grech, the Group Chief Compliance Officer, has been appointed as the second Executive Director effective from the 1 August 2023. This appointment aligns with the Bank's efforts to emphasise the importance of the Compliance function at Board level.

Appointment of Non-Executive Directors

Article 23.3 of the Bank's Articles of Association specifies that the Board of Directors shall consist of a maximum of three (3) Executive Directors and a maximum of nine (9) Non-Executive Directors. In the event of the co-option to the Board, pursuant to article 27A, of a maximum of two (2) additional Non-Executive Directors, the maximum number of Non-Executive Directors shall be eleven (11).

The appointment of the Non-Executive Directors is governed by articles 25 and 27A of the Articles of Association and appointments may be made as follows:

a. By Qualifying Shareholders – namely members holding at least 10% of the issued share capital of the Bank having voting rights, that are entitled to nominate, for the approval of the Nominations Committee, one person for each 10% voting shares held; and
b. By Non-Qualifying Shareholders not having a Qualifying Shareholding, but who individually or in aggregate hold not less than €50,000 in nominal value of shares having voting rights in the Bank and who are entitled to make recommendations for the approval of the Nominations Committee; or
c. By the Nominations Committee itself seeking the recruitment of fit and proper persons having the right attributes that can add value to the Board of Directors.
d. By the Non-Executive Directors pursuant to Article 27A of the Articles of Association as explained in further detail below.

Save for the provisions in paragraph (d) above, all Non-Executive Directors are appointed by the Bank's shareholders during the Annual General Meeting (AGM).

Corporate Governance Statement of Compliance (continued)

Appointment of Additional Non-Executive Directors by Co-Option

Article 27A of the Bank's Articles of Association provides for the additional appointment of Non-Executive Directors by Co-Option.

The objective of this article is to address situations where, notwithstanding the efforts that may be made by the Nominations Committee to ensure that the Board of Directors of the Bank has the necessary mix of skills and experience, there could arise situations where those efforts could not yield the appropriate mix and combination of skills, or where the regulator could require certain skills which may not be present on the Board. In these situations, the Board would need to react in a relatively short time to ensure that the composition of the Board fulfils its ultimate aim. Accordingly, this article empowers the Board of Directors (specifically, the Non-Executive Directors) to co-opt up to a maximum of additional two (2) Non-Executive Directors to sit on the Board of Directors of the Bank, only in those instances where the nine (9) Non-Executive Director positions were already filled, but the then current Board complement did not have the composition required by regulation or in the opinion of the Nominations Committee, the Board still did not have the appropriate mix of collective skills, knowledge and experience. Such co-opted Non-Executive Directors would be appointed for a three (3) year term with eligibility for re-appointment.

The two (2) Non-Executive Directors who were co-opted to the Board pursuant to Article 27A are Diane Bugeja and Hadrian Sammut.

Gender Representation on the Board of Directors

In accordance with Capital Markets Rule 13.9, for FY2024, up to 31 May 2024, the Board of Directors was composed of four (4) female directors and eight (8) male directors. All four (4) female directors held non-executive roles, while six (6) male directors were also in non-executive roles, with the remaining two (2) directors serving in executive positions (both of which were male directors).

Consequently, the Bank maintained a 40% representation of non-executive director positions and a 33% representation of all director positions for the underrepresented gender, which was in line with the Bank's Board Diversity Policy.

At the AGM held on the 31 May 2024, one (1) female director and one (1) male director chose not to be re-appointed on the Board. Two (2) male directors were appointed in their stead. Following these changes in Board composition at the AGM, as well as the co-option on the Board of Directors of Hadrian Sammut, the Board of Directors now comprises thirteen (13) members. Of these, ten (10) are male directors and three (3) are female directors. All three (3) female directors serve in non-executive positions, eight (8) male directors hold non-executive roles, and the remaining two (2) male directors occupy executive positions. Resultantly, the percentage of the underrepresented gender has decreased to 23%. Hence, during the forthcoming AGM which is scheduled to be held in May 2025, the Bank will be exercising best endeavours within the parameters of its Articles of Association and the spirit of the Regulation, namely the Capital Market Rules, Chapter 13: 'Gender Balance among Directors of Listed Companies', to ensure that sufficient female directors are appointed/elected on its Board of Directors, so that that the 33% target of the underrepresented gender is once again achieved.

Nominations Committee (previously Nominations and Remuneration Committee)

On 6 June 2024, the Nominations and Remuneration Committee was split into two (2) separate committees, the Nominations Committee and the Remuneration Committee. The primary objective of this change was to meet regulatory expectations, as well as to have more independence between the Nominations decisions and the Remuneration decisions.

All Directors, irrespective of the manner in which they are proposed, can only proceed to the next steps leading to their taking office, following the approval of their nomination by the Nominations Committee. In this context, the Nominations Committee is the organ that, after having scrutinised the list of candidates to ensure that the Board will have the appropriate collective knowledge, experience and competence, will then place the list of approved candidates for Board recommendation for election at the AGM. When discussing new appointments to the Board, the Nominations Committee ensures that the skills, knowledge and experience which already exist in current Board members, as well as those needed on the Board, are evaluated. In the light of such an evaluation the Nominations Committee prepares a description of the role, skills, experience and knowledge needed from directors.

The Nominations Committee informs the Chairperson, and the other Non-Executive Directors, about the expected time commitment in their roles on the Board of Directors of the Bank, and that they undertake to dedicate sufficient time for Board and Board Committee meetings, preparation ahead of such meetings, as well as training (both induction and ongoing training). The other significant commitments, including time involvement, of the Chairperson and the Non-Executive Directors, are disclosed to the Nominations Committee before their appointment. All Directors may not take additional directorships on boards of other entities without the prior approval of the Nominations Committee.

No member of the Nominations Committee is present while his nomination as a director of the Bank is discussed by the Nominations Committee.

More detail on this Committee can be found further below i.e. Principles 4 and 5.

Appointment Process of Directors

During the AGM held on the 31 May 2024, shareholders approved proposed changes to the Articles of Association of the Bank. Article 28 of the Articles of Association on rotation of directors was deleted in its entirety with the aim of simplifying the appointment and re-appointment process of directors.

In this respect, Article 23.5 (previously Article 23.6) now provides that a director whose term of office expires shall be eligible for re-appointment, provided that no person shall be entitled to occupy the office of Non-Executive Director of the Company for more than three (3) consecutive terms, with each term being of a 3-year duration, for an aggregate period of more than twelve (12) years in any period of fifteen (15) years. Each director eligible for re-appointment shall first be approved by the Nominations Committee in accordance with the terms of the Articles of Association.

Corporate Governance Statement of Compliance (continued)

Changes in Board Composition

The most senior Directors who were longest in office and were due to retire during the 50th AGM which was held on the 31st of May 2024 were:

- Anita Mangion – appointed to the Board in December 2016;
- Kevin J. Borg – appointed to the Board in May 2021;
- Elizabeth Camilleri – appointed to the Board in May 2021.

Directors Kevin J. Borg and Elizabeth Camilleri decided not to seek re-appointment for another term during the 2024 AGM. Anita Mangion had been re-appointed as Non-Executive Director of the Bank for another term. Ms Mangion was re-appointed by the Government of Malta as one (1) of the Qualifying Shareholders of the Bank.

Therefore, the Bank had two (2) vacancies for Non-Executive Directors to be filled during the 2024 AGM. On 8 February 2024, the Bank issued a call for interested persons who would like to submit their nomination for appointment as Non-Executive Director on the Board pursuant to Article 25 of its Articles of Association. The Bank received nine (9) nominations, six (6) of which were subsequently withdrawn, and one (1) nominee was subsequently co-opted as a Non-Executive Director, pursuant to Article 27A of the Articles of Association. Two (2) nominees, namely Dr Christian Bonnici West and Dr Jonathan Spiteri, were deemed by the Bank's then Nominations and Remuneration Committee to be fit and proper to act as Non-Executive Directors of the Bank. In view of the fact that the number of nominees did not exceed the two (2) vacancies available, no election took place. All other incumbent Directors (Executive and Non-Executive) remained in office pursuant to the Articles of Association.

Number of Directorships held by members of the Board of Directors as at end December 2024, including the appointment of the Board of Bank of Valletta p.l.c.:

Name of Director	Number of Directorships held: Executive Director (ED) & Non-Executive Director (NED)
Gordon Cordina (Chairperson)*	3 NED and 1 ED
Kenneth Farrugia**	4 NED and 1 ED
Anita Mangion*	2 NED
Diane Bugeja	1 NED
James Grech	3 NED
Deborah Schembri**	2 NED
Godfrey Swain**	5 NED
Nicola Angeli	1 NED
Robert Suban	4 NED
Anatoli Grech**	1 NED, 1 Alternate NED*** and 1 ED
Jonathan Spiteri	1 NED
Christian Bonnici West	1 NED
Hadrian Sammut	1 NED

* Gordon Cordina and Anita Mangion are not subject to the provisions of Article 91 of the CRD V (Capital Requirements Directive) and Article 14 (3) (a) of the Banking Act, 1994 (Chapter 371, Laws of Malta) as regards the number of directorships held by them in view of their appointment in a national representative capacity.

** Four (4) of the directorships held by Kenneth Farrugia, two (2) of the directorships held by Deborah Schembri, two (2) of the directorships held by Anatoli Grech and two (2) of the directorships held by Godfrey Swain refer to the directorships of companies in the same group namely BOV p.l.c., BOV Asset Management Ltd, BOV Fund Services Ltd, MAPFRE MSV Life p.l.c (50% owned by Bank of Valletta p.l.c.), and MAPFRE Middlesea p.l.c.. In addition, two (2) of the directorships held by Godfrey Swain refer to directorships of companies in the same group namely, Vallcara Ltd and Eight Points Ltd (both companies owned by the same shareholders).Therefore, these directorships count as a single directorship pursuant to Article 14 2A (c) (i) of the Banking Act.

*** Kenneth Farrugia has been appointed a member of the Board of Directors of the European Savings and retail Banking Group (ESBG), representing the Bank. Anatoli Grech serves as an Alternate Director on the ESBG Board of Directors, also representing the Bank.

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

The Board meets approximately once a month, unless further meetings are required for the Board to discharge its duties effectively. The Board discusses and decides upon matters relating to the Bank's business. During the financial year under review, the Board met twenty-two (22) times. These meetings included two (2) Strategy Board Meetings.

The Board defines, oversees and is accountable for the implementation of the governance arrangements that ensure effective and prudent management of the Bank, including the segregation of duties within the Bank, effective oversight over its Senior Management and the prevention of conflicts of interest.

Corporate Governance Statement of Compliance (continued)

The Board regularly reviews and evaluates corporate strategy, major operational and financial plans, risk policies, performance objectives which are benchmarked against industry norms and business alternatives. The strategy, processes and policies adopted for implementation are regularly reviewed by the Board so that corrective measures can be taken to address any deficiencies and ensure the future sustainability of the enterprise. The Board also monitors implementation and corporate performance, as well as the integrity of the Bank's accounting and financial reporting systems within the parameters of all relevant laws, regulations and codes of best business practice. The oversight and approval of the Bank's strategic objectives, risk strategy, and internal governance are also within its purview. Consequently, it monitors and periodically evaluates the effectiveness of the Bank's governance arrangements and takes appropriate steps to address any identified deficiencies. The Board has a formal schedule of matters reserved for its decision and also delegates specific responsibilities to Board Committees.

The Board ensures that it has the appropriate policies and procedures in place which guarantee that the Bank and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards.

The Bank shall ensure that Directors are at all times of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties.

Notice of the dates of upcoming meetings, together with supporting material, are circulated well in advance to Directors to allow ample time to appropriately consider the information prior to the next board meeting. Furthermore, advance notice is also provided of ad hoc meetings to allow sufficient time to re-arrange commitments.

After each Board meeting, minutes that faithfully record attendance, matters discussed and decisions taken, are prepared and circulated to all Directors as soon as practicable after the meeting.

Members of Senior Management attend Board Meetings by invitation on a regular basis.

Directors' attendance for Board Meetings during FY2024 was as follows:

Directors' Name	Independent Directors/ Non-Independent Directors/ Executive Directors (ED)/ Non-Executive Directors (NED)	Number of Meetings held: 22 Meetings attended by Directors:	
Gordon Cordina (Chairperson)	Independent NED	22	
James Grech[1]	Non-Independent NED	0	
Anita Mangion	Independent NED	22	
Diane Bugeja	Independent NED	21	
Elizabeth Camilleri[2]	Independent NED	7	(out of 11)
Kevin J. Borg[3]	Independent NED	9	(out of 11)
Godfrey Swain	Independent NED	22	
Kenneth Farrugia	ED	22	
Deborah Schembri	Independent NED	21	
Nicola Angeli	Independent NED	20	
Robert Suban	Independent NED	20	
Anatoli Grech	ED	21	
Christian Bonnici West[3]	Independent NED	11	(out of 11)
Hadrian Sammut[4]	Independent NED	8	(out of 9)
Jonathan Spiteri[5]	Independent NED	9	(out of 11)

1 On the 28 November 2023, the Bank resolved to apply with immediate effect with respect to Director James Grech, the Policy, as approved by the Board during the 926 Board meeting held on the 11 October 2023 which provides that a Director who has ongoing legal proceedings against the Bank or any of the Bank's subsidiaries, while s/he is still in office, will immediately withdraw from participating in Board meetings whilst his/her case against the Bank is ongoing. As a result, James Grech did not attend any Board meetings in 2024.

2 Elizabeth Camilleri resigned from her role as a Non-Executive Director during the AGM held on the 31 May 2024.

3 Dr Christian Bonnici West was appointed to the Board during the AGM held on the 31 May 2024. Regulatory approval for Dr Christian Bonnici West was received on the 24 July 2024. Kevin J. Borg resigned from his role as a Non-Executive Director during the Annual General Meeting held on the 31 May 2024.

4 Hadrian Sammut was appointed on the Board by co-option with effect from the 28 June 2024.

5 Dr Jonathan Spiteri was appointed to the Board during the AGM held on the 31 May 2024. Regulatory approval was received on the 19 August 2024.

Corporate Governance Statement of Compliance (continued)

Board Committees

The Board also delegates specific responsibilities to Committees, which operate under their respective formal Terms of Reference. In this respect, the Board has established the following Committees:

The Audit Committee

The Audit Committee's Terms of Reference include the monitoring of the financial reporting process, the effectiveness of the Bank's internal control, internal audit and risk management systems and the audit of the Bank's annual and consolidated accounts. The Audit Committee is also responsible for overseeing the establishment of accounting policies by the Bank. The primary purpose of the Audit Committee is to protect the interests of the Bank's shareholders and assist the Directors in conducting their role effectively so that the Bank's decision-making capability and the accuracy of its reporting and financial results are maintained at high level at all times. The Audit Committee has established internal procedures and monitors these on a regular basis. The Audit Committee also scrutinises and approves related party transactions in line with the Related Party Transaction Policy. The Audit Committee considers the materiality, and the nature of the related party transactions carried out by the Bank to ensure that the arms' length principle is adhered to at all times. The Audit Committee, in line with the Capital Markets Rules, is involved in and monitors the external audit processes, performs oversight on the internal audit function and facilitates communication between the two. As part of the monitoring of the external audit process, the Audit Committee endorses the overall selection process of the statutory auditors, which commences from Request for Proposal (RFP) which is issued by the Bank, leading to the interview of the audit firms who express an interest in the Bank's RFP. The Audit Committee is involved in the interview of the shortlisted audit firms and makes its recommendation for Board approval. In so far as the reviewing and monitoring of non-audit services to the audited entity is concerned, the Bank maintains a list of non-audit services which the statutory auditors are permitted to undertake in terms of regulations, which list requires the approval of the Audit Committee. Any non-audit services which fall outside this list requires the approval of the Audit Committee.

During the period under review, the Committee conducted its annual self-assessment, confirming its effectiveness in adding significant value to the oversight function of the Board.

In terms of Capital Markets Rules 5.117, 5.118 and 5.118A, the Audit Committee is composed of the following three (3) Non-Executive Directors, all of whom are considered as independent of the Bank, since they are free from any business, family or other relationship with the Bank or its management that may create a conflict of interest such as to impair their judgement. The Non-Executive Director appointed on the Audit Committee whom the Bank deems to be competent in accounting by virtue of her being a professional accountant is Deborah Schembri. Ms Schembri Chairs the Audit Committee.

1. Deborah Schembri is a Certified Public Accountant. She holds a Masters in Business Administration from Henley Management College (UK) and she holds an Advanced Diploma in Retirement Provision pursued with the UK Pensions Management Institute. She is appointed Chairperson of the Audit Committee by the Board and is the Director whom the Bank considers as competent in accounting. Ms. Schembri possesses successful experience in strategy formulation, corporate governance, business and product development, customer relationships and employee engagement. She has over twenty (20) years' experience in the financial services and various other local industries. Currently, Ms Schembri holds the role of Group Chief Financial Officer of a major local diversified group of companies operating locally and internationally and also sits on committees within the Malta Chamber of Commerce and the Institute of Financial Services Practitioners. She had also worked with one of the Big Four audit firms.

2. Dr Bugeja is a lawyer by profession, practicing primarily in financial services law, financial regulation and anti-financial crime compliance. She is currently a Senior Associate at Camilleri Preziosi Advocates. Prior to joining Camilleri Preziosi, Dr Bugeja held the post of Senior Manager at a Big Four accounting firm, working in Malta and in London. She subsequently joined the enforcement departments of the UK Financial Conduct Authority and the Malta Financial Services Authority.

   Dr Bugeja holds a Ph.D in law from King's College London and an M.Sc from the London School of Economics and Political Science.

3. Mr Hadrian Sammut has extensive experience in strategic implementation and holistic management of information systems. Over the past thirty-five years, Mr Sammut has been heavily involved in several large-scale projects in the public and private sector.

   Mr Sammut has had an extensive career in the field of Information Technology (IT). He started his career at the Central Bank of Malta, implementing the preliminary banking and financial information system within this institution. He then joined the Malta Stock Exchange, developing their initial back-office trading application and establishing Malta's first Central Securities Depository.

   Subsequently, he assumed responsibility for the strategic planning and programme management endeavours related to the implementation of the Malta Government's initial Departmental Accounting System . As an Associate Director with a leading 'Big Four' audit firm, Mr Sammut also provided information system advisory services to various local and foreign clients.

   Over the last two decades, Mr Sammut has also been responsible for multiple engagements related to IT implementation, governance, performance and compliance across various regulated business sectors, both locally and abroad.

   Mr Sammut holds an MBA degree in E-commerce from the University of Malta and a BSc (Hons.) degree in computing from the University of Greenwich, UK.

4. Mr. Nicola Angeli served as a member of the Audit Committee until 6 June 2024. He has an extensive knowledge of the European banking sector, accumulated over ten (10) years of experience working on transactions in the private and public markets.

   Based in Italy, he started his career in the Debt Capital Markets team of UniCredit S.p.A., where he assisted medium and large corporates in the execution of financing transactions in the fixed-income market. In 2015 he moved to his current position in the Group M&A and Corporate Development team, where his responsibilities focus on the carrying out of M&A proprietary transactions for the UniCredit Group. Mr Angeli was involved in several transformational inorganic projects, including both M&A and capital markets deals.

   Mr Angeli has a Masters degree cum laude in Banking, Business and Financial Markets and a Bachelor of Science cum laude in Economics, both from the University of Trento (Italy).

Corporate Governance Statement of Compliance (continued)

More detail on the brief resumes of the Audit Committee Members is found on pages (xiii) to (xv) of the Annual Report.

In view of the diverse skills and professional experience of each of the Audit Committee Members, the Bank considers the Audit Committee as a whole to have the adequate competence and to meet the independence criteria as required by the Capital Markets Rule 5.118.

Audit Committee Members' Attendance during FY2024 was as follows:

Members	Meetings Held: 15 Meetings attended by member:
Deborah Schembri (Chairperson)	15
Godfrey Swain[1]	1 (out of 1)
Nicola Angeli[1]	7 (out of 7)
Kevin J. Borg[2]	4 (out of 6)
Diane Bugeja[3]	8 (out of 8)
Hadrian Sammut[4]	8 (out of 8)

[1] Resigned as member of the Audit Committee with effect from the 6 June 2024.

[2] Resigned as an Audit Committee member and Director with effect from the 31 May 2024.

[3] Appointed as an Audit Committee member with effect from the 6 June 2024.

[4] Appointed as an Audit Committee member with effect from the 28 June 2024.

The Chief Executive Officer, the Chief Risk Officer, the Group Chief Compliance Officer and the Group Chief Internal Auditor attend Audit Committee meetings. The Chief Financial Officer and a representative of the External Auditors attend the Audit Committee meetings by invitation. KPMG are the Group's statutory auditors. A designated person from the Office of the Company Secretary acts as Secretary to the Audit Committee.

The Remuneration Committee – This is considered under the Remuneration Report.

The Nominations Committee

On 6 June 2024, the Nominations and Remuneration Committee was split into two (2) separate committees, the Nominations Committee and the Remuneration Committee. As alluded to above, the primary objective of this change was to meet regulatory expectations, as well as to have more independence between the Nominations decisions and the Remuneration decisions.

The main purposes of the Nominations Committee are to support and advise the Board of Directors in:

a. Ensuring that the management boards, in both management and supervisory functions, are composed of individuals who are fit and proper, both individually and collectively, for all BOV Group companies.
b. Overseeing and recommending the appointment of other Key Function Holders,
c. Evaluating the balance of knowledge, skills, diversity and experience of the Board of Directors and prepares a description of the roles and capabilities for a particular appointment and assesses the time commitment expected.
d. Ensuring proper succession plans are maintained for members of the Board of Directors, all Executive Committee (ExCo) members, Identified Staff and other Key Function Holders.
e. Periodically, assessing the structure, size, composition and performance and knowledge, skills and experience of the Board of Directors and make recommendations to the Board of Directors with regard to any changes.

It also decides on a target for the representation of the underrepresented gender in the Board of Directors and prepares a policy, i.e. the Board Diversity Policy, which inter alia governs the process how the Bank is to meet the target of the underrepresented gender on the Board of Directors and maintain that target. More details can be found further below, in the Board Diversity Policy section.

The Committee also ensures that the decision making of the Board of Directors is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the Bank as a whole. In this respect, the Committee ensures that Board members possess diverse skills and expertise in line with the Bank's risk assessments and strategy to enable Board members to contribute more effectively during Board discussions, based on their particular areas of expertise and knowledge. Moreover, on an annual basis the Nomination Committee conducts a Board Effectiveness and Diversity Questionnaire amongst Board members. This questionnaire includes questions relating to how Board meetings are conducted. Through this questionnaire, Board members are given the opportunity to provide their feedback and make suggestions for improvement. The outcome of this questionnaire is discussed extensively both at Nominations Committee and at Board level. Where gaps are identified, action is taken through the Nominations Committee to address such findings.

Corporate Governance Statement of Compliance (continued)

The attendance of the Nominations and Remuneration Committee members from 1 January 2024 to 6 June 2024 was as follows:

Members	Meetings Held: 9 Meetings attended by member:
Gordon Cordina (Chairperson)	9
Diane Bugeja	9
Kevin J. Borg	1 (out of 1)
Godfrey Swain	8 (out of 8)

Since its setup on 6 June 2024, the Nominations Committee Members' attendance during FY2024 was as follows:

Members	Meetings Held: 2 Meetings attended by member:
Gordon Cordina[1] (Chairperson)	2
Diane Bugeja	2
Jonathan Spiteri[2]	2

[1] Appointed as the Nominations Chairperson and member with effect from the 6 June 2024.

[2] Appointed as a Nominations Committee member with effect from the 6 June 2024

The Risk Committee

The Risk Committee assists the Board in assessing the different types of risks to which the organisation is exposed. This Committee is responsible for the proper implementation and review of the Group's risk policies related mainly, but not restricted to, Credit, Market and Operational Risks. It reports to the Board on the adequacy, or otherwise, of such policies. The Committee is also responsible for reviewing delegated limits, together with an oversight of the Group's monitoring and reporting systems, to ensure regular and appropriate monitoring and reporting on the Group's risk positions.

Risk Committee Members' attendance during FY2024 was as follows:

Members	Meetings Held: 13 Meetings attended by member:
Robert Suban (Chairperson)	13
Deborah Schembri[3]	7 (out of 7)
Gordon Cordina[3]	8 (out of 8)
Nicola Angeli[4]	6 (out of 6)
Hadrian Sammut[5]	5 (out of 5)

[3] Resigned as a member of the Risk Committee with effect from the 6 June 2024.

[4] Appointed as member of the Risk Committee with effect from the 6 June 2024.

[5] Appointed as member of the Risk Committee with effect from the 28 June 2024.

The Chief Executive Officer, the Chief Risk Officer, the Group Chief Compliance Officer and the Group Chief Internal Auditor attend Risk Committee meetings. A designated person from the Office of the Company Secretary acts as Secretary to the Risk Committee.

The above information on the Risk Committee, together with the information contained in the Pillar 3 disclosures which are available on the Bank's website, is also to be considered as a disclosure for the purposes of Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

The Compliance and Anti-Financial Crime Committee

The primary objective of the Compliance and Anti-Financial Crime Committee is to assist and guide the Board of Directors in the discharge of their obligations imposed from time to time by regulation in the area of financial services and in light of the Bank acting as a credit and financial institution licensed to provide services under different laws and within the framework of the Compliance Function as defined in the Compliance Charter and as approved by the Board of Directors. The Committee is also responsible for assisting the Bank in combating financial crime and money laundering activities.

Corporate Governance Statement of Compliance (continued)

Compliance and Anti Financial Crime Committee Members' attendance during FY2024 was as follows:

Members	Meetings Held: 5 Meetings attended by member
Diane Bugeja (Chairperson)	5
Gordon Cordina[1]	2 (out of 2)
Anita Mangion[1]	2 (out of 2)
Deborah Schembri[2]	3 (out of 3)
Christian Bonnici West[3]	3 (out of 3)

[1] Resigned as a member of the Compliance and Anti-Financial Crime Committee with effect from the 6 June 2024.

[2] Appointed as a member of the Compliance and Anti-Financial Crime Committee with effect from the 6 June 2024.

[3] Appointed as a member of the Compliance and Anti-Financial Crime Committee with effect from the 6 June 2024, subject to regulatory approval which was subsequently received on the 24 July 2024.

The Chief Executive Officer, the Chief Risk Officer, the Group Chief Compliance Officer and the Group Chief Anti-Financial Crime Officer & Money Laundering Reporting Officer attend the Compliance and Anti-Financial Crime Committee meetings. A designated person from the Office of the Company Secretary acts as Secretary to the Compliance and Anti-Financial Crime Committee.

The ESG Committee

The primary purpose of the ESG Committee is to secure Board-level oversight of strategic climate and environmental-related risks and opportunity management, as well as strengthening the governance structure in relation to ESG factors. The Committee acts as the approval Board body for the decisions in relation to the Sustainability strategy and its implementation, and senior line management for points of escalation for decisions relating to climate work underway across the business line of the Bank. The ESG Committee is chaired by Godfrey Swain and is composed of two (2) other Non-Executive Directors, one of whom is also the Chairperson of the Risk Committee. Representatives from relevant business functions are invited to attend ESG Committee meetings.

The ESG Committee Members' attendance during FY2024 was as follows:

Members	Meetings Held: 6 Meetings attended by member
Gordon Cordina[4]	3 (out of 3)
Anita Mangion[5]	3 (out of 3)
Elizabeth Camilleri[6]	2 (out of 3)
Godfrey Swain (Chairperson)[7]	6
Jonathan Spiteri[8]	3 (out of 3)
Robert Suban[9]	3 (out of 3)

[4] Resigned as Chairperson and member of the ESG Committee with effect from the 6 June 2024.

[5] Resigned as member of the ESG Committee with effect from the 6 June 2024.

[6] Resigned as member of the ESG Committee and Board with effect from the 31 May 2024.

[7] Appointed as Chairperson of the ESG Committee with effect from the 6 June 2024.

[8] Appointed as member of the ESG Committee with effect from the 6 June 2024, subject to regulatory approval which was subsequently received on 19 August 2024.

[9] Appointed as member of the ESG Committee with effect from the 6 June 2024.

The Technology and Digital Strategy Committee (TDSC)

The TDSC was set up on 6 June 2024 with the primary scope being to assist the Board of Directors in exercising its oversight role effectively by ensuring that the Bank's drive towards digital readiness as well as Strategic Information Technology and Cyber Security projects are well established and functional.

The TDSC advises and supports the Board of Directors in the monitoring of the Group's overall actual and future digital, IT, and cyber-security strategy, considering all types of activities, to ensure that they are in line with the business strategy, objectives, corporate culture and values of the Group. The attendance of the TDCS for FY2024, from the date of its set up on the 6 June, was as follows:

Corporate Governance Statement of Compliance (continued)

Members	Meetings Held: 3 Meetings attended by member
Anita Mangion (Chairperson)	3
Gordon Cordina	3
Christian Bonnici West	3

Suitability Policy

This policy has been established in accordance with the applicable laws and regulations at a national and European level, and part B1 of the Investment Services Rules together with Banking Rule 24 issued by the MFSA in line with the European Banking Authority (EBA) Guidelines on Internal Governance and the Joint EBA and European Securities and Markets Authority (ESMA) Guidelines on the Assessment of Suitability of Members of the Management Body and Key Function Holders.

The Bank's Suitability Policy applies to the Members of the Board of Directors and Key Function Holders (including members of the Executive Committee) within the Bank of Valletta Group (collectively referred to as 'Subject Persons') The Suitability Policy aims to ensure the suitability of the Board of Directors and Key Function Holders, not just at the inception of their appointment but also throughout the duration of their appointment. In this context, suitability refers to the ability of all Subject Persons to ensure, a sound and prudent management of the financial institution, viewing the safeguarding of the financial system and the interests of respective clients, depositors, shareholders, and other creditors. Subject Persons must comply with requirements of fitness and appropriateness, professional qualification, independence of mind, and time commitment (availability). This policy also provides guidance on the process of selecting and assessing the suitability of the Subject Persons.

Board Diversity Policy

The Board Diversity Policy (the Policy) has been drafted in line with ESMA and EBA guidelines on the assessment of suitability of members of the management body and key function holders, as well as in line with the requirements of Article 88 of the CRD V (Capital Requirements Directive) and Article 435(2)(c) of CRR III (Capital Requirements Regulation)

The Policy provides that the Board aspires to maintain the following diversity objectives:

i. Gender:

The Board aims to achieve a minimum 33% female representation on the Board by end of 2025. The 33% minimum underrepresented target was previously achieved when the Bank's Board of Directors was compromised of four (4) females out of a total Board composition of twelve (12) directors. Following the resignation of one (1) female director during the May 2024 Annual General Meeting (AGM), and the appointment of two (2) male directors, the percentage of female directors has decreased from the minimum 33% to 23%. Hence, the Bank will be exercising best endeavours, within the parameters of its Articles of Association, to ensure that sufficient female directors are appointed during its forthcoming AGM, to be held in May 2025, so that this 33% target is once again achieved.

ii. Age:

Pursuant to the Bank's Articles of Association, the age limit for all Non-Executive Directors shall be seventy (70) years. In addition, the Board shall endeavour to ensure that not all directors are in the same decade of their lives.

iii. Professional experience:

Directors should preferably have at least five (5) years' professional experience in at least one of the following sectors: financial, banking, accounting and auditing, risk management, governance, compliance and anti-financial crime, ESG and information technology.

iv. Educational background:

Directors should have a sound educational background with a qualification in any of the areas of banking, business administration, economics, risk management, accountancy and auditing, and law.

v. Geographical provenance:

Given the size of Malta as a jurisdiction, coupled with the fact that BOV's level of international activity is very limited, for BOV, geographical provenance is not a relevant diversity factor. Notwithstanding, the Bank shall, where possible, endeavour to bring international experience to the Board table, which can be achieved by having directors on the Board with prior relevant international professional background.

Corporate Governance Statement of Compliance (continued)

For FY2024, the Nominations Committee prepared a report for the Board outlining the process implemented in relation to appointments of Board members on the Board. Such report also included the measurable objectives set for implementing the Policy, as well as the progress made towards achieving those objectives and targets. The BOV Diversity Report for FY2024 detailed the process relating to the:

i. Appointment of the Non-Executive Directors during the 2024 AGM, whereby Directors Dr Christian Bonnici West and Dr Jonathan Spiteri were appointed Directors on the Board following a suitability assessment process by the then Nominations and Remuneration Committee.

ii. The co-option of Mr Hadrian Sammut, which was approved by the Board of Directors, following a recommendation put forward by the Nominations and Remuneration Committee as well as a suitability assessment approved by such Committee, Mr Sammut was appointed as Non-Executive Director on the Board, with effect from the 28 June 2024, upon receipt of Regulatory approval.

iii. The re-appointment on the Board of Ms Anita Mangion by the Government of Malta as one of the Bank's qualifying shareholders.

The BOV Diversity Report also included the progress made by the Bank during 2024 to maintain or improve its Board diversity objectives and targets as defined in the Policy.

For FY2024, the Bank successfully achieved its professional experience objective for Board members, with all Directors possessing more than five years of relevant professional experience. Additionally, the Bank met its age-diversity objective, as not all Directors are in the same decade of their lives and none of the Non-Executive Directors (NEDs) are 70 years or older. The educational background objective was also fulfilled, as most Directors hold at least one qualification pertinent to their areas of responsibility.

Regarding geographical diversity, in 2024, one of the Bank's Board members, Nicola Angeli, resided outside Malta, specifically in Italy. Besides Nicola Angeli, two (2) other Directors—Chairperson Gordon Cordina and Godfrey Swain—bring extensive international experience due to their prior relevant professional backgrounds.

Moreover, as previously explained, despite not meeting the minimum 33% female representation on the Board during FY2024, the Bank will be exercising best endeavours, within the parameters of its Articles of Association, to ensure that sufficient female directors are appointed during its forthcoming AGM, to be held in May 2025, so that this 33% target is once again achieved.

Learning and Self-Development Policy

Aligned with the Bank's strategic vision, the Learning and Development Centre serves as a vital catalyst for ongoing skill enhancement, ensuring the Bank remains future proof. The Bank's guiding principle is encapsulated in the mantra 'Learn, Grow, and Empower Others.' Over the past year, we have redefined what it means to learn at the Bank. Moving beyond traditional banking courses, we have designed programs that meet our business and strategic needs, from personal and professional development to digital skills, banking expertise, agile methodology, leadership, and talent management. The Bank has also taken a giant leap in how it delivers learning as now we are curating exciting, hands-on learning experiences. Through direct engagement with stakeholders across the Bank, we have built meaningful relationships and addressed specific needs like team-building sessions.

The Bank offers professional training courses across a broad spectrum of subjects. Testament of the high standard of our courses is the recognition received from the Malta Further and Higher Education Authority (MFHEA) through its accreditation of several courses offered by the Bank. In fact, BOV is licensed as a Higher Education Institution (License Number: 2018-003) and offers employees MQF Level 5 and Level 6 qualifications such as Awards in Personal Development, Train the Trainer, Investments and Credit for Retail Banking and Business. In 2024, 124 employees graduated in one or more of these awards. The Bank also laid the foundation for a strong leadership culture with the Executive Committee Leadership Programme, the Heads Leadership Programme and Unleash, a must-attend journey for all new managers. The Bank also launched the STAR Programme, aimed at building and supporting key positions. We are preparing groundbreaking development programmes focused on strategic themes like the Impact of Data for Banking, Business Process Re-engineering, Enterprise Transformation and Project Management.

Additionally, the Bank offers an e-learning platform designed to empower its employees by providing opportunities for further self-development, both within the workplace, on their mobiles and the convenience of their homes. This year, The Bank launched a Bank-wide ESG e-learning program, making sustainability an integral part of our learning journey.

The following table depicts the average hours of training undertaken by all employees during FY2024.

	Hours
Average number of hours of training (per person) that the Group's employees have undertaken during FY2024	40
Total number of hours of training during FY2024, including classroom, e-learning and external training	112,000

Corporate Governance Statement of Compliance (continued)

In quarter 3 of 2024, a Learning Needs Analysis was undertaken to ensure the delivery of effective learning provisions and skills throughout the Bank. This initiative aims to maintain business agility and responsiveness to future changes. The primary objective is to enhance employees' skills, bolster employee retention, and address business and regulatory requirements in an ever demanding and rigorous regulatory landscape. Internally crafted training programmes are seamlessly integrated with external training opportunities to not only expand employees' current skill sets but also introduce fresh perspectives on thinking and problem-solving.

The Bank remains steadfast in its dedication to providing unwavering support to its employees, both in their professional and academic pursuits. This commitment is reflected in the allocation of essential resources and time to facilitate continuous development, as outlined in the Self-Development Handbook. This policy encourages all employees within the Group, whether on indefinite or definite employment, to actively pursue self-development. To facilitate this, the Bank extends assistance through grants, study loans, and study/dissertation leave, all aligned with the current business needs of the institution. The Bank reimbursed seventy-seven (77) employees who pursued different qualifications during 2024.

Suitability of Board of Directors

The Nominations Committee undertakes a suitability assessment of members proposed to be appointed on the Board of Directors or on the Executive Committee, as well as individuals proposed to be appointed for Key Function Holder positions. This comprehensive assessment is based on the individual's knowledge, skills and expertise. Due consideration is also given to criteria of reputation, conflicts of interest, independence of mind and time commitment.

The Bank, on the recommendation of the Nominations Committee, engaged an independent external third party to conduct a collective and individual suitability assessment of incumbent members of its Board of Directors, in accordance with the joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body, and other applicable rules. The assessment criteria which were used for the purposes of the collective suitability assessment were the following:

1. Diversity of skills and experience
2. Independence and objectivity
3. Board diversity and representation
4. Strategy and ethical decision making
5. Risk strategy and culture
6. Board functionality and communication

For the individual suitability assessment, a number of assessment criteria were used to assess whether each Board member possesses the required personal competence, integrity and qualifications for their role. This assessment was made on the basis of the following criteria:

1. Knowledge, skills and experience
2. Sufficient time commitment
3. Honesty, integrity and thoughtful independence of mind
4. Understanding the Bank's strategy and risk culture, including ethical decision making.

From this assessment, it emerged that both on a collective and on an individual basis, the Bank's Board of Directors is deemed to be suitable.

Executive Committee

The Executive Committee is entrusted with the overall responsibility for monitoring and managing the Group's financial and operational performance, overseeing the execution of the Group's strategy, monitoring customer experience, and taking the necessary decisions to ensure that the Bank is operating with the applicable rules and regulations.

During FY2024, the Group reviewed the composition of the Executive Committee, to enable the Group to deliver its strategy more efficiently and ensure having the best possible personnel with the right skill set to lead each area. With expertise in accountancy, risk, economics, business, compliance, anti-financial crime, information & technology, strategic, project delivery and implementation & data governance, and customer experience, the Members of the Executive Committee are deemed to have the necessary collective knowledge, skills, and competence to manage the business of the Group, exert oversight of the Group's operations, recommend and follow a strategic plan for the Bank and its subsidiaries, overseeing the Group's financial, business and operational performance, establish and maintain a risk appetite framework, organise the allocation and adequacy of the Group's human resources and ensure that the Bank has a reliable and sustainable IT infrastructure, amongst other functions.

The Bank's Executive Committee meets at least monthly. It is chaired by the Chief Executive Officer. The other Members of the Committee are the:

- Chief Financial Officer
- Chief Risk Officer
- Chief Operations Officer
- Chief Commercial Officer
- Chief Personal & Wealth Officer
- Group Chief Compliance Officer
- Chief Information Officer
- Chief Customer Experience Officer
- Chief Strategy, Transformation, and Data Officer
- Chief People & Culture Officer

Corporate Governance Statement of Compliance (continued)

The Group Chief Internal Auditor and the Group Chief Anti-Financial Crime Officer & MLRO have an open invitation to attend all Executive Committee meetings at their discretion. Other personnel may by invitation, attend Executive Committee Meetings.

More detail on the Executive Committee members and their experience is found in their brief CV on pages (xviii) to (xxi) of the Annual Report.

Besides the Executive Committee, the Bank also has the following eight (8) Executive Committees:

- Asset and Liability Management Committee
- Internal Control and Risk Management Committee
- Credit Committee
- Credit Sanctioning Committee
- Rehab and Non- Performing Loans Committee
- Product Governance and Pricing Committee
- Projects Evaluation Committee and
- Data Council

Detail on each of these Executive Committees is found below.

The Asset Liability Management Committee (ALCO) is an integral part of the Bank. The Committee takes an integrated view in managing the Group's assets and liabilities to achieve an optimal balance between risk and return. ALCO evaluates the asset and liability cash flows, profit and loss and balance sheet financial forecasts and the management of integrated exposures at a consolidated level, to enable it to give strategic direction to the business. Consideration is given, inter alia, to the funding strategy, the proprietary investment strategy, solvency, liquidity and interest rate risks. ALCO also oversees the Bank's Recovery and Resolution Plan.

The Internal Control and Risk Management Committee (ICRMC) was set up with the responsibility for the oversight and coordination of risk management, internal controls, compliance, and AML/CFT across the BOV Group. During 2024, the ICRMC had the following five subcommittees:

a. Operational Risk Management Forum;
b. Outsourcing Risk Management Forum;
c. Environmental, Social, and Governance (ESG) Risk Management Forum;
d. Financial Crime Compliance Management Forum; and
e. Compliance Management Forum.

The above listed fora continued to meet at predefined frequency during 2024 submitting for ICRMC deliberations succinct and focused presentations related to:

- Main Forum outcomes and action points;
- Approval notifications and escalations to the ICRMC.

The ICRMC is responsible for the proper implementation and review of the Group's risk and internal control policies. It reports to the Executive Committee on the adequacy, or otherwise, of such policies. The ICRMC is also responsible for advising and supporting the Executive Committee in the formulation of the Bank's risk appetite and to advise and support in the monitoring of the Group's actual and future risks and the control of such risks. The ICRMC meets at least once a month to advise and support the Executive Committee in assessing the different types of risks to which the Group is exposed, whilst also taking a forward-looking perspective in respect of emerging risks. The Committee is also responsible for reviewing and discussing issues raised by the internal control functions (i.e. Risk, Compliance, Anti-Financial Crime, and Group Internal Audit) on the effectiveness of the internal control systems.

The Committee provides effective management oversight over the Group's main risks, AML and Compliance initiatives as well as the progress on any remediation action required by the supervisory authorities. The ICRMC is chaired by the Chief Risk Officer, whilst the Group Chief Compliance Officer (GCCO) serves as the Deputy Chairperson. All other Executive Committee members – except the Chief Strategy, Transformation, and Data Officer, the Chief People and Culture Officer, and the Chief Officer Customer Experience – are members of the ICRMC.

The Credit Committee (CC) is responsible for assisting the Executive Committee in implementing and monitoring the credit strategy, Non-Performing Loan (NPL) strategy, level of credit provisioning and debt management. It advises and supports the Executive Committee in the formulation of the Bank's risk appetite and strategy on credit and also approves policies in relation to credit in line with the Policy Governance Framework. The Provisions Committee, mainly tasked with the approval of the level of credit provisioning, is a sub-committee of the Credit Committee and includes members from Finance, Business and Risk Management departments. The Credit Committee is chaired by the Chief Risk Officer whilst the Chief Executive Officer acts as Deputy Chair. The other members are the Chief Commercial Officer, Chief Personal & Wealth Officer, Chief Financial Officer, Head Credit Risk Management and Head Business Strategy & Risk Management. The Group Chief Internal Auditor is in attendance, whilst other members of Senior Management are invited to attend the Committee as and when required.

The Credit Sanctioning Committee (CSC) was established to sanction/decide on credit facilities both in the performing and non-performing categories. The CSC is a management committee reporting to the Executive Committee with escalation to Board of Directors in line with the terms of reference. The Credit Underwriting session, for assets within the performing category handles connected exposures above €10,000,000 whilst the Non-Performing Loans session, decides on non-performing exposures above €5,000,000. The Credit Underwriting session is chaired by the Chief Commercial Officer while the session for the non-performing exposures is discussed at the Rehab NPL Committee (information of which can be found below). Non-voting representatives from Corporate Business may attend the Committee meetings by invitation. The Chief Risk Officer and/or representatives from Credit Risk Management Department attend the Credit Underwriting sessions as observers.

Corporate Governance Statement of Compliance (continued)

The Rehab & Non-Performing Loans Committee (R&NPLC)

The primary purpose of the Rehab & Non-Performing Loans Committee is to monitor and manage client relationships whose credit grading falls to "non-performing" stage 3 and also oversee the management of listed relationships and bad debts. It is an executive level management committee reporting to Executive Committee with escalation to the Board of Directors as governed in the Terms of Reference of the Committee. Such Committee is chaired by the Chief Personal & Wealth Officer.

The Product Governance and Pricing Committee (PGPC) is entrusted with ensuring that the Bank has in place a product governance and pricing framework:

- A product approval matrix inclusive of delegated authority outline;
- A periodic review program of all products and services; and
- Assessment of product/service pricing and approval of changes in fees and charges; and
- Discontinuation of products and services.

In discharging its responsibilities, the Committee will ensure that both existing and new products are analysed in terms of the target market, appropriateness, testing validation of methodologies have been considered, appropriateness of distribution channels for the target market, that any potential conflicts of interest are managed, and that pricing adequately covers the risk and costs involved.

The Committee is chaired by the Group Chief Compliance Officer. The other members of the Committee are the:

- Chief Risk Officer (Deputy Chairperson)
- Chief Executive Officer;
- Chief Financial Officer;
- Chief Personal & Wealth Officer;
- Chief Commercial Officer;
- Chief Customer Experience Officer

The Project Evaluation Committee (PEC) is a vital link between recommending projects for budget approval, sanctioning project initiation, and advising on necessary authorisation for project investments requiring higher authority. The PEC carefully scrutinises project proposals within its scope, ensuring they align with the BOV's strategy and overall direction. It evaluates project initiation documents, assessing the robustness of costs, benefits, resource requirements, and delivery assumptions.

Moreover, the PEC plays a vital role in assuring the appropriate approvers regarding the soundness of submitted investments. The PEC evaluates potential impacts on customer experience and internal processes, engaging with specialist Risk and Compliance teams for regulatory assessments and challenges. The PEC also provides support and guidance to proposers to enhance approval rates while prioritising investments based on strategic imperatives. It critically evaluates its performance against established KPIs/KRIs to ensure effective benefits realisation. Furthermore, budget approval is capped at €500,000. If this limit is exceeded, the approval of the Executive Committee or Board is required.

The PEC is chaired by the Chief Strategy, Transformation and Data Officer, with the Chief Commercial Officer serving as the deputy chair. Other members include the Chief Operations Officer, the Chief Information Officer, and the Chief Financial Officer. Additionally, there are representatives from HR, Compliance, Digital, Retail, and Risk departments, as well as an attendee from Group Internal Audit.

The Data Council (DC) is entrusted to oversee all aspects of data management controls and governance within the Bank, including the development oversight and implementation of data strategy, data systems, data ownership and governance and data plans and initiatives while managing the upstream and downstream impacts of data changes. The responsibilities of the Committee moreover include deciding on BOV-wide data management approach and prioritisation; reviewing the progress on initiatives; resolving/escalating issues and conflicts as needed (e.g., alignment on single source of truth) as well as ensuring mitigation plans are in place for exposed / vulnerable risks on data.

Board Succession Planning Policy

The Bank has implemented a comprehensive Succession Policy for the BOV Board of Directors, with primary objectives that include:

1. Establishing guidelines and processes for a planned and orderly succession of Directors (both Executive and Non-Executive) and filling any unplanned vacancies on the Board.
2. Facilitating a seamless transition for new Board members to contribute to the governance of the organisation quickly and effectively.
3. Ensuring that the collective knowledge and skills of the Board align with the governance role's requirements, taking into account the objectives defined in the Board Diversity Policy.
4. Effectively preparing Board members for leadership positions to prevent key people dependencies at the governing level.
5. Contributing to any changes in Board membership in a manner which supports the independence of thought and action of individual members and the renewal of professional skills within the Board.

The Nominations Committee oversees the Succession Planning Policy for the BOV Board of Directors. This aligns with Code Provision 4.2.7 of the Capital Markets Rules, as the Chairperson of the Board of Directors also serves as the Chairperson of the Nominations Committee. The Board of Directors approves the Succession Planning Policy for the BOV Board of Directors based on the Nominations Committee's recommendations.

Corporate Governance Statement of Compliance (continued)

The Bank has a Succession Policy for Executive Committee members and Key Function Holders. This policy aims to define and sustain the Bank's management and governance profiles over time, identify and develop new talent, and mitigate risks associated with changes in executive function and leadership during transitional periods. Moreover, an annual exercise is conducted to identify or reconfirm potential successors for ExCo, Headships, other Key Function Holders and other key positions. Potential successors are identified from a talent pool consisting of high potential employees based on the Talent Management Framework, including responsible and involved stakeholders. The Talent Management Framework is based on the 9-grid Matrix, which assesses the Performance and the Potential of employees.

The selected candidates for the talent pools are being involved in Leadership and Talent Development Programmes, specifically intended to up/reskill all individuals that form part of this pool. This process plays a pivotal role in cultivating an in-house talent pool that extends across the entire organisation.

Principle 6: Information and Professional Development

The CEO is appointed by the Board and is inter alia responsible for the recruitment and selection of Senior Management and Key Function Holders. The CEO consults with the Nominations Committee and with the Board on the appointment of Senior Management. Training of management and employees is a priority and internal and external training is provided by the Bank's Training Centre specifically set up for this purpose. The Bank also has a system in place which monitors management and staff morale.

On joining the Board, a Non-Executive Director is provided with briefings by the CEO and Chief Officers on the activities of the Bank. All Directors are provided with appropriate induction training and a dossier that, apart from incorporating relevant information on the Bank, also includes the Bank's Policy documents.

The Bank has a Board Governance Manual which provides a clear overview of the governance arrangements in place for the BOV Board of Directors. It also has the objective of showing how various key elements of governance, oversight, risk management and control link together and serve as a useful reference point for existing Directors and an induction manual for Directors newly appointed to the Board.

Directors may, where they judge it necessary to discharge their duties as Directors, take independent professional advice on any matter at the Bank's expense. Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring adherence to Board procedures as well as good information flows within the Board and its Committees.

In addition, the Company Secretary directs members of the Board to seminars or conferences which serve as professional development for Directors in the discharge of their functions on the Board and on the Committees.

During the reporting year, Directors attended training relating to Strategy, Risk, Compliance and Anti-Financial Crime, Cyber-security, Leveraged Transactions and IFRS17.

Directors are also required to attend mandatory e-learning modules on a number of subjects including Anti-Financial Crime (AFC), Information Security Awareness, Conflicts of Interest, Market Abuse and General Data Protection Regulation (GDPR).

Principle 7: Evaluation of the Board's Performance

During the period under review, the Nominations Committee undertook an evaluation of the performance of the Board, the Chairperson and the Board Committees. The evaluation exercise was conducted through a Board Effectiveness and Diversity Questionnaire (the "Questionnaire") prepared by the Nominations Committee. Directors, including the Executive Directors, were required to complete the Questionnaire.

The outcome result of the Questionnaire was a positive one with high scores attained in the majority of questions. The areas for further improvement relate mainly to:

i. improve timeliness of the provision of the agenda, its structure, and its execution at Board meetings,
ii. improve focus of discussion on strategic rather than operational matters,
iii. refine the management's presentation of information so that new board directors have a clearer understanding of the issues at hand
iv. organise periodic deep dive sessions on the key critical business areas of the Bank, also covering competition dynamics, threats, and opportunities.

The result of the Board Effectiveness and Diversity Questionnaire was analysed by the Nominations Committee and discussed at Board level. Actions are being taken to address those areas where improvement may be necessary.

Furthermore, in accordance with the Board Diversity Policy, as part of the annual evaluation of the Board and its' Committees effectiveness, the Board members are required to take into consideration the balance of all diversity aspects mentioned in the Board Diversity Policy and the level of their diversification as a whole. In order to assess the Board's effectiveness during FY2024 with respect to the diversity aspects in the Board Diversity Policy, relating to gender, age, professional experience, educational background and geographical provenance, the Questionnaire also included questions relating to these diversity aspects. The Board scored well with respect to all diversity aspects except with respect to the gender diversity criteria.

Principle 8: Committees

The Remuneration Committee is dealt with under the Remuneration Report which also includes the Remuneration Statement of Compliance in terms of Code Provisions 8.A.3 and 8.A.4, as well as in line with 8. B.7.

Corporate Governance Statement of Compliance (continued)

Principles 9 and 10: Relations with Shareholders and with the Market and Institutional Shareholders

The Bank recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood.

The Board is of the view that during the year under review, the Bank has communicated effectively with the market through a number of company announcements and press releases.

The Bank also communicates with its shareholders through the Bank's Annual General Meeting (AGM). Further details are provided under the section entitled General Meetings. All Directors attend the AGM and are available to answer questions, if necessary.

The Chairperson and the CEO also ensure that sufficient contact is maintained with major shareholders to understand issues and concerns. During these meetings no market sensitive information is disclosed.

The Chairperson also ensures that arrangements are made for all Directors to attend the AGM and for the Chair of the Audit Committee and the Nominations Committee to be available to answer questions at the AGM.

Apart from the AGM, the Bank communicates with its shareholders by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis and through an annual newsletter to shareholders.

The Bank also issues the Interim Directors' Statement for Quarter 1 and Quarter 3 of its financial year. In addition, the Bank's website (www.bov.com) contains information about the Bank and its business, including an Investor Relations Section.

Furthermore, the Bank holds a meeting for stockbrokers and financial intermediaries, usually on a quarterly basis, to coincide with the publication of its Financial Statements and the Interim Directors' Statement. Other meetings with stockbrokers and financial intermediaries are held as necessary. From time to time, the Bank also holds meetings with the Malta Association of Small Shareholders.

The Office of the Company Secretary maintains two-way communication between the Bank and its investors. Individual shareholders can raise matters relating to their shareholding and the business of the Group, at any time throughout the financial year and are given the opportunity to ask questions at the AGM or submit written questions in advance. In terms of Article 18.3 of the Articles of Association of the Bank and Article 129 of the Companies Act, 1995 (Chapter 386, Laws of Malta), the Directors may call an Extraordinary General Meeting (EGM) on the requisition of shareholders holding not less than one-tenth of the paid-up share capital of the Company.

Principle 11: Conflicts of Interest

Directors are obliged to perform their duties conscientiously and will not put themselves in a position in which their private interests or the private interests of their family members, friends or associates might be in actual, potential or perceived conflict with the interest of the Bank Of Valletta.

Should a perceived, potential or actual conflict arise during the tenure of a directorship, a Director must disclose and record the conflict in full and on time to the Board and subsequent reporting to the Compliance Department is required. A Director shall not participate in a discussion concerning matters in which s/he has a conflict of interest unless the Board finds no objection to the presence of such Director. In any event, the Director shall refrain from voting on the matter.

A Director having a continuing material interest that conflicts with the interests of the Group should take effective steps to eliminate the grounds of conflict. Each Director is required to declare to the Group his or her interest in the share capital of the Group and should only deal in such shares as allowed by law and in accordance with internal policies.

Directors' interest in the share capital of the Bank as of 31 December 2024 was as follows:

	Beneficial Interest[1]
Kenneth Farrugia[1]	94,054 shares
Anatoli Grech[1]	6,348 shares
Godfrey Swain[2]	100,000 shares
Diane Bugeja	29,310 shares
Robert Suban	26,717 shares
Hadrian Sammut	1,755 shares

[1] *Includes any shares held by spouses or partners.*

[2] *Includes any shares held under nominee.*

No Director has any other benefit or non-beneficial interest in the share capital of the Bank.

Principle 12: Corporate Social Responsibility

The Bank prides itself as being an instrumental player in Malta's sustainable development - responsible and caring towards the communities it operates in. As a result of its strong Corporate Social Responsibility ("CSR") ethos, the Bank has had in place an extensive Community Programme since 2005.

Corporate Governance Statement of Compliance (continued)

As of 2021, the Bank has moved towards a measurable and sustainable CSR approach that is aligned to ESG requirements. This approach will see an enhanced governance framework for all its CSR initiatives.

The Bank will continue to play a leading role in the communities in which it operates through its commitment to supporting the prosperity of the community in which it operates through a very active community programme that will continue to operate on 5 main pillars:

- Environmental, Resource and Climate Sustainability;
- Education and Financial Literacy;
- Support to Vulnerable Members of Society;
- Cultural Heritage & Environment Capital of the Maltese Islands; and
- Ethical and Responsible Behaviour.

BOV Rebbiegħa was launched in 2024, a pro-active project aimed aimed at revitalising and protecting Malta's environment, while fostering a greater understanding and care for it.

Creating awareness about ESG aspects was central to the Bank's operations while reducing its carbon footprint. Branches continued to be upgraded to reduce the impact on the environment and bicycle use was also promoted through a collaboration with bicycle advocacy group ROTA. The Dinja Waħda project in collaboration with Birdlife Malta focused on increasing the appreciation of the environment and ways to safeguard it among schoolchildren through a practical and fun approach.

The Bank supported major educational awards with the University of Malta, including the Dean's List, the Prize in Medicine and the Foundation for Social Wellness Awards while continuing to promote literacy from a very young age and promoting financial education through collaborations with the Malta Bankers' Association and Ġemma.

A study on child abuse in collaboration with the University of Malta yielded valuable information on this sensitive topic. The state-of-the-art St Michael's Hospice, that the Bank is supporting through a collaboration with Hospice Malta, is expected to be inaugurated in 2024. The L-Istrina BOV Piggy Bank Campaign continued to create awareness about solidarity from a young age and the BOV Volleyball Marathon raised funds for id-Dar tal-Providenza. The Bank also extended its support to major philanthropic organisations such as Caritas (Malta), the Richmond Foundation and the Malta Trust Foundation, among others. The Bank extended its support to gifted children in the artistic and academical spheres through collaborations with the BOV Joseph Calleja Foundation and the Julian's Pathfinder Foundation.

The long-term support of the restoration project of the Gran Salon yielded part of the original decorations dating back to the 17th Century. A number of restoration projects, including an 18th Century Crucifix, and various restoration projects underway. The Bank continued to support the major Heritage Trusts in Malta, such as Fondazzjoni Wirt Artna, Fondazzjoni Patrimonju Malti and Din l-Art Ħelwa.

The Bank collaborated with the Manoel Theatre and the Teatru Astra and Teatru Aurora in Gozo in the production of three (3) high calibre operas, while introducing youths to theatre productions through the support of TOI, which is the National Theatre's wing dedicated to introducing young audiences to the performing arts.

The Bank continued to retain its position as the major supporter of sporting initiatives in Malta stemming from the belief of the positive physical and mental benefits of sports, both for the direct and also indirect participants. Besides the major sporting organisations that are now synonymous with the Bank, such as the Malta Football Association, the Aquatic Sports Association of Malta and the Malta Basketball Association, the Bank struck a number of new collaborations that include Bowling, Netball and Handball.

Further details about how the Bank is continuing to play a leading role in the communities in which it operates, and the actions taken to bring about real change in our society can be found in the CSR section of this publication.

C. NON-COMPLIANCE WITH THE CODE

Principle 9 (Code Provision 9.2, 9.3 and 9.4)

Code Provision 9.2 provides that minority shareholders should be able to call special meetings on matters of importance to the company. However, a minimum threshold of share ownership, as established in the Memorandum or Articles of Association of the Company, should be set up before a Group or an individual may call a special meeting. The Bank does not have such a threshold included in its Memorandum or Articles. Nevertheless, as required in terms of the Capital Markets Rules, shareholders holding not less than 5% of the voting issued share capital of the Bank may request the Bank to include items on the agenda of a general meeting, of the Bank and to table draft resolutions for items included in the agenda of such general meeting.

Code Provision 9.3 requires the Bank to have in place a mechanism to resolve conflicts between minority shareholders and controlling shareholders. Even though the Bank does not have such a mechanism in place, the Bank maintains an open dialogue with all its Qualifying and Non-Qualifying shareholders to ensure no such conflicts arise.

Code Provision 9.4 requires that minority shareholders should be allowed to formally present an issue to the Board of Directors. Although the Bank does not have a policy in terms of this Code Provision, the Bank maintains an open dialogue with the Malta Association of Small Shareholders.

These Code Provisions were not applicable to the Bank during the financial year.

Corporate Governance Statement of Compliance (continued)

D. INTERNAL CONTROL

Authority to manage the activities of the Bank is delegated to the CEO within the limits set by the Board.

The Board is ultimately responsible for the Bank's systems of internal control and for reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable as opposed to absolute assurance against material misstatement or loss. Through the Audit Committee, the Risk Committee and the Compliance and Anti-Financial Crime Committee, the Board reviews the process and procedures to ensure the effectiveness of the Group's internal control systems, which are monitored by the Group Internal Audit Department.

Pursuant to the MFSA Banking Rule 07 (BR/07) on the Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Banking Act, the key features of the Group's systems of internal control are as follows:

Organisation

The Group operates through the Board of Directors of subsidiary companies and equity-accounted investee companies with clear reporting lines and delegation of powers.

Control Environment

The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Group policies and employee procedures are in place for the reporting and resolution of fraudulent activities. The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives.

Risk Identification

The Management of each of the Group members is responsible for the identification and evaluation of key risks applicable to their areas of business. The risk management model adopted by BOV is the classic "three lines of defence model", wherein, the first line of defence is constituted by the functions that own and manage risks, namely the business units; the second line is constituted by the functions that oversee risks, namely Risk Management, Compliance and Anti-Financial Crime; and the third line is constituted by Internal Audit, which is the function that provides independent assurance. The Risk Management function, within the second line of defence, falls under the responsibility of the Chief Risk Officer, and operates within a wider Bank structure that reflects the risk appetite and risk management philosophy articulated by the Board of Directors.

Reporting

Functional, operating and financial reporting standards are applicable to all entities of the Group. These are supplemented by operating standards set, as required, by the Bank's Board and the Executive Committee. Systems and procedures are in place to identify, control and to report on the major risks including credit risk, changes in the market prices of financial instruments, liquidity, operational error and fraud. Exposure to these risks is monitored by ALCO and by the Risk Committee. The Board receives periodic management information giving comprehensive analysis of financial and business performance including variances against budgets.

E. CAPITAL MARKETS RULE 5.97.5

Whilst Capital Markets Rule 5.97.5 is not applicable, the information relating to the shareholder register required by this Capital Markets Rule is found in the Directors' Report.

F. GENERAL MEETINGS

The Annual General Meeting (AGM) is the highest decision-making body of the Bank. A general meeting is called by twenty-one (21) days' notice, and it is conducted in accordance with the Articles of Association of the Bank.

The AGM deals with what is termed as "ordinary business", namely, the receiving or adoption of the annual financial statements, the declaration of a dividend, if any, the appointment of the auditors, Board authorisation to fix the auditors' emoluments and the election of Directors. Other business which may be transacted at a general meeting (including at the AGM) will be dealt with as special business.

All shareholders registered in the Shareholders' Register on the Record Date as defined in the Capital Markets Rules have the right to attend, participate and vote in the general meeting. A shareholder or shareholders holding not less than 5% in nominal value of all the shares entitled to vote at the general meeting may request the Bank to include items on the agenda of a general meeting and/or table draft resolutions for items included in the agenda of a general meeting. Such requests are to be received by the Bank at least forty-six (46) days before the date set for the relative general meeting.

A shareholder who cannot participate in the general meeting can appoint a proxy by written or electronic notification to the Bank. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to items on the agenda of the general meeting and to have such questions answered by the Directors or by such persons as the Directors may delegate for that purpose.

Remuneration report as at 31 December 2024

Report of the Remuneration Committee as at 31 December 2024

1. Terms of Reference and Membership Remuneration Committee

The Remuneration Committee (the Committee) works under the guidance of its Terms of Reference as approved by the Board of Directors. The Committee is charged with overseeing the development and implementation of the remuneration and related policies of the Group. It makes recommendations to the Board of Directors on the Remuneration Policy of the Group, supports the Board of Directors in overseeing the remuneration system's design and operation and ensures that remuneration is appropriate and consistent with the Bank's culture, long term business and risk appetite, performance and control environment as well as with any legal or regulatory requirements. The role of the Committee is to devise the appropriate remuneration packages needed to attract, retain and motivate Directors, as well as Key Function Holders required for the proper governance of the Group.

As noted in the Corporate Governance Statement of Compliance, until the 6 June 2024, the Committee was named the Nominations and Remuneration Committee (the NomRem Committee), and its remit also included responsibilities of a nominations nature. As from 6 June 2024, the Nominations and Remuneration Committee was split into two committees, the Nominations Committee and the Remuneration Committee. The primary objective of this change was to meet regulatory expectations, as well as to have more independence between the Nominations decisions and the Remuneration decisions.

Until 6 June 2024, the NomRem Committee was chaired by Gordon Cordina. Diane Bugeja, Kevin Borg (until 31 January 2024) and Godfrey Swain (from 1 February 2024) were members. From 6 June 2024, the Remuneration Committee was chaired by Nicola Angeli. Robert Suban and Godfrey Swain were members.

All Committee members are Independent Non-Executive Directors. The Chief Executive Officer and the Chief People and Culture Officer attend meetings of the Committee. None of the Executives participated in the discussion regarding their remuneration. The Company Secretary acts as secretary to the Committee.

2. Meetings

The NomRem Committee held nine (9) meetings during the period 1 January to 6 June 2024. Gordon Cordina and Diane Bugeja attended all nine (9) meetings. Kevin J. Borg attended 1 (out of 1) meeting, and Godfrey Swain attended 8 (out of 8) meetings. From 6 June till 31 December 2024, the Committee held three (3) meetings. Nicola Angeli, Robert Suban and Godfrey Swain attended all three (3) meetings.

3. Remuneration Statement

3.1 Bank of Valletta p.l.c. Remuneration Policy – Executive Management

The Board of Directors determines the framework of the overall remuneration policy for Executive Management based on recommendations from the Committee. The Committee, on the recommendations of the Chief Executive Officer, then establishes the individual remuneration arrangements of the Group's Executive Management, namely the members of the Executive Committee.

The Remuneration Policy, which complies with regulatory requirements and the principles of good business conduct, applies consistently to all employees within the Group. Its objective is to align employees' remuneration with the Group's performance, business strategy and business models, risk appetite framework, values and long-term goals. The overriding principle of the Remuneration Policy is that individual performance is evaluated according to both quantitative/financial and qualitative/behavioural measures.

Further details about the Bank's Remuneration Policy are found in the Pillar 3 disclosures which are published on the Bank's website.

The Committee considers that the current Executive Management remuneration packages are designed to fit its strategy and built on meritocracy. They are based upon the appropriate local market equivalents and are adequate for the responsibilities involved. The Committee is of the opinion that the remuneration packages are such, as to enable the Bank to attract, retain and motivate executives having the appropriate skills and qualities, in order to ensure the proper management of the organisation. Such packages are kept under constant review.

Hereinafter, for the purposes of this Remuneration Statement, references to "Senior Executives" shall mean the Chief Executive Officer and the other members of the Executive Committee.

Senior Executives enjoy the health insurance arrangements and death in service benefits as all Bank employees. Senior Executives are also entitled to the use of a company car or a car cash allowance. Certain members of the Executive Committee have a clause in their contract, wherein should their contract be terminated without due reason, they may be eligible for monetary compensation.

The Chief Executive Officer's remuneration is reviewed and approved by the Committee and by the Board of Directors. The Chief Executive Officer is eligible for an annual bonus entitlement by reference to the attainment of pre-established objectives and targets as laid down in the Chief Executive Officer's contract of engagement or as may be determined by the Committee and by the Board of Directors.

The Members of the Executive Committee are eligible for an annual bonus entitlement. The Members of the Executive Committee are also eligible for an annual salary increase which is approved by the Committee.

Remuneration report as at 31 December 2024 (continued)

The Committee is of the view that the amount of performance bonus paid out at all staff levels is not significant, but currently adequate to support the Bank's performance and transformation journey.

Other than the BOV Voluntary Occupational Pension Scheme (VOPS) offered by the Bank to all its employees, no further supplementary pension or other pension benefits are payable to the Senior Executives. Insofar as early retirement schemes are concerned, the Senior Executives are subject to an Early Voluntary Retirement (EVR) scheme which is applicable for members of the Executive Committee. This EVR scheme applies to ExCo members who have attained the age of 55 years and who have been in the Bank's employment for at least seven (7) years.

The Bank officially launched its first workplace pension - BOV VOPS in October 2022, a Voluntary Occupational Pension Scheme that falls under the second pillar. It is one of the initiatives spearheaded by the People and Culture function to strengthen employee retention and engagement.

The salient features and benefits of BOV VOPS are the following:

- The Bank will match every employee's contribution up to €2,400 in a given calendar year. This commitment is guaranteed at least until 2030;
- The employee will be eligible for 25% tax rebate on his/her contributions (max €750 on €3,000), under Pillar 2 (Work Place Pensions);
- Fringe Benefit Tax does not apply on BOV VOPS;
- Employees who have a workplace pension in place through their previous employer(s), are eligible to transfer their pot under BOV VOPS.

The BOV VOPS is classified as a Defined Contribution Pension Scheme. As at end December 2024, 1,069 employees have enrolled in the scheme and the total amount of defined contribution plan benefits paid by the Bank during 2024 in relation to the BOV VOPS is included in Note 7 (Employee Compensation and Benefits) of the Financial Statements.

Senior Executives are eligible to participate in and benefit from the BOV VOPS.

Non-Executive Directors (excluding any Non-Executive Directors who are also employees of the Bank) are not eligible to participate in and to benefit from the BOV VOPS.

Total emoluments received by Senior Executives during FY2024 are reported under Section 3.3 within this Report, in terms of Code Provisions 8.A.5.

Variable Remuneration of Senior Executives (Executive Committee)

The Variable Remuneration of Senior Executives is determined by the Remuneration Committee. Early in 2024, all Senior Executives were given Performance Objectives for the year which were approved by the then NomRem Committee. There are the following core elements to each individual performance assessment:

1. Corporate Performance Rating
   - Financial Performance;
   - ESG (relating to the implementation the Bank's ESG Plan for 2024 as part of its Strategy, meeting the relevant regulatory requirements);
   - Governance adherence.

2. Individual Performance Rating
   - Business and Customer Objectives
   - Operational Efficiency & Effectiveness
   - People & Culture
   - Governance, Regulatory Compliance & Risk Management
   - ESG

Moreover, all Senior Executives are scored on twelve (12) Behavioural criteria, namely:

- Accountability
- Change Orientation
- Empathetic and Positive Leadership
- Communication
- Consistently work within compliance frameworks
- Customer orientation
- Decisiveness
- Goal Orientated and Diligence
- Integrity, Trust and Respect
- Professionalism
- Creativity, innovation and problem solving
- Teamwork and Collaboration

Remuneration report as at 31 December 2024 (continued)

During Q1 2025, a review and assessment of the performance of the Senior Executives was carried out by the Chief Executive Officer and approved by the Remuneration Committee, and notified to the Board of Directors. However, in the case of the Chief Risk Officer (CRO), Group Chief Internal Auditor (GCIA), Chief Financial Officer (CFO), Group Chief Compliance Officer (GCCO) and Chief AFC & MLRO (CAFCO), further discussions were held with the Risk Committee (for the CRO), Audit Committee (for the CFO & GCIA) and Compliance and Anti-Financial Crime Committee (for the GCCO & CAFCO) accordingly.

Variable Remuneration of Chief Executive Officer

Information on the performance assessment and the variable remuneration of the Chief Executive Officer is reported in the Directors' Remuneration Report, within this Annual Report in terms of Chapter 12 of the Capital Markets Rules.

3.2 Remuneration Policy – Directors

The Remuneration Policy for Directors was drawn up in accordance with Capital Markets Rule 12.26 and was approved during the Bank's Annual General Meeting. The maximum annual aggregate emoluments that may be paid to the Directors is approved by shareholders at the General Meeting in terms of Article 32.1 of the Bank's Articles of Association. The aggregate emoluments of all Directors of €650,000 per annum, was fixed at the Annual General Meeting held on 31 May 2024. This amount excludes the salaries of Directors in the Bank's employment.

During FY2024, following shareholders' approval at the Annual General Meeting to revise the aggregate directors' remuneration to €650,000, the base annual fee paid to each Non-Executive Director was increased from €22,500 to €30,000. In the case of the Chairperson of the Board, the base annual fee was increased from €82,000 to €95,000. In addition to the base fee, Non-Executive Directors who are also appointed as members of one of the Board Committees receive additional compensation. The additional remuneration paid depends on whether the Non-Executive Director is Chair or a member of such Board Committee. During 2024, Non-Executive Directors who were appointed Chair of a Board Committee were granted an annual €8,000 Committee fee and an annual €10,500 Committee fee from 1 June 2024. Whilst Non-Executive Directors who were appointed members of a Board Committee were granted an annual €5,000 Committee fee (until 31 May 2024) and €6,500 as from 1 June 2024. In the case of the Nominations Committee and the Remuneration Committee, following the split of the NomRem Committee into two committees, the remuneration for each of the two committees was set at one half of the above amounts, to reflect the lower number of meetings and volume of work involved in these Committees.

Executive Directors are not entitled to any fees for sitting on the Bank's Board of Directors and for attending Board Committee meetings (as required). The total remuneration paid to Non-Executive Directors during FY2024 complies with the Remuneration Policy for Directors. The remuneration granted to Non-Executive Directors contributes to the long-term performance of the Bank in view that Non-Executive Directors contribute actively during Board and Board Committee discussions, and prepare themselves well ahead of meetings. There is positive engagement and interaction amongst Non-Executive Directors, as well as with the Bank's management and employees, which is consistently observed also during training sessions which are organised from time to time by the Bank specifically for Directors.

Service Contracts for Directors

Non-Executive Directors

The Non-Executive Directors have service contracts with the Bank, none of which provide for severance payments upon termination of their respective directorship. In terms of the said service contracts, as well as pursuant to the Remuneration Policy for Directors, the Non-Executive Directors are entitled to certain benefits after the termination of their directorship, including discounts on products and services offered by the Group. The Chairperson is entitled to a car allowance as may be determined by the Remuneration Committee.

Service contracts regulate the term of office of Non-Executive Directors, referring specifically to the provisions within the Memorandum and Articles of Association (as further explained under Principle 3 of the Corporate Governance Statement of Compliance). Non-Executive Directors do not benefit from any pension or early retirement schemes by virtue of their office. Upon termination of their service agreement, independent Non-Executive Directors who have served a minimum of one (1) 3-year term, shall be entitled to a four-month fully paid gardening leave. The gardening leave shall be paid on condition that following resignation from Non-Executive Director of the Bank, the Non-Executive Director is not employed or is otherwise engaged on a part-time or full-time basis, or as director or consultant with an entity having a licence issued under the Banking Act (Cap 371 of the Laws of Malta) and/or any other bank or financial institution that is in direct or indirect competition with the Bank within a four (4) month period from his/her termination of his/her service agreement with the Bank.

Remuneration report as at 31 December 2024 (continued)

Executive Directors

The Chief Executive Officer is appointed as Executive Director, on an ex officio basis, by virtue of his role of Chief Executive Officer.

The second Executive Director on the Board is currently the Group Chief Compliance Officer, who has a term of office of three (3) years and shall thereafter be eligible for reappointment.

On a non-contractual basis, both the Chief Executive Officer and the Group Chief Compliance Officer may be eligible to a retirement gratuity of up to a 3 times salary, subject to a prescribed level of service, by virtue of their being employees of the Bank.

Vacation of office of Directors shall be served in writing. Service contracts also provide for the Directors' powers and duties vis-à-vis the Bank and their obligation to dedicate sufficient time to carry out their responsibilities. Directors are obliged to avoid conflicts of interest and shall take reasonable steps to keep the Bank's matters confidential. Directors' emoluments are designed to reflect the time committed by Directors to the Bank's affairs, including the different Board Committees of which Directors are members, and their responsibilities on such Committees.

Share Options and Share-Incentive Schemes

None of the Non-Executive Directors, in the capacity as a Director of the Bank, is entitled to profit sharing, share options or pension benefits. During 2024, there were no changes in the terms and conditions of existing share options occurring during the financial year.

Pursuant to the Remuneration Policy for Directors, in the case of Executive Directors, subject to the de minimis rule, in order to align the interests of Executive Directors with the long-term interests of shareholders, at least 50% of the annual variable pay outcome will normally be paid out in ordinary shares of the Bank, with the balance normally be paid out in cash. For Financial Year 2024, given that the de minimis exceptions permitted by relevant banking regulations applies for the variable pay granted to Anatoli Grech, the variable pay awarded to Anatoli Grech shall be paid fully in cash and no part thereof will be deferred to a later year/s. In the case of Kenneth Farrugia, 50% of Mr Farrugia's variable pay shall be awarded in cash, whereas the remaining 50% shall be awarded in BOV shares. 40% of the cash bonus amount and of the BOV shares bonus shall be paid upfront, whilst the remaining 60% of the cash bonus and BOV shares bonus will be deferred over a period of 5 years. The BOV shares will be vested in the subsequent years.

In terms of non-cash benefits, Directors are entitled to health insurance. They are also entitled to a refund of reasonable out-of-pocket expenses. In addition, the Executive Directors only are entitled to the use of a company car or a car cash allowance.

One of the Non-Executive Directors, as well as both the Executive Directors, are employees of the Bank and therefore also receive remuneration by virtue of their employment.

3.3 Code Provision 8.A.5

Senior Executives' Emoluments (Executive Committee)

Fixed Remuneration	Group Fees	Variable Remuneration	Extraordinary Items	Share Options	VOPS	Fringe Benefits
€2,329,829*	€29,214**	€586,991	€20,745***	None	€27,700****	Non-cash benefits: health insurance, car and fuel allowance, flight allowance and refund of out-of-pocket expenses: €106,278

* *This amount includes a payment of €420,000 made to one former Senior Executive in connection with the termination of activities during FY2024.*

** *This amount represents emoluments received by Senior Executives in relation to their directorships on the Bank's subsidiary companies.*

*** *This amount represents accrued leave of two (2) Senior Executives in connection with their termination of activities during FY2024.*

**** *This amount represents contribution made by the Bank under the BOV Voluntary Occupation Pensions Scheme (VOPS) with respect to those Senior Executives who have registered under the BOV VOPS.*

Remuneration report as at 31 December 2024 (continued)

Directors' Fees (Non-Executive Directors and Executive Directors)*

Fixed Remuneration	Group Directors Fees	Variable Remuneration	Extraordinary Items	Share Options	Fringe Benefits
€480,833	€25,714	None	€5,000**	None	Non-cash benefits: such as health insurance, car cash allowance, telephony fees and refund of out-of-pocket expenses: €31,760

* *In addition to the fees paid to Non-Executive Directors, this table also includes fees earned by Executive Directors in relation to their directorships on the Bank's subsidiary companies and their membership on Board Committees of the Bank's subsidiary companies.*

** *This amount represents consultancy fees for services rendered by one (1) Non-Executive Director during FY2024.*

Directors' Remuneration Report in terms of Chapter 12 of the Capital Markets Rules

The Remuneration Policy for Directors (the "Policy") regulates the remuneration of the Non-Executive Directors as well as that of the Executive Directors. The Remuneration Committee is tasked with keeping the Policy under review and considers whether it requires revision or updating in line with market demands in order to ensure that the Bank's Board of Directors attracts and retains, suitable members that provide the collective skills and experience required for the proper functioning of the Board. The Policy shall be reviewed and any material amendments to the Policy shall be submitted to a vote by the general meeting before adoption, and in any case at least every four years. The Remuneration Policy as revised, was last approved by the general meeting during the AGM held on the 31 May 2024.

The Remuneration Policy for Directors is available on the Bank's website on *https://www.bov.com/financial-reports*.

There were no deviations from the procedure for the implementation of the Remuneration Policy for Directors.

Information in terms on Appendix 12.1 of the Capital Markets Rules

Executive Directors

The Executive Directors' total remuneration as salaried employees is regulated pursuant to the Remuneration Policy for Directors, the Bank's Remuneration Policy and the Executive Director's respective contract of engagement. The Bank's policy is that the remuneration of Executive Directors ought to reflect mainly their executive positions within the Bank. Such remuneration consists of a fixed salary, variable remuneration and benefits as may be provided for in their employment contract with the Bank.

The Bank believes that a combination of fixed and variable remuneration aims to attract and retain suitable executives who have the necessary competence, skills, qualities and experience to enable them to discharge their duties according to the highest standards.

The fixed remuneration component gives due consideration to the level of responsibility which such position entails, whereas the variable component is subject to the performance assessment by the Remuneration Committee. This assessment may include risk adjusted performance indicators and shall be aligned with the strategic objectives and delivery value to shareholders.

Any variable component of Executive Director remuneration is subject to malus and clawback provisions which allow a reduction or reversal of any variable remuneration. The Remuneration Committee may enforce such provisions up to 7 years from the date of the performance assessment (which may be increased to 10 years if there is an on-going investigation) in case of:

- (Malus only) material misstatement of the Bank's financial results
- (Malus only) material error
- (Malus and clawback) circumstances warranting summary dismissal
- (Malus and clawback) material failure of risk management
- (Malus only) material downturn in economic activity
- (Malus only) where the director participated in/was responsible for conduct which resulted in significant losses to BOV; and
- (Malus only) where the director failed to meet the appropriate fit and proper requirements.

During the period under review no malus and clawback provisions were exercised.

Non-Independent Non-Executive Director by virtue of being salaried employee of the Bank

Besides being a Non-Executive Director on the Bank's Board of Directors, James Grech holds an indefinite salaried office with the Bank. However, James Grech is not considered to be an Executive Director because his position is not one of executive decision making with the Bank, and he is appointed to the Board by shareholders in general meeting.

Remuneration report as at 31 December 2024 (continued)

Remuneration paid to Executive Directors and Non-Executive Director by virtue of being a salaried employee of the Bank

	Kenneth Farrugia €	Anatoli Grech** €	James Grech €
Fixed pay	276,182	145,000	72,426
Fringe benefits	10,605	11,049	4,614
VOPS	2,400	2,400	N/A
BOV Directors' fees	N/A	N/A	27,917*
Other Group Companies directors' fees	10,000	9,714	N/A
Total Fixed Remuneration	**299,187**	**168,163**	**104,957**
Variable pay			
-Cash	41,612*	37,717	5,504
-Value of Shares	41,612*	N/A	N/A
Aggregate	**382,411**	**205,880**	**110,461**
Fixed vs Variable Pay Ratio (%)	**78-22**	**82-18**	**95-5**

* *Includes remuneration as member of the Digitalisation, Strategy and Transformation Group, a temporary group set up to advise the Board on the Bank's strategic implementation plan.*

Shares and Share Options awarded in 2024

	Share Value €	Performance Period
Kenneth Farrugia		
Vested Shares	41,612	1 January to 31 December 2024

Moreover, in line with the Bank's Variable Remuneration Share Plan, the Bank acquired 38,250 shares at the price of €1.33 per share for a total amount of €50,872.5 rounding it to the nearest share. This in fulfilment of the shares component of the deferred variable remuneration for FY 2023 of Kenneth Farrugia.

In terms of the requirements within Appendix 12.1 of the Capital Markets Rules, the table hereunder represents the percentage annual change of remuneration of the executive directors and non-independent non-executive director by virtue of his being a salaried employee of the Bank, of the Bank's performance, and of average remuneration on a full-time equivalent basis of the Bank's and Group's employees (excluding directors) over the previous three financial years.

Performance Indicators	% Difference 2020 vs 2021	% Difference 2021 vs 2022	% Difference 2022 vs 2023	% Difference 2023 vs 2024
Annual Change of the Bank's Performance based on Cost to Income Ratio	8 percentage points	(17) percentage points	(17) percentage points	(3) percentage points*
Annual Change of the Bank's Performance based on Profit Before Tax	2698%	-18%	379%	21%**
Annual Change of Remuneration for ***Kenneth Farrugia***	N/A	N/A	424%	-5%***
Annual Change of Remuneration for ***James Grech***	7%	-6%	12%	1%
Annual Change of Remuneration for ***Anatoli Grech***	N/A	N/A	N/A	7%
Annual Change of the Average Remuneration of the Bank's employees, on a full-time equivalent basis	3.20%	5.31%	13.10%	1.03%****
Annual Change of the Average Remuneration of the Group's employees, on a full-time equivalent basis	2.70%	4.89%	15.12%	1.14%****

* *The favourable increase in cost to income ratio for FY2024 is due to an increase of 10% in operating income compared to a 3% increase in total costs.*

** *The Bank's Profit Before Tax (PBT) for FY2024 of €296.0m (Group's PBT is €302.4m) is driven by a strategic focus on both revenue and cost management with positive results across the Bank's core areas.*

*** *The decrease in the aggregate remuneration for Kenneth Farrugia for FY2024 is attributed to the fact that Kenneth Farrugia's variable remuneration for FY2023 covered the period 12 October 2022, this being Mr Farrugia's date of appointment as Chief Executive Officer, till 31 December 2023, therefore including c.14.5 months.*

**** *The Annual Change of the Average Remuneration, was computed after considering the total remuneration to employees (excluding Directors) divided by full-time equivalent employees for Bank and Group for 2023 and 2024. For the purposes of this computation, total remuneration paid to employees excluded Early Retirement Scheme lump sum payments and Voluntary Occupational Pension Scheme payments to allow for a meaningful comparison.*

Remuneration report as at 31 December 2024 (continued)

Determining the Performance of the Executive Directors and of the Non-Independent Non-Executive Director by virtue of being salaried employee of the Bank

The performance assessment of Kenneth Farrugia was based on the evaluation of the targets achieved against the objectives laid down in his performance objectives for FY2024 as approved by the Remuneration Committee and the Board of Directors. The performance assessment of Kenneth Farrugia, was based on a Corporate Performance element which includes four core elements, split into Financial Performance Gates (Revenue Per Employee and Cost To Income Ratio) and Governance Performance Gates (Supervisory Review and Evaluation Process (SREP) Score & ESG). These are overarching KPIs which underpin the Bank's strategic targets whilst remaining coherent to the Bank's Risk Appetite Framework. These gateways lead to the Key Performance Indicators (KPIs) scorecard of the CEO, and the KPIs are clustered into the following groupings:

1. Business and Customer Objectives
2. Operational Efficiency and Effectiveness
3. People and Culture
4. Governance, Regulatory, Compliance and Risk Management
5. ESG Objectives

Moreover, Kenneth Farrugia was scored on twelve Behavioural criteria, namely:

- Accountability
- Change Orientation
- Empathetic and Positive Leadership
- Communication
- Consistently work within compliance frameworks
- Customer orientation
- Decisiveness
- Goal Orientated and Diligence
- Integrity, Trust and Respect
- Professionalism
- Creativity, innovation and problem solving
- Teamwork and Collaboration

The assessment of Kenneth Farrugia's performance was carried out also by means of scores which Non-Executive Directors of the Board were invited to allocate to each of the KPIs specified in Kenneth Farrugia's performance objectives for FY2024. Upon the recommendation of the Remuneration Committee, a final bonus payment of €83,223 was approved by the Board.

In accordance with the Remuneration Policy for Directors, the percentage of variable remuneration received by Kenneth Farrugia for 2024 was 22% of his fixed remuneration. Mr Farrugia's percentage of variable remuneration is therefore lower than 100% of fixed remuneration threshold.

The performance and the variable remuneration of Kenneth Farrugia were reviewed and approved by the Remuneration Committee and by the Board of Directors.

The variable pay granted to Kenneth Farrugia for Financial Year 2024 shall be awarded 50% in cash, whereas the remaining 50% shall be awarded in BOV shares. 40% of the cash bonus amount and of the BOV shares bonus shall be paid upfront, whilst the remaining 60% of the cash bonus and BOV shares bonus will be deferred over a period of 5 years. The BOV shares will be vested in the subsequent years.

An assessment of the performance of Anatoli Grech was carried out by the Chief Executive Officer, and approved by the Remuneration Committee in a joint session with the Compliance and Anti-Financial Crime Committee. The performance of Anatoli Grech was approved also by the Board, following a recommendation from the Remuneration Committee. The performance assessment of the role of the Group Chief Compliance Officer, was based on a Corporate Performance element which includes Financial Performance Gates (Revenue per Employee & Cost to Income Ratio) and Governance Performance Gates (SREP Score & ESG). The Key Performance Indicators for Anatoli Grech align with strategy objectives and risk assessment framework objectives and are clustered into the following groupings:

1. Business and Customer Objectives
2. Operational Efficiency and Effectiveness
3. People and Culture
4. Governance, Regulatory, Compliance and Risk Management
5. ESG Objectives

Anatoli Grech, similar to the CEO and the other Chief Officers, was also assessed on twelve behavioural criteria as per above.

The targets are designed to encourage sound and effective compliance risk management without compromising objectivity and independence.

Remuneration report as at 31 December 2024 (continued)

The variable pay granted to Anatoli Grech for Financial Year 2024 shall be paid fully in cash. The amount of variable pay to be received by Anatoli Grech amounts to approximately 18% of his fixed remuneration and is lower than the 100% of fixed pay threshold.

Given that the de minimis exceptions permitted by relevant banking regulations apply for the variable pay granted to Anatoli Grech for Financial Year 2024, the bonus awarded to him shall be paid fully in cash and no part thereof will be deferred to a later year/s.

In the case of James Grech, the variable remuneration as a salaried employee of the Bank, is governed by the Remuneration Policy of the Group. The Key Performance Indicators of Mr James Grech consisted of both team and individual objectives that in turn reflect performance and behavioural competencies. The performance assessment of James Grech was carried out by the Head Investment Operations, Custody Operations & Correspondent Banking to whom James Grech reports. The amount of variable pay to be received by James Grech amounts to approximately 5% of his fixed remuneration and is lower than the 100% of fixed pay threshold.

No deferral requirements applied to James Grech during performance year 2024.

Non-Executive Directors

The maximum annual aggregate emoluments that may be paid to the Directors is approved by shareholders at the General Meeting in terms of Article 32.1 of the Bank's Articles of Association. The aggregate emoluments of all directors of €650,000 per annum, was fixed at the Annual General Meeting held on 31 May 2024. This amount excludes the salaries of Directors in the Bank's employment.

Information on annual emoluments paid to Non-Executive Directors is outlined in section 3.2 above.

Non-Executive Directors may receive various benefits as approved by the Remuneration Committee. Currently, all Non-Executive Directors are entitled to health insurance and to a reimbursement of reasonable out-of-pocket expenses incurred by them. As per Bank's Remuneration Policy for Directors, Non-Executive Directors are not eligible to participate in the annual bonus plan or pension arrangement. In this regard, the ratio of Fixed vs Variable Pay for the Bank's Non-Executive Directors is 100% - 0%.

Non-Executive Directors' fees and benefits	FY2023 Fees	FY 2023 Fringe Benefits	Total 2023	FY2024 Fees	FY2024 Fringe Benefits	Total 2024	Percentage Annual Change of Aggregate Emoluments (2020 – 2021)	Percentage Annual Change of Aggregate Emoluments (2021 - 2022)	Percentage Annual Change of Aggregate Emoluments (2022 - 2023)	Percentage Annual Change of Aggregate Emoluments (2023 - 2024)
	€	€	€	€	€	€	%	%	%	%
Gordon Cordina *(Chairperson)*	105,411	2,593	108,004	107,271	9,794	117,065	-2%	14%	5%	8%
Anita Mangion	35,000	2,700	37,700	38,208	2,700	40,908	13%	39%	-3%	9%
James Grech	25,000	2,014	27,014	27,917	2,014	29,931	10%	10%	2%	11%
Diane Bugeja	34,861	2,856	37,717	44,104	2,856	46,960	-2%	1%	15%	25%
Elizabeth Camilleri *(resigned 31 May 2024)**	32,500	-	32,500	18,542	-	18,542	N/A	20%	0%	37%
Christian Bonnici West *(appointed on 31 May 2024)****	-	-	-	25,083	1,425	26,508	N/A	N/A	N/A	N/A
Hadrian Sammut *(appointed on 28 June 2024)****	-	-	-	25,083	1,123	26,206	N/A	N/A	N/A	N/A
Jonathan Spiteri *(appointed on 31 May 2024)****	-	-	-	23,188	1,197	24,385	N/A	N/A	N/A	N/A
Kevin J Borg *(resigned 31 May 2024)**	27,500	2,974	30,474	11,458	2,414	13,872	N/A	16%	1%	9%
Deborah Schembri	36,679	2,752	39,431	48,083	2,752	50,835	N/A	N/A	50%	29%
Godfrey Swain	32,500	2,356	34,856	39,063	2,356	41,419	N/A	35%	1%	19%
Robert Suban**	18,342	1,863	20,205	42,021	3,130	45,151	N/A	N/A	N/A	35%
Nicola Angeli**	16,538	-	16,538	35,813	-	35,813	N/A	N/A	N/A	31%
Total	**364,331**	**20,108**	**384,439**	**485,834**	**31,761**	**517,595**				

Remuneration report as at 31 December 2024 (continued)

* *Percentage annual change of aggregate emoluments (2023-2024) was based on annualised remuneration for 2024. Elizabeth Camilleri and Kevin J Borg resigned from Directors of the Bank on the 31 May 2024. Therefore, these two directors' remuneration for 2024 was paid pro rata until date of resignation. Elizabeth Camilleri's fees for FY2024, also included a payment of €5,000 for consultancy services provided by Ms Camilleri to the Bank.*

** *Percentage annual change of aggregate emoluments (2023-2024) was based on annualised remuneration for 2024. Robert Suban and Nicola Angeli were appointed on the Board on the 24 May 2023. Therefore, these two Directors' remuneration for 2023 was paid pro rata as from date of appointment. In the case of Nicola Angeli, in view that he is appointed on the Board of Directors by one of the Bank's Qualifying Shareholders, namely UniCredit S.p.A, and given that Mr Angeli is an employee of UniCredit S.p.A, Mr Angeli's director's remuneration on the Board was granted to UniCredit S.p.A.*

*** *Christian Bonnici West and Jonathan Spiteri were appointed on the Board of Directors during the Bank's AGM held on the 31 May 2024. Their appointment was subject to regulatory approval which was subsequently received on the 24 July 2024 and 19 August 2024 respectively. Hadrian Sammut was co-opted on the Board on the 28 June 2024.*

The directors' remuneration takes into consideration the Board members' required competencies, skills, effort and scope of the Board work. It is intended to ensure that the Bank can attract and retain high-quality people, enabling the Bank to execute its business strategy and serve its long-term interests, including its sustainability goals.

The Bank has complied in full with the procedure for the implementation of the Remuneration Policy for Directors as defined in Chapter 12 of the Capital Markets Rules.

The Directors' Remuneration Report for 2023 was approved at the Annual General Meeting held on 31 May 2024, by show of hands. There were no issues raised on the Report during the said Annual General Meeting.

The Directors' Remuneration Report in terms of Chapter 12 of the Capital Markets Rules is being put forward to an advisory vote during the 2025 Annual General Meeting pursuant to the requirements of Capital Markets Rule 12.26L.

In accordance with Capital Markets Rule 12.26N, the External Auditors have checked that all information, as required in terms of Appendix 12.1 of Chapter 12 of the Capital Markets Rules, has been included in the Directors' Remuneration Report within this Remuneration Report.

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Independent Assurance Report

To the Shareholders of Bank of Valletta p.l.c.

Report required by Capital Markets Rules 5.98 and 12.26N issued by the Malta Financial Services Authority (the "MFSA")

We were engaged by the Directors of Bank of Valletta p.l.c. (the "Bank") to report on the disclosures of specific elements in the Corporate Governance Statement of Compliance and the Remuneration Report (the "Disclosures") as at 31 December 2024, in the form of an independent reasonable assurance conclusion, as to whether they are, in all material respects, in compliance with the corporate governance regulations and information to be provided in the Remuneration Report set out in the Capital Markets Rules issued by the MFSA (the "Capital Market Rules"). More specifically, we are required to report on the Disclosures in the form of an independent reasonable assurance conclusion about whether:

(a) in light of our knowledge and understanding of the Bank and its environment obtained in the course of the statutory audit, we have identified material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 (dealing with the Bank's internal control and risk management systems in relation to the financial reporting process) and 5.97.5 (where a takeover bid applies). Where material misstatements are identified in relation to those requirements, we shall, in addition to our conclusion, provide an indication of the nature of such misstatements;

(b) the Disclosures include the other information required by Capital Markets Rule 5.97, insofar as it is applicable to the Bank; and

(c) the Disclosures include the information required by Appendix 12.1, '*Information to be provided in the Remuneration Report*', to Chapter 12 of the Capital Markets Rules (as applicable).

Responsibilities of the Directors

The Directors are responsible for preparing and presenting the Disclosures that are free from material misstatement in accordance with the requirements of the Capital Market Rules and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal control as they determine is necessary to enable the preparation and presentation of the Disclosures that are free from misstatement, whether due to fraud or error.

The Directors are also responsible for preventing and detecting fraud and for identifying and ensuring that the Bank complies with laws and regulations applicable to its activities. The Directors are responsible for ensuring that personnel involved in the preparation and presentation of the Disclosures are properly trained, systems are properly updated and that any changes in reporting relevant to the Disclosures encompass all significant business units.

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Independent Assurance Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Our Responsibilities

Our responsibility is to examine the Disclosures prepared by the Bank and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ("ISAE 3000") issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Disclosures are properly prepared and presented, in all material respects, in accordance with the requirements set out in the relevant Capital Markets Rules.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, together with the ethical requirements that are relevant to our assurance engagement in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. The IESBA Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected and our determination of the nature, timing and extent of those procedures, will depend on our judgment, including the assessment of the risks of material misstatement of the preparation and presentation of the Disclosures whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Disclosures in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Bank's internal control over the preparation and presentation of the Disclosures. Reasonable assurance is less than absolute assurance.

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Independent Assurance Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Our Responsibilities (continued)

We are not required to, and we do not, consider whether the Directors' statements on internal control and risk management systems cover all the risks and controls in relation to the financial reporting process or form an opinion on the effectiveness of the Bank's corporate governance procedures or its risks and control procedures, nor on the ability of the Bank to continue in operational existence. Our opinion in relation to the disclosures pursuant to Capital Markets Rules 5.97.4 and 5.97.5 (as appropriate) is based solely on our knowledge and understanding of the Bank and its environment obtained in forming our opinion on the audit of the financial statements.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the Disclosures nor of the underlying records or other sources from which the Disclosures were extracted.

Other Information

We also read the other information included in the Annual Report that contains the Disclosures, and our report thereon, in order to identify material inconsistencies, if any, with the Disclosures. We have nothing to report in this regard.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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Independent Assurance Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Conclusion (continued)

In our opinion:

(a) in light of our knowledge and understanding of the Bank and its environment obtained in the course of the statutory audit, we have not identified material misstatements with respect to the information requirements referred to in Capital Markets Rules 5.97.4 and 5.97.5;

(b) the Disclosures include the other information required by Capital Markets Rule 5.97; and,

(c) the Disclosures include the information required by Appendix 12.1 to Chapter 12 of the Capital Markets Rules.

The Principal authorised to sign on behalf of KPMG on the work resulting in this assurance report is Claude Ellul.

KPMG
Registered Auditors,
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26 March 2025

Environmental Social and Governance (ESG) Risk Management and Disclosures

The challenge of climate change is one of the most challenging topics of our time, with far-reaching implications not just for Malta but to the entire world. To achieve meaningful progress, it is essential that society undergoes a fundamental transformation to halt further contributions to the accumulation of greenhouse gas emissions in the atmosphere, as well as mitigating to reduce them. The targets were defined in the Climate Paris Agreement. In this regard, the banking and financial sector plays a key role in supporting this transformation an in reaching such targets, as they can help steer the economy towards a more sustainable future. BOV is deeply committed to minimise ESG risk[1] and embed sustainability across its operations. This includes a focused approach in evaluating and managing exposure to Climate-related and Environmental (C&E) risks. As highlighted in this ESG disclosure, the Bank is continually strengthening its efforts to assess, mitigate, and adapt to these risks, ensuring that BOV's strategies align with the broader goal of fostering a sustainable and resilient future for Malta and beyond.

[1] *In line with Article 4(1)(52e) in Regulation (EU) No. 575/2013, "Environmental, social and governance risk" or "ESG risk" means the risk of any negative financial impact on an institution stemming from the current or prospective impact of ESG factors on BOV's counterparties or invested assets. ESG risks materialise through the traditional categories of financial risks.*

1.1 BOV ESG Strategy

BOV is committed to shaping the future of banking through a forward-thinking, adaptable strategy that prioritises customer needs, operational excellence, and compliance. The strategy for the period 2024-2026 is designed to navigate an evolving business environment, responding proactively to external drivers while positioning BOV on a path of long-term success and sustainable growth. By aligning it's efforts with market dynamics, the Bank aims to seize new opportunities and tackle challenges in a way that fosters resilience, innovation, and sustainability.

As customer expectations continue to evolve, BOV recognises the importance of meeting these shifting demands with both traditional and digital solutions. The Bank remains dedicated to maintaining and optimising the largest network of branches and ATMs on the island, ensuring accessibility and convenience for all our customers. In parallel, the Bank will continue to invest in enhancing its digital channels, ensuring a seamless and efficient banking experience that meets the needs of an increasingly tech-savvy customer base. A key component of BOV's strategy will be the re-dimensioning of the branch network, introducing a more efficient, regionally governed structure to improve service agility and operational effectiveness.

In an ever-changing financial landscape, BOV remains attuned to the external factors that influence its operations, including economic conditions, geopolitics, new emerging risks, industry trends, and demographic shifts. The Bank ensures that it remains responsive to these evolving conditions, particularly in the areas of financial crime and regulatory compliance, as well as climate & environmental related risks. The Bank focuses on robust counterparty onboarding and ongoing monitoring of its clients, through pre-transaction and post-transaction monitoring to mitigate any potential risks stemming from anti-financial crime. The Bank's anti-financial crime efforts will be strengthened to safeguard the integrity of the Bank's operations and contribute to a secure financial ecosystem.

A core priority of the 2024-2026 strategy is the expansion and diversification of investment services. The Bank plans on introducing a new segmentation model to better serve the varied needs of clients, ensuring that each customer receives the personalised attention and expertise they deserve. Additionally, the Bank will focus on supporting the transition of micro-businesses to the digital economy, offering solutions that facilitate automated payments and streamlined operations. This commitment will empower businesses and individuals, ensuring that BOV remains a trusted partner in driving digital transformation.

BOV is dedicated to upholding the highest standards of compliance, maintaining a strong focus on client care and regulatory adherence. This approach integrates evolving regulatory requirements into the Bank's practices, ensuring that it continues to meet the demands of both customers and the wider financial ecosystem. Through this commitment to compliance, BOV will protect itself, its customers, and the broader Maltese economy, contributing to a resilient and secure financial environment.

Ultimately, the 2024-2026 strategy is about positioning BOV as a resilient, forward-thinking institution that is prepared to meet future challenges and capitalise on emerging opportunities. By focusing on innovation, customer-centricity, and compliance excellence, the Bank aims to safeguard the interests of our stakeholders while contributing to the broader community and economy. With these strategic priorities, BOV is poised to remain a key player in Malta's financial landscape, ensuring sustained growth and success for years to come.

1.1.1 Incorporation of ESG in the Bank's Strategy 2024-2026

BOV recognises the critical importance of sustainability and has significantly intensified its efforts in 2024 to align with global initiatives towards a greener and more sustainable future. Sustainability is at the heart of the Bank's 2024-2026 strategy, which is designed to ensure that ESG principles are embedded across all aspects of our operations. BOV understands that it's future, as well as the future of customers and the community depends on these principles, and BOV is committed to driving positive environmental, social, and governance outcomes.

As part of this strategy, BOV has set clear, measurable targets to reduce its greenhouse gas (GHG) emissions under Scopes 1 and 2 by 20% up to 2026, reflecting the Bank's dedication to operational efficiency and environmental stewardship. These targets are key to achieving the broader goal of supporting a low-carbon economy. BOV's commitment to sustainability is also reflected in its products and services, such as "green" loan products that allow both retail and corporate to make sustainable choices, in line with global environmental standards. By tracking the percentage of these sustainable products, the Bank aims to ensure it is reaching its goal to contribute to climate change mitigation and environmental preservation.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

BOV's treasury management policy also prioritises green investments, to ensure that the funds in the Bank's portfolio are also in line with sustainable development goals. This approach not only supports Malta's long-term sustainable growth but also aligns with global efforts to combat climate change, directing capital towards initiatives that promote a sustainable future for all.

In its effort to enhance social well-being, BOV is also focused on improving financial inclusion. The Bank is capitalising on the increasing demand for sustainable home and personal loans, supported by government incentives and favourable interest rates for eco-friendly purchases. By making it easier for individuals and businesses to choose sustainable alternatives, the Bank promotes green practices in everyday life.

In addition to the Bank's environmental and financial sustainability efforts, BOV is committed to creating value for its employees, its customers and the community. Through the Double Materiality Assessment that was executed as part of the CSRD's preparation, the Bank understood the material impacts, risks, and opportunities that affect all stakeholders. This process has helped the Bank understand how to further shape its strategy and business model, ensuring it takes a comprehensive approach to sustainability focusing also on the S and the G for the year 2025.

BOV believes that financial institutions play a crucial role in fostering social responsibility and shaping a sustainable future. The Bank's ESG approach is a testament to our commitment to creating lasting, positive change through investments, financing, and community initiatives. By aligning operations with ESG principles, the Bank ensures that sustainability and profitability coexist, thereby creating value not only for customers and shareholders but also for the wider community and global environment.

1.2 Governance

Governance and ESG Oversight

The Bank has significantly enhanced its governance structure to effectively manage sustainability and ESG concerns, ensuring these elements are deeply integrated into its core operational processes. Sustainability considerations flow seamlessly through the Bank's executive and management committees, forming a critical part of its formal governance framework.

The governance structure includes the Board, Executive Committees, and Management Committees, covering both business and compliance functions. Senior management and the Board are highly attuned to the risks associated with ESG factors, carefully overseeing the implementation of related frameworks and ensuring that these are efficiently executed. This oversight not only addresses the technical aspects of ESG risks but also ensures compliance with regulatory requirements. The Bank's ESG-focused committees play a vital role in supervising and contributing to the Bank's overall control framework. Each committee operates with a clear set of responsibilities, decision-making authority, and a defined escalation process for significant issues, ensuring thorough governance and accountability across all ESG and sustainability matters.

1.2.1 Board of Directors

Board of Directors' Strategic Oversight and Governance in 2024

The Board of Directors continues to serve as the ultimate decision-making authority, playing a pivotal role in steering the Bank's strategic direction, financial performance, and regulatory compliance. In 2024, the Board remained deeply engaged in overseeing matters of critical importance, particularly those related to sustainability and ESG considerations. Recognising the growing significance of ESG factors, the Board received regular updates from both the ESG Committee, Risk Committee and the ESG Management Forum, with a particular focus on climate and environmental (C&E) risks. These updates ensured the Board was consistently informed and empowered to make strategic decisions aligned with the Bank's commitment to sustainability and responsible business practices.

The Board's involvement in ESG issues underscores its unwavering dedication to integrating these principles into the Bank's operations and governance processes. Quarterly meetings are structured to provide rigorous oversight, with each quarter focusing on different facets of organisational performance and strategic direction. In addition, immediate escalation of Key Performance Indicator (KPI) deviations to the Board ensures timely intervention when necessary, allowing for effective adjustments to evolving circumstances.

This systematic approach, reinforced by the Board's continuous evaluation and approval of proposed strategic changes, fosters a cycle of improvement and alignment. It also ensures that the organisation remains adaptable, responsive, and resilient in the face of both challenges and opportunities. The ongoing collaboration between the Executive Team and the Board in a synchronised, strategic review cycle ensures that the Bank's objectives remain aligned with market dynamics and operational outcomes. This integrated approach is vital for enhancing strategic agility, empowering the organisation to navigate a rapidly changing business environment and achieve sustained success.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

1.2.2 ESG Committee

During 2024, the ESG Committee played a crucial role in overseeing the Bank's sustainability efforts and ensuring the integration of Environmental, Social, and Governance (ESG) principles throughout its operations. Led by a non-Executive member of the Board of Directors, and comprising Non-Executive Directors, as well as the CRO and other Bank representatives, the Committee regularly reviewed key ESG initiatives and regulatory updates, ensuring alignment with evolving EU standards and industry practices.

Notable discussions included updates on the Corporate Sustainability Reporting Directive (CSRD) timeline, the ongoing Climate and Environmental risk assessment, and the implementation of a double materiality assessment. The Committee also focused on the Bank's governance policies, such as the Sustainability and ESG Disclosures Policy, and the push to integrate the work of the Bank's Transition Plan in 2025, aimed at shifting towards a sustainable, low-carbon business model. It also examined customer-related sustainability initiatives, including the development of sustainability preferences questionnaires for wealth management clients and a climate and environmental risk assessment tool for customers.

Additionally, the Committee ensured compliance with the Sustainable Finance Disclosure Regulation (SFDR), discussed training for the First Line of Defense on ESG risks, and reviewed the results of the Customer Preferences Survey to align the Bank's strategy with customer expectations. By overseeing these initiatives, the ESG Committee has significantly enhanced the Bank's governance structure, reinforcing its commitment to sustainability, responsible business practices, and regulatory compliance while ensuring that ESG remains central to the Bank's long-term strategy including consumer preferences.

1.2.3 ESG Management Forum

The Bank's ESG Forum in 2024 played a pivotal role in aligning its operational strategies with sustainable development goals, reinforcing its commitment to ESG principles. The Forum served as a central platform for engaging key stakeholders and initiating discussions on various ESG matters, which were later scrutinised and advanced by the ESG Committee and the Board. Led by the Bank's Head of ESG, the Forum facilitated cross-departmental collaboration, ensuring that ESG considerations permeated all levels of the organisation.

Key topics of discussion during the year included the ongoing progress of the Bank's sustainability efforts, exemplified by the Sustainability Dashboard and the BOV Group Internal Audit annual report, which outlined the Bank's ESG initiatives. These efforts were further exemplified by the Decarbonisation Project, which focused on reducing carbon emissions, and the proactive management of SREP risks. The Bank also reinforced its commitment to Diversity, Equity, and Inclusion (DEI) with the formation of a dedicated DEI Committee, ensuring that diversity considerations were integrated into all facets of business operations.

Additionally, the Forum discussed the importance of the Double Materiality Assessment and the resulting impacts, risks and opportunities, providing continuous guidance regarding the key ESG factors that would guide the Bank's future efforts. The Bank's next steps regarding the CSRD and its transition plan were also reviewed, ensuring the Bank's compliance with evolving regulatory frameworks.

Among other topics, the Bank explored avenues for expanding its green financing activities and enhancing its ESG Management Forum's Terms of Reference (TOR) to optimise governance processes, especially with regards to oversight of the impacts, risks and opportunities. The ESG disclosures policy was updated to ensure transparency in the Bank's sustainability actions, and the ECB's letter, addressing the remediation of shortcomings in climate and environmental risk management, was carefully examined.

The Forum also reviewed progress on green loan initiatives, wealth management policies incorporating ESG factors, and updates on the Bank's strategy for reducing its own emissions. It took steps toward integrating customer preferences into its sustainability strategy, ensuring that the voice of the customer was heard and acted upon in future ESG endeavours.

In sum, the ESG Forum in 2024 was instrumental in driving the Bank's ESG agenda forward, ensuring that sustainability and social responsibility remain central to its business operations.

1.2.4 Decarbonisation Strategy 2024: A Strategic Pathway to Sustainability

During 2024, the Bank has reaffirmed its commitment to environmental sustainability through the continued implementation of its Decarbonisation Strategy. Aligned with the global objectives set forth in the Paris Agreement, BOV is focused on limiting global temperature rise to well below 2°C above pre-industrial levels. The Bank aims to reduce its GHG emissions by 20% for Scope 1 and 2 by 2026, reinforcing its dedication to creating a sustainable future for Malta and Gozo. This initiative forms a key component of BOV's 2024-2026 Strategic Plan, positioning sustainability at the heart of its operations.

1.2.4.1 Holistic Approach to Sustainability

Guided by the Decarbonisation Working Group, BOV's approach integrates energy-efficient practices, technological innovation, and employee engagement. The Bank is taking a multi-pronged approach to reduce its carbon footprint and increase operational efficiency, as outlined in its Decarbonisation Report. Central to this strategy are several key initiatives aimed at minimizing environmental impact while enhancing system performance and driving long-term sustainability.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

1.2.4.2 Key Initiatives for Energy Efficiency and Infrastructure Innovation

BOV undertook several initiatives to reduce energy consumption and improve the sustainability of its facilities:

- Building Management System (BMS): A real-time energy management system has been deployed across all Bank facilities, enabling the optimization of electrical systems, including heating, ventilation, and air conditioning (HVAC). This system is designed to reduce energy waste, boost operational efficiency, and deliver cost savings across the Bank's portfolio.
- UV Window Films: BOV has applied UV window films to buildings exposed to direct sunlight as part of an ongoing pilot project. These films reduce heat transfer, lowering the Bank's reliance on air conditioning and contributing to a more sustainable energy profile.
- Energy-Efficient Lighting: A major upgrade to energy-efficient recessed and UV lighting has been completed across the Bank's premises. This initiative reduces electricity consumption and further supports BOV's sustainability agenda by minimizing environmental impact.
- IT Infrastructure and Solar Panels: As part of its long-term sustainability vision, BOV has introduced a new primary data centre that incorporates advanced technologies designed to improve energy efficiency. Solar panels have also been installed across multiple facilities to reduce reliance on non-renewable energy sources, thus contributing to a reduction in the Bank's overall carbon footprint.
- Energy Performance Certificates (EPCs): In line with best practices for sustainable building management, BOV has obtained EPCs for its facilities, ensuring all buildings adhere to stringent energy efficiency standards.

1.2.4.3 Digital Transformation for Sustainable Practices

BOV embraced the digital transformation and regards it as a crucial tool in advancing its sustainability goals. The Bank has expanded the use of digital signatures across various services, including Wealth Management, Private Banking, financial transactions, employment contracts, and procurement agreements. This shift to digital processes significantly reduces paper usage, aligning with BOV's commitment to minimising waste and resource consumption while improving operational efficiency.

1.2.4.4 Employee Engagement and Education

BOV recognises that achieving its decarbonisation objectives requires more than just technological innovation; it also requires fostering a culture of sustainability within its workforce. To support this, BOV has rolled out educational programs focused on responsible energy-saving practices, waste reduction, and sustainable transportation choices. These initiatives are designed to cultivate a sense of environmental responsibility among employees, empowering them to make sustainable decisions both in the workplace and beyond.

1.2.4.5 Modernising Infrastructure for Sustainability

BOV's decarbonisation strategy extends to the modernisation of its branch networks and facilities. Smart lighting systems and enhanced insulation are being integrated into various properties to improve energy efficiency. Additionally, the Bank has made significant strides in reducing paper and mail usage, promoting digital services, and enhancing communication strategies to further support its environmental objectives.

1.2.4.6 Fostering a Culture of Environmental Responsibility

BOV's approach goes beyond infrastructure upgrades and technological advancements. The Bank is committed to creating an organisational culture rooted in sustainability. Through its educational programs, BOV continues to engage employees and stakeholders in responsible waste reduction, energy-saving practices, and sustainable transportation options, reinforcing the importance of environmental stewardship at every level of the organisation.

The 2024 short-term Decarbonisation Strategy underscores BOV's unwavering commitment to environmental stewardship and sustainability. By targeting a 20% reduction in GHG emissions by 2026, the Bank is not only working to meet global climate targets but also setting a benchmark for corporate responsibility within the financial sector. Through a combination of infrastructure improvements, digital transformation, employee engagement, and sustainable practices, BOV is actively contributing to a greener, more sustainable future for Malta and Gozo, and demonstrating leadership in the global effort to combat climate change.

1.2.4.7 Decarbonising the Investment Portfolio and the launch of a Transition Plan

A pivotal moment in 2024 was the launch of the Transition Plan project in the second half of the year, marking a key milestone in the Bank's long-term strategy to reduce its environmental foot-print. The project is designed to amalgamate BOV's existing Decarbonisation Pathway with future portfolio-related initiatives, providing a clear roadmap for continuous emission reductions and im-provements, as well as sustainable investment practices. By Q2 2026, the Bank plans to finalise the transition plan and starts implementing additional initiatives that will build on the foundation set by its Decarbonisation Strategy. BOV's Decarbonisation Strategy remains a cornerstone of its sus-tainability vision. Through targeted energy efficiency measures, investments in sustainable infra-structure, digital transformation, and employee engagement, the Bank is actively driving climate change mitigation efforts across its operations and stakeholder network. The ESG Management Forum and ESG Committee play a central role in overseeing and monitoring the execution of the Decarbonisation strategy, ensuring that BOV remains at the forefront of sustainable business practices and continues to support the transition to a low-carbon economy. As the Bank advances its efforts, it remains focused on reducing its environmental impact while fostering long-term sustain-ability and resilience within its operations.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

1.2.5 ESG Department: Leading the Way in Sustainability and Risk Management

The ESG Department plays a central and strategic role within the Bank, operating as a key unit within the Risk Department. Its primary mandate is to ensure the effective integration and execution of climate, environmental, and social (C&E) risk management across the organization. Aligned with financial regulators and relevant sustainability frameworks, the department is steadfast in its mission to guarantee compliance with ESG criteria and to uphold the highest standards of excellence in addressing environmental and social risks.

As the driving force behind the Bank's commitment to sustainability, the ESG Department champions the incorporation of ESG factors across all facets of the Bank's operations. This includes a focus on climate, environmental, and social risks, ensuring these critical issues are embedded within the Bank's decision-making processes and business strategies. Through its proactive approach, the Department ensures that the Bank not only meets its regulatory obligations but also achieves its broader environmental and social objectives.

To strengthen its capabilities in navigating the ever-evolving landscape of environmental and transitional challenges, the ESG Department significantly expanded its team in 2024 by adding three analysts and a Senior Analyst. This strategic enhancement reflects the Bank's dedication to staying at the forefront of ESG practices, equipping the Department with the necessary resources to effectively address the complex and dynamic risks associated with climate change and sustainability.

With these continued efforts, the ESG Department remains a cornerstone of the Bank's commitment to responsible business practices, ensuring the integration of ESG principles at every level of operation and contributing to the realisation of the Bank's sustainability goals.

1.2.6 Continuity, Outsourcing & ESG Team

The Continuity, Outsourcing & ESG Team continued its efforts to integrate and advance the Bank's ESG initiatives across all operational areas. This ongoing commitment further solidified the Bank's dedication to embedding sustainability into its day-to-day operations and ensuring the effective implementation of ESG principles in alignment with the broader organisational vision.

Throughout 2024, the team made significant strides in strengthening the Bank's sustainability framework. In accordance with regulatory requirements, the team provided regular updates to the Regulator with the Bank's action plan inter alia on Thematic Review and Climate-Related Actions: as well as Management of Climate-Related and Environmental Risks. By maintaining a comprehensive approach to sustainability, the Continuity, Outsourcing & ESG Team effectively integrated ESG considerations across the Bank's operations. Their efforts continued to play a central role in ad-vancing the Bank's sustainability agenda, further enhancing a culture of sustainability throughout the organisation, and ensuring the embedding of ESG principles into the Bank's strategic opera-tions. This ongoing initiative highlights the Bank's continued commitment to environmental sus-tainability, while proactively managing climate-related risks, and ensuring alignment with both in-ternal goals and external regulatory expectations.

1.2.7 Building the Bank's expertise in ESG

During 2024, the Bank placed a strong emphasis on training its staff on ESG and sustainability matters to ensure alignment with the evolving regulatory landscape and its commitment to sustainable business practices. Training initiatives included a range of internal and external learning opportunities, offering employees comprehensive insights into CSR, ESG strategy, and business transformation. ESG staff were also given the opportunity to attend courses and conferences abroad, enriching their knowledge on global ESG trends and innovations. Additionally, local training covered key aspects of ESG technology, as well as ESG application workshops, enabling employees to understand how sustainability principles are integrated into the Bank's operations and strategies. These training efforts reflect the Bank's commitment to fostering a well-equipped and knowledgeable workforce ready to drive sustainable practices across its business.

1.3 Risk Management

Throughout 2024, the Bank maintained its adherence to customary procedures and protocols for evaluating and communicating material C&E risks. Additionally, efforts were made to introduce new measures or enhance existing ones, particularly in areas concerning social and governance considerations.

BOV established an environmental scanning framework, incorporating research insights and business input. Notably, the Bank's commissioned consumer preference, and business scanning, as well as in depth reviews of Climate and Environmental Risks reports, concerning Malta. These valuable insights were shared with the relevant departments, particularly within retail and business banking, to enhance awareness and inform decision-making processes. Moreover, the Bank analysed published research by other international bodies such as ECB, and the NGFS, which supported risk management decisions. The Bank is also a member of the ESBG and attends meetings to discuss sustainability and regulatory aspects within the group. Moreover, the Bank aims to continue enhancing its horizon scanning to keep up to date with the latest ESG-related regulations.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

1.3.1 Materiality Assessment

In line with Article 4(1)(52e) in Regulation (EU) 575/2013, Climate and Environmental risk is the risk of financial losses occurring due to current/prospective impacts of climate and environmental factors on BOV's counterparties or invested assets. This includes factors related to transition towards environmental objectives highlighted in the framework to facilitate sustainable investment (Art. 9 of Regulation (EU) 2020/2852), such as climate change mitigation; climate change adaptation; sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; the protection and restoration of biodiversity and ecosystems. Climate and Environmental risk also includes both physical risk (refer to Article 4(1)(52f)) and transitional risk (refer to Article 4(1)(52g)).

Article 4(1)(52f) in Regulation (EU) 575/2013 defines "physical risk" as the risk of any negative financial impact on BOV stemming from the current or prospective impact of the physical effects of climate and environmental factors on BOV's counterparties or invested assets. While Article 4(1)(52g) defines "transition risk" as the risk of any negative financial impact on BOV stemming from the current or prospective impact of the transition to an environmentally sustainable economy on BOV's counterparties or invested assets.

BOV annually conducts a C&E financial materiality assessment. In 2024, the Bank carried out an enhancement of its financial materiality assessment. The scope of this year's enhancement relates to the understanding of how the future climate change impact in Malta can have direct, or indirect impact on the Bank's balance sheet, as well as its operations, over the short, medium and long term. Such an enhancement was executed through climate experts, as well as local academics within the field of climate and environmental risks, focusing on the specificities of Malta.

Besides, in 2024, BOV carried out its first Double Materiality Assessment (DMA) to execute the EU Directive 2022/2464 - CSRD. Through the DMA, BOV could identify and assess how climate risks caused because of its operation can have a negative impact on climate. BOV identified the sustainability matters which are most material for the Bank and its stakeholders, both from an impact point of view and/or from a risk and opportunity perspective over different time horizons.

Both the DMA and the enhancement of the financial materiality assessment are linked to each other, in particular to the identification of the risks, yet they differ from each other. The enhancement of the financial materiality assessment examined how the identified sustainability risks impact the Bank's financial health for the specificities of Malta. On the other hand, the DMA covers both financial materiality and the impact caused by activities affect people, the environment and the society. Nonetheless, both assessments, consider the impact over the short-, medium- and long-term horizon.

The Bank also adopts other processes to identify and assess climate-related risks and the value chain for climate change-related impacts, through a carbon assessment process. The carbon calculation assessment identifies the value of GHG emissions (Scope 1, 2 and 3) that the Bank is producing. Furthermore, a resilience analysis (climate and environmental stress testing) and carbon calculation assessment. This process is used to identify the Bank's vulnerability especially in terms of its credit and the real estate portfolios over the three different time horizons.

Furthermore, also in scope of CSRD and strategy setting, the Bank assessed its risk on climate and the value chain for climate change-related impacts, through a carbon assessment process.

Short-Term: This term focused on the immediate risks and vulnerabilities, up to 2027. By analysing short-term impacts, the Bank can quickly address pressing challenges, enabling swift strategic adjustments and operational responses to maintain stability and performance.

Medium-Term: This term extends until 2030. It captures the transitional phase where significant policy changes and market adjustments are expected. This period is crucial for BOV to navigate medium-term uncertainties and align its strategies with anticipated economic, regulatory, and environmental shifts, ensuring a smooth transition through potentially turbulent times.

Long-Term: This term provides a comprehensive view of long-term risks and opportunities, spanning until 2050. It allows the Bank to consider the enduring impacts of climate change and develop forward-looking strategies that ensure long-term sustainability and resilience. This perspective is vital for planning and investing in initiatives that will secure the Bank's future in a rapidly changing world.

On the other hand, the C&E financial materiality assessment, is based on a taxonomy of climate and environmental risk hazards, primarily applicable for Malta, which are identified to potentially leading to economic (and therefore financial) impacts.

From a physical risk point of view, the hazards identified as "first order" hazards relate to climate projection data which is directly available for hazard intensity and/or frequency. On the other hand, "second order" hazards are driven by the first order hazards. The assessment is based on a qualitative and a quantitative judgement and reliable scientific information combining the projected climate changes from modelled data and observed changes in hazard, on the near-term, medium-term and long-term. Nonetheless, the assessment is based on the assumptions of the models which due to the nature of the subject also present a limitation. This relates to the fact that predicting future climate is highly uncertain. Climate science can establish outcomes which may occur; however, it is difficult to assess the extent of extremes events. The material climate hazards in Malta are the increase in temperature and heatwaves. This is projected, under all modelled scenarios, to significantly increase over the medium- and long-term. Furthermore, drought, high temperatures and a range of environmental hazards such as poor air quality, invasive species and biodiversity loss, represent a concern particularly in the long-term. Other hazards such as coastal erosion, sea level rises, coastal flooding, landslide, heavy precipitation and urban flooding are not forecasted to change in a way that would drive increased risk. Moreover, the Bank identifies the climate and environmental hazards which can impact different sectors across Europe, and estimated severity levels of these impacts over different time horizons.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Simultaneously to physical risks, BOV devised a taxonomy that captures transition risk drivers that may impact the Maltese islands and its predominated sectors, over the short, medium and long term. Drivers of transition risk, which include policy to regulate emissions, technological changes, behaviour changes, and the interactions between these, can lead to economic impacts on sectors through market risk, reputation risk and litigation. The biggest driver of transition risk is uncertainty over the future of climate policy, therefore that such strong climate policy imposes costs on high-emitting sectors, whereas weak climate policy reduces the profitability of new technologies. Nonetheless, transition can also present opportunities. Transition opportunities for Malta stem from the country's efforts to decarbonise, improve energy efficiency, and adopt green technologies, in alignment with both the European Union's climate goals and global sustainability trends, aiming to enhance and accelerate the green transition.

Simultaneously, the Bank's DMA identified that a significant portion of the Bank's financed activities through corporate loans, deposits, and investments are considered to be within high climate impact sectors and are all concentrated in the downstream value chain. These activities contribute significantly to GHG and environmental degradation, thereby exacerbating climate change. Additionally, the lack of a Climate Transition Plan within the Bank's own operations poses a risk of continued negative environmental impacts, as it indicates insufficient measures to mitigate climate-related risks and transition to a low-carbon economy. On the positive side, the Bank's financing of low-emission activities through green financing products, for both corporate and retail customers contributes to climate mitigation efforts. This financing support initiatives such as electric vehicles, building retrofitting, energy efficiency technologies, and renewable energy sources (RES), which are concentrated in the downstream value chain. By promoting sustainable practices and technologies, the Bank plays a crucial role in reducing overall carbon emissions and fostering a greener economy. Such risks had been identified through stakeholder engagement process, requiring input from both internal and external groups, including retail customers, corporate customers, affected communities, workers in the value chain, won workforce and shareholders.

1.3.2 Policies

1.3.2.1 Risk Appetite Framework (RAF)

The physical and transition scoring of the economic activity impacts the Bank's risk appetite towards that sector. In the instance of a very high climate and environmental risk score the Bank sets criteria or a threshold, that limits or prohibits the Bank's involvement in particular sector, which is either vulnerable to climate change or contribute to the escalation of global warming or environmental degradation. The Bank's has set conservative separate limits towards the mining and quarrying economic sector; (B.05 to B.08 and B.09) and manufacturing sector (C.19, C.20, C.24 and C.29). The latter impacts the manufacturing of coke and petroleum products, chemical and chemical products, basic metals and motor vehicles respectively. The limit towards the manufacturing of chemical and chemical products has been introduced during 2024. The Bank's target is to aid in the transition of the Maltese economy towards sustainability, thereby aligning with the EU's decarbonization strategy up to 2050. Nonetheless, BOV aims to contribute towards the decarbonization of the European continent, since the economic sector limits also restrict financing foreign corporates. During the year 2024, the Bank observed all monitored limits, while reducing exposure towards sectors B.09 and C.29.

Furthermore, apart from economic sector limits, the Bank has other risk appetite indicators such as the 'Percentage (%) Exposure to companies active in fossil fuel sector'. These had all been included in the Risk Appetite Framework during the financial year 2024. BOV monitors the limits on a bi-monthly basis through the Risk Appetite Framework process and all values are validated through the four-eye principle. These clearly defined, time-bound limits enable BOV to measure its progress and ensure accountability in its ongoing efforts to integrate sustainability into its operations and manage climate change risk effectively.

The objective to transfer the risk by shifting consumers preference towards sustainable products is outlined as a KRI in the Risk Appetite Framework. During 2024, the Bank revised this commitment is to increase the credit granting in relation to these products by revising the indicators, also in line with the BOV Strategy 2024-2026. The relevant indicators include 'Percentage (%) of retail green personal loans sanctioned versus retail personal loans sanctioned', 'Percentage (%) of business green loans sanctioned versus business loans sanctioned' and 'Percentage (%) Share of Green Investments in the Total Treasury Bond Portfolio'. During 2024, a further indicator, which is not a strategic measure, was added to the Risk Appetite Framework. This is 'Green lending percentage of new speculative and rental property lending'.

Other than climate and environmental-related indicators, the Bank monitors social and governance metrics as part of ESG risk management. These indicators concern gender pay gap and female representation at Board level.

All RAF KRIs are reviewed yearly or ad hoc if warranted by intervening developments. BOV monitors the targets on a bi-monthly basis through the RAF process and all values are validated through the four-eye principle. These clearly defined, time-bound monitoring enables BOV to measure its progress and ensure accountability in its ongoing efforts to integrate sustainability into its operations and manage climate change opportunities effectively. Indicators are also disclosed internally as part of the Sustainability Dashboard.

1.3.2.2 C&E elements in the Bank's Business Policies

Policies Related to Climate Change Mitigation and Adaptation

BOV is committed to integrate climate change considerations into its policies and practices to manage the material impacts, risks, and opportunities related to climate change mitigation and adaptation. As part of this commitment, the Bank has implemented a range of internal policies that are subject to rigorous governance processes to ensure they align with best practices and regulatory requirements. These policies are made available to relevant stakeholders, particularly employees responsible for their implementation, to ensure consistent and effective execution.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

While the Bank has adopted various climate-related policies over the years, it acknowledges that there is currently no specific policy addressing the impact of activities from entities with deposits at the Bank that are considered high climate-impact. Nevertheless, the Bank remains proactive in managing its exposure to climate-related risks, particularly those arising from corporate creditworthiness, government creditworthiness, and potential decreases in collateral value due to climate-related damages.

Although there are no specific climate and environmental policies currently in place for credit risk, the Bank monitors credit risk through its C&E risk assessment and other actions as outlined in its sustainability framework. Additionally, the following policies are central to the Bank's ongoing efforts to address climate-related risks and promote sustainability across its operations:

Summary of Climate-Related Policies at Bank of Valletta – Policies and Objectives

1. Treasury Management Policy

   This policy governs the Bank's Treasury function, ensuring ethical and sustainable investments. It includes a framework for mitigating the impact of activities financed by the Bank in high-climate impact sectors. The policy sets a target for Green Bond investments as a share of the total bond portfolio and establishes limits and conditions for investments in sectors with high Climate and Environmental (C&E) risks, as identified in the Bank's materiality assessment.

2. Corporate Lending Policy

   The Corporate Lending Policy addresses credit exposures related to climate change by setting limits and approval structures for loans to corporates involved in high climate-impact activities. It aims to mitigate risks associated with financing entities that contribute to significant C&E impacts, as defined in the Bank's Climate and Environmental Materiality Assessment.

3. Wealth Management Exclusion Policy

   This policy guides the Bank's Wealth Management services by prohibiting investments in entities with high climate impact, based on the same criteria used for excluding entities from EU Paris-aligned Benchmarks. It ensures that financial advisors and portfolio managers refrain from recommending or investing in such entities, aligning with the commitments of the Paris Agreement.

4. Product Oversight & Governance - Manufacturer/Distribution Arrangements Procedures for Retail Banking:

   This policy ensures that all retail banking products offered by the Bank meet sustainability criteria and align with its environmental and social governance (ESG) objectives. It promotes the integration of sustainable practices into the development and distribution of banking products.

5. Business Continuity Policy:

   The Business Continuity Policy outlines the key requirements for business continuity planning, ensuring that the Bank can effectively respond to crises, including those caused by climate-related events. It supports the Operational Resilience Framework and Policy, with accountability placed on BOV Chief Officers for implementation.

6. Reputational Risk Framework Policy

   This policy provides a monitoring framework to track and address key risks that could trigger reputational damage to the Bank, including climate and environmental risks. It facilitates ongoing assessment of risks related to compliance, business strategy, operations, and ESG considerations.

7. Marketing Communications Regulatory Compliance Policy and Guidelines on Marketing Communications:

   The policy safeguards the Bank from reputational risks related to marketing communications, ensuring compliance with regulatory requirements for pre-sale disclosures and obligations. It includes provisions for mitigating reputational risks stemming from climate-related marketing claims.

8. Product Governance - Distribution Arrangements Procedures for Investment and Insurance Products

   This policy ensures that investment and insurance products meet the needs, characteristics, and objectives of their target markets throughout their lifecycle. It supports the Bank in exploring new niche markets and products, including those related to sustainable finance and ESG factors.

These policies collectively form the backbone of the Bank's approach to managing climate-related risks and advancing its sustainability objectives. By continually enhancing and expanding its climate-related policies, the Bank is committed to ensuring that its operations, lending practices, and product offerings contribute to the transition towards a low-carbon economy while mitigating environmental and financial risks.

1.3.2.3 Types of exclusions

In formulating the Exclusion Criteria for Investment, BOV has taken into account ESMA guidelines with respect to Paris-aligned Benchmarks in order to inform the spirit of this policy. The Exclusion Criteria focus on excluding investment in any company that meets any one of the following:

i. Involvement in activities related to controversial weapons.

ii. Involvement in activities related to tobacco.

iii. Deriving 5% or more of revenue from activities related to thermal coal.

iv. Deriving 50% or more of revenue from activities related to oil and gas production.

v. Deriving 5% or more of revenue from activities related to oil sand.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

The above does not exclude the possibility of additional criteria from being imposed to take into account other Paris-aligned criteria as data becomes more readily available. Data availability precludes exclusion based on separate oil fuels and gaseous fuel revenue percentage figures. It also excludes exclusion based on revenues derived from electricity generation activities having a GHG intensity of more than 100g CO2 e/kWHh.

Securities are screened on a quarterly basis. Companies are placed on the Exclusion list if they are found to violate any one of the criteria (i) through (v) above. Companies in violation are removed from the Bank of Valletta's recommended list within 3 months.

Portfolio Managers and/or Financial Advisors may appeal to reinclude an excluded company by appealing to the Wealth Management Investment Committee. Any such appeal must be defended purely on Environmental, Social or Governance grounds. The Wealth Management Investment Committee decides on whether to uphold or reject any such appeal by simple majority and all decisions are final.

Overall, these measures underscore BOV's commitment to robust risk management and responsible banking practice.

1.3.3 Credit Risk Management Practices

1.3.3.1 Credit Underwriting

During 2024, the Bank further enhanced its management of Climate & Environmental (C&E) risks by upgrading its credit underwriting process. Building on the progress made in 2023, the Bank automated the climate and environmental risk assessment framework within its credit risk management system. This upgrade includes the automated triggering of sector-specific questionnaires for business customers across six very-high and high-risk sectors (accommodation, transport, real estate, power, warehousing, wholesale, and other sectors), based on set group business exposure thresholds and the date of previous submissions. The system also facilitates the collection and calculation of questionnaire responses, applying calibrated scores per sector.

Additionally, a workflow trigger to the ESG Risk team has been established according to predefined criteria, along with automated reminders for customers who have not yet responded to the questionnaires. The Bank has also provided comprehensive training to its relationship managers, ensuring they are equipped to support clients in completing these assessments. This refined approach strengthens the Bank's commitment to robust risk management practices, promotes seamless integration of C&E risk evaluations, and ensures compliance with regulatory guidelines, enhancing the Bank's ability to address emerging environmental and climate-related challenges in its commercial portfolio.

1.3.3.2 Customer Engagement

During 2024, the Bank strengthened its approach to customer engagement by focusing on supporting high-emitting corporate clients in their transition towards sustainability. Regular engagement meetings, held either annually or semi-annually, were organised to assess progress on emission reduction plans and GHG targets. These discussions allow the Bank to understand clients' transition strategies and ensure alignment with climate change mitigation goals. By requesting updates on clients' sustainability initiatives, the Bank aims to facilitate their journey towards reducing emissions, thereby minimising credit risks and supporting the broader goal of sustainability. The success of these engagements relies on the clients' willingness to collaborate, reflecting the Bank's proactive approach in managing transition risks while assisting clients in adopting sustainable practices.

As part of its oversight responsibility, BOV extends its dialogue with specific corporate clients through sector-specific climate and environmental-related questionnaires. The primary aim of the questionnaires is to engage with the client, to understand the risks and mitigants associated with that business operations. The Bank also enhanced its knowledge on the degree of its corporate customers awareness and preparedness to manage its physical and transition risks. Moreover, the Bank expands its granular knowledge when collecting such specific climate related information from its clients. This information is collected and updated both at the customer onboarding stage, but also as part of the regular business and risk assessment review with each client which is performed at least on an annual basis. As of December 2024, the Bank's collection rate of sectorial questionnaires reached 100%, whilst commencing a second phase of collecting updates of the questionnaire. Moreover, in the first half of 2024, the Bank has progressed to its final stages the automation of the climate-related questionnaire process. Following this implementation, the Customer Acceptance Policy (CAP) will be expanded to encompass very high-risk sectors, as identified under the C&E credit underwriting policy, designating them as restricted relationships requiring additional review. This strategic enhancement aims to fortify the Bank's due diligence measures and align customer relationships with C&E considerations. Throughout the year 2024, the Bank identified that most of its corporate clients have a potential moderate risk that their business operations or assets suffer because of a climate event or transition driver.

1.3.3.3 Sustainable Financial Products

As part of its commitment to sustainable development, the Bank continued to enhance its financial products and services to align with environmental, social, and governance (ESG) priorities.

In **Corporate Finance**, the Bank introduced a green pricing model offering reduced interest rates for projects that reduce carbon emissions. Additionally, a structured SME lending product was launched to support sustainability-focused investments.

In **Consumer Finance**, the Bank streamlined its green lending options, including the Green Personal Loan and Green Home Loan, designed to encourage eco-friendly investments with preferential interest rates. While BOV Asset Management (BOVAM) is still working on developing funds aligned with the EU Sustainable Finance Disclosure Regulation (SFDR), the Bank remains committed to evolving its product offerings in line with sustainability goals. Through these initiatives, the Bank empowers clients to adopt sustainable practices and contributes to the transition to a low-carbon economy, reinforcing its commitment to a resilient, sustainable future.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

1.3.3.4 The Bank's internal climate stress test model

In its commitment to climate resilience, the Bank has developed an internal climate stress test (CST) model. This model assesses the Bank's credit portfolio under various climate scenarios, conducted annually. While the CST primarily focuses on the Bank's credit portfolio, excluding the upper value chain and own operations, it plays a vital role in evaluating the impact of different climate scenarios. The outcome of this analysis is presented to various forums and committees, including the ESG Forum and the ESG & Risk Committees. These bodies consider the results in the Bank's daily operations, particularly in sectors requiring significant transition due to climate sensitivity.

The CST model incorporates transition risk modelling the Bank's material operations, such as corporate loans, including real estate corporate loans, and mortgages. This comprehensive approach ensures that the Bank's operations are robust and capable of adapting to evolving climate risks, reinforcing its commitment to sustainable and resilient financial practices. Starting from 2025, the transition-related component of the projected losses (expressed as a percentage of RWA) estimated by the CST, were used to address the implications of a soon coming Systemic climate-related risk buffer proposed by the EBA.

The Climate Stress Testing (CST) model evaluates three distinct scenarios: orderly, disorderly, and hot house world. The analysis is based on the methodology used in the European Central Bank's (ECB) wide stress testing conducted in 2022.

The CST model employs various scenarios across different time horizons to assess the resilience of various sectors, particularly focusing on those facing hard transitions. This approach allows the Bank to understand potential risks and vulnerabilities under different future states. As stated above, the orderly scenario assumes a smooth transition to a low-carbon economy, with timely and effective policy measures. The disorderly scenario represents a delayed and abrupt transition, with sudden policy implementations leading to increased economic and financial stress. The hot house world scenario envisions a future where no significant action is taken to mitigate climate change, resulting in severe environmental and economic consequences.

By stress-testing these scenarios, BOV can better prepare for a range of potential futures, ensuring that its strategies and operations remain robust under varying conditions. This comprehensive approach supports the Bank in making informed decisions, reinforcing its resilience and adaptability in an uncertain world.

The latest version of the CST, using data with reference date as per September 2024, has been enhanced to achieve an improvement in data quality and data consistency with other disclosure requirements.

Following these two objectives, the model now uses real EPC labels (when available) and the estimation of EPC Labels, when collection was unsuccessful. The estimation has been improved and it aligns with the standards set by the Partnership for Carbon Accounting Financials (PCAF) and the Building Regulation Act for Energy Performance of Buildings Regulations (Legal Notice 47 of 2018).

Furthermore, last year, sector-average emission intensities were sourced from Eurostat and applied to all counterparties. This year, the Bank engaged a third-party data provider to identify or estimate Scope 1, 2 and 3 emissions of the counterparties, i.e. GHG emissions are obtained at client level. Such estimated data is compliant with PCAF standards.

The stress test targets specific asset classes exposed to climate risk rather than the Bank's overall balance sheets. It focuses on credit risk exposures that are most vulnerable to climate-related risk. Estimate stressed Probability of Default (PD) and stressed Loss Given Default (LGD) are translated to projected bank-level losses. The results indicate that:

- For the Non-Financial Corporates (NFCs) a significant increase in Expected Credit Loss (ECL) is estimated only in the long term and in worst cases scenarios.
- For all the NGFS scenarios considered, the real estate segment with lower energy efficiency ratings (EPC labels E and F) will experience the largest increase in ECL.
- The European Banking Authority (EBA) has proposed a climate-related risk buffer, which will potentially require the Bank to hold additional capital to offset the impact of a transition shock. This requirement applies if estimated losses over a three-year period exceed 0.25% of the total Risk Weighted Assets (RWA). According to the EBA's methodology, the Bank's estimated losses do not exceed the 0.25% threshold, thus the Bank will receive no buffer.

The Bank's annual Climate Materiality Assessment has highlighted the broader implications of extreme weather events and climate transition, extending beyond credit risk to encompass reputational, strategic, and operational risks. The Bank recognizes the importance of proactive management to mitigate service disruptions, maintain customer confidence, and adapt to regulatory and stakeholder expectations. Therefore BOV has conducted additional scenario analyses, such as the Malta extreme heatwave and drought urban flooding and heavy precipitation (Operational Risk Management) and Transition Risk Regulation, which provide a more holistic view of potential vulnerabilities.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

1.4 ESG Metrics and Targets

1.4.1 BOV's Greenhouse Gases (GHG) Emissions

The GHG Protocol Corporate Accounting and Reporting Standard provides requirements and guidance for companies and other organizations preparing a corporate-level GHG emissions inventory. GHG Protocol categorises all corporate emissions under three copes, scope 1, 2 and 3.

Scope 1 emissions include all direct emissions from activities of the Bank, which include vehicle fuel which are owned or leased by BOV as well as fugitive emissions that are generated from BOV's generators.

Scope 2 emissions cover the indirect emissions being generated from the purchase of electricity by the Bank, including also any renewable energy generated by PV panels, for properties owned and controlled by the Bank. The acquired electricity is transformed into emissions using the grid emissions intensity from the European Environment Agency. This intensity is calculated through national energy balance statistics as well as national emissions reported to the United Nations Framework Convention on Climate Change (UNFCCC) and to the EU Greenhouse Gas Monitoring Mechanism of Member States

Scope 3, which is the largest scope, covers all other indirect emissions from the Bank's operations which come from sources that it does not own or control. These include emissions coming from:

- **Category 1:** This category includes upstream data from the purchasing of products or services, such as IT software, furniture, stationary etc. BOV uses the spend-based method, where the payment value of the goods or service purchased is multiplied by an emission factor to obtain emissions.
- **Category 3:** In this category the Bank calculates the fuel and energy-related activities (FERA), which relate to the emissions associated with the production, transmission and delivery of the fuel used by the Bank as well as the energy purchase.
- **Category 5:** BOV calculates emissions from waste treatment in BOV facilities using waste-type-specific method, which involves using emission factors for different types of waste and waste treatment methods. In this category only waste man-agement services purchased by BOV are included, therefore covering BOV Centre and Wignacourt. The rest of BOV facilities generate their waste through public waste collection services.
- **Category 6:** This category includes business travel by BOV employees in modes of transport that are not owned or controlled by the Bank, or its employees. Emissions in this category reflect emissions coming from air travel, based on the dis-tance-based method. This involves calculating emissions based on the distance travelled by the employee. Emissions from accommodation is excluded.
- **Category 7:** The Bank includes emissions from the transportation of BOV employee between their homes and BOV facilities through the use of various methods of transportation, including private car/taxi, carpooling, bus, motorcycle and ferry. Emissions from teleworking at home are excluded. The calculation of emissions in this category is based on distance-based method, where the Bank collects commut-ing information (type of transport and distance) from its employees through an annual survey and then applying emissions factors according to the modes of transportation used.
- **Category 8:** This category includes the indirect emissions stemming from the leased assets of the Bank, including leased buildings and leased facilities that host ATMs.
- **Category 15:** This category includes emissions stemming from BOV's investments or financed activities. This is the largest emission intense category due to the BOV's operations as a financial institution. This category includes emissions generated through the Bank's financing of various products and services to its retail and corporate clients, investments in the Bank's treasury portfolio, investments of its clients, as well as emissions of its associate.

In alignment with its emission reduction objectives, the Bank complies its carbon emissions on a regular basis, in order to be able to monitor and plan its decarbonisation pathway accordingly. Figures for 2024 as presented below.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

BOV's GHG emissions for 2024 and 2023

Greenhouse Gas Emissions			
Indicator	**2024**	**2023**	**Units**
Total GHG Emissions (Scope 1 + Scope 2)	**2,451**	**2,288**	**t CO2e**
Total GHG Emissions (Scope 1 + Scope 2 + Scope 3 excl Cat.15)	**11,476**	**8,283**	**t CO2e**
Total GHG Emissions (Scope 1 + Scope 2 + Scope 3)	**4,378,527**	**N/A**	**t CO2e**
Scope 1	**162**	**178**	**t CO2e**
Stationary fuel combustion in BOV's owned or operated generators	12	8	t CO2e
Fugitive emissions	72	72	t CO2e
Mobile fuel combustion in BOV's owned or operated vehicles	78	98	t CO2e
Scope 2	**2,289**	**2,110**	**t CO2e**
Electricity used in buildings	2,251	2,073	t CO2e
Electricity used by ATMs.	38	37	t CO2e
Scope 3 (Categories 1-14):	**9,024**	**8,861**	**t CO2e**
Category 1: Purchased Goods and Services	7,445	7,270	t CO2e
Category 3: Fuel- and Energy-Related Activities	585	544	t CO2e
Category 5: Waste Generated in Operations	2	1	t CO2e
Category 6: Business Travel	61	42	t CO2e
Category 7: Employee Commuting	923	993	t CO2e
Category 8: Leased Assets	8	11	
Scope 3 (Category 15):	**4,367,051**	**N/A**	**t CO2e**

During financial year 2024, BOV generated 4.4 million tonnes of CO2 equivalent in GHG emissions. As noted in the table above, most of the emissions stem from Scope 3, while emissions under Scope 1 and 2 are much smaller. Emission data for 2023 was revised compared to the previous annual report, to reflect changes in methodology.

Scope 3 emissions incorporate the emissions from BOV's value chain. With regards to the upstream value chain, Scope 3 emissions include suppliers for BOV Group, being waste disposal operators, purchases of goods and services, flights, leased property, as well as employee commuting. Scope 3 also includes financed emissions, which make up 99.7% of BOV's total GHG emissions. This category includes GHG emissions financed through Corporate Loans, Retail Loans, Bonds and Equities held by the Bank, as well as emissions generated through BOV clients' investments, BOV's subsidiaries and BOV's associates.

1.4.2 Article 8 of the Taxonomy Regulation

1.4.2.1 Introduction

With the ambitious goal of achieving net-zero greenhouse gas emissions by 2050, the European Union (EU) has set an interim target of reducing GHG emissions by 55% relative to 1990 levels by 2030. To facilitate this transition, the European Commission (EC) has introduced the EU taxonomy[2], a comprehensive classification system designed to identify economically sustainable activities. This taxonomy serves as a key tool in determining whether an economic activity qualifies as environmentally sustainable. The initial step involves assessing the eligibility of an economic activity, with numerous economic activities falling within the scope of the EU taxonomy. However, it is important to note that meeting the technical criteria necessary to be classified as environmentally sustainable, or 'taxonomy-aligned,' is a more selective process, reserved for those activities that satisfy the technical criteria.

The EU Taxonomy establishes criteria in terms of six environmental objectives, namely,

i. Climate change mitigation;
ii. Climate change mitigation;
iii. Climate change adaptation;
iv. Sustainable use and protection of water and marine resources;
v. Transition to a circular economy;
vi. Pollution prevention and control; and
vii. Protection and restoration of biodiversity and ecosystems.

[2] *EU Taxonomy Regulation (EU) 2020/852*

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

For an economic activity to qualify as environmentally sustainable, it must be assessed to substantially contribute to one of these environmental objectives, whilst doing no significant harm (DNSH) to the remaining objectives. The DNSH criteria is outlined in the Technical Screening Criteria established in the Delegated Acts to the EU Taxonomy regulation. Economic activity is also required to meet minimum safeguards established in the EU Taxonomy regulation.

The Disclosures Delegated Act[3] became applicable for the first time on 1 January 2022, with the first disclosures for the financial reporting period ended 31 December 2021, adopting a phased-in approach to the disclosure requirements of key performance indicators. In the previous two years, financial institutions were only required to disclose their proportion of exposures towards taxonomy-eligible and non-eligible activities. Since 31 December 2023, financial institutions were required to disclose the proportion of exposures towards taxonomy-aligned economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) covered by the Climate Delegated Act[4]. The Environmental Delegated Act[5] is applicable from 1 January 2024 and hence the related key performance indicators (KPIs) will be first disclosed as of 31 December 2024.

[3] *Disclosures Delegated Regulation (EU) 2021/2178*

[4] *Climate Delegated Regulation (EU) 2022/1214 and Climate Delegated Regulation (EU) 2023/2485 (Applicable from January 2024)*

[5] *Environmental Delegated Regulation (EU) 2023/2486 (applicable from January 2024)*

1.4.2.2 Assets in Scope

The disclosed amounts pertain to on-balance sheet financial assets within the banking book, encompassing loans, advances, debt securities, and equity exposures towards corporate clients falling under the Non-Financial Reporting Directive (NFRD). Additionally, exposures towards residential mortgages, house renovation, and motor vehicles are also in scope.

Nonetheless, certain exposures are excluded from the reporting numerator of the ratios but are considered in the denominator. These exclusions comprise non-NFRD corporate clients, derivatives, on-demand interbank loans, and other assets, including cash-related assets. Notably, exposures to central governments, central banks, and supranational entities are entirely excluded from both the numerator and denominator of the ratios.

1.4.2.3 Scope of BOV Entities

The ratios below represent the exposures and balances relative to total assets for the primary operating entity within the BOV group as of December 31, 2024.

1.4.2.4 Taxonomy eligibility and alignment of assets

When assessing the taxonomy eligibility and alignment of their on-balance sheet exposures towards corporate clients, financial institutions are only allowed to use actual information that has been disclosed by the clients reporting under the NFRD. As a financial institution, the Bank is required to use the most recently available actual eligibility and alignment information when disclosing its own eligibility and alignment ratio for the reporting period 31 December 2024.

Taxonomy eligibility and alignment of the Bank's exposures towards retail clients is reported in line with the Technical Screening Criteria outlined in Annex I of the Climate Delegated Act.

1.4.2.5 Taxonomy non-eligible and out of scope assets

Taxonomy non-eligible assets consist of the residual exposures to NFRD clients after deducting the Taxonomy-eligible exposures. Out of scope assets consist of exposures to non-NFRD corporate clients, derivatives, on demand inter-bank loans, other assets including cash related assets, central governments, central banks, and supranational exposures.

The table below highlights the Bank's taxonomy-eligible and non-eligible assets as a proportion of total assets.

Taxonomy eligible, non-eligible and out-of scope exposures as a proportion of Total Assets	2024	
	€ million	%
Taxonomy eligible assets as a proportion of total assets	3,570	21.87%
Taxonomy non-eligible assets as a proportion of total assets	2,146	13.15%
Out of scope exposures	10,604	64.98%
Total Assets	**16,320**	**100%**

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

1.4.2.6 Data Limitations

The Bank relies on external data sources to determine the counterparties that are subject to NFRD, and to assess the taxonomy eligibility and alignment of its exposures. Given that undertakings are still adopting the Taxonomy Regulation requirements for their own disclosures, availability of data is expected to increase in future periods.

To ascertain the exposures to foreign undertakings falling within the scope of the NFRD, the Bank opted to utilize the services of an external data provider. This decision was made to ensure comprehensive coverage and adherence to regulatory guidelines. The identification process of undertakings subject to the NFRD, as facilitated by the external data source, aligns with the stipulations outlined in either Article 19a or Article 29a of Directive 2013/34/EU.

Furthermore, for exposures to local undertakings, the Bank adopted a dual approach. While leveraging the insights provided by the external data provider, the Bank also conducted internal assessments. Specifically, clients with more than 500 employees, and listed on the Malta Stock Exchange, during the reporting period were internally identified as falling within the scope of the NFRD. This multifaceted approach aimed to ensure robustness in identifying entities subject to NFRD requirements, both domestically and internationally.

The Bank provided the counterparty NACE of its exposures to corporate entities to the external source. The NACE code is a statistical classification of economic activities. Taxonomy eligible as well as taxonomy aligned exposures were derived from the database of the external data provider based on this counterparty NACE. Data provided is actual data retrieved from the publicly available information of undertakings in scope of NFRD.

The ongoing process of refining the NACE classification stems from notable discrepancies observed between the NACE classifications of certain counterparties and those assigned to the Bank's facilities. This divergence necessitates careful attention and adjustment to ensure accuracy and consistency across classifications, ultimately enhancing data integrity and analytical capabilities.

In line with Annex I of the Climate delegated act, retail exposures secured by residential immovable property and retail lending with loan purpose for building renovation and motor vehicles have been Taxonomy eligible. To establish Taxonomy alignment, the Bank used available internal data and only exposures for the purpose of purchasing photovoltaic panels could be identified as Taxonomy aligned. The Bank is still not in a position to report on the Taxonomy alignment of the other retail exposures since it has not yet been able to ensure that the DNSH criteria is fulfilled.

The Bank is continuously implementing processes and collecting new data with the aim of improving the availability and accuracy of the information being reported over time.

1.4.2.7 Key Performance Indicators (KPIs)

Undertakings are required to disclose the share of their turnover, capital expenditure (CapEx) and operating expenditure associated with taxonomy-eligible, and taxonomy aligned economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with Article 8 of the Taxonomy Regulation.

Starting from the reporting period ending on 31 December 2023, financial institutions are mandated to disclose a Green Asset Ratio (GAR), capturing the share of the Bank's environmentally sustainable assets (taxonomy aligned) relative to the total assets considered for the GAR ratio. The GAR ratio draws insights from CapEx and Turnover Key Performance Indicators (KPIs) provided by corporate clients. By leveraging these KPIs, financial institutions can effectively gauge the extent to which their assets align with environmental sustainability criteria.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

	€ million	Total environmentally sustainable assets - Turnover	Total environmentally sustainable assets - CapEX	KPI Turnover	KPI CAPEX	% coverage (over total assets)***	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Main KPI	Green asset ratio (GAR) stock	2.50	4.21	0.02%	0.04%	63.68%	28.66%	36.32%
		Total environmentally sustainable activities	**Total environmentally sustainable assets - CapEX**	**KPI Turnover**	**KPI CAPEX**	**% coverage (over total assets)**	**% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)**	**% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)**
Additional KPIs	GAR (flow)	0.39	0.39	0.03%	0.03%	37.23%	13.21%	62.77%
	Trading book*	-	-	-	-			
	Financial guarantees	-	-	-	-			
	Assets under management	0.99	4.70	1.70%	8.04%			
	Fees and commissions income**	-	-	-	-			

* *For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a(1) of the CRR*

** *Fees and commissions income from services other than lending and AuM*

Instutitons shall dislcose forwardlooking information for this KPIs, including information in terms of targets, together with relevant explanations on the methodology applied.

*** *% of assets covered by the KPI over banks´ total assets*

Note 1: Across the reporting templates: cells shaded in black should not be reported.

Note 2: Fees and Commissions (sheet 6) and Trading Book (sheet 7) KPIs shall only apply starting 2026. SMEs´inclusion in these KPI will only apply subject to a positive result of an impact assessment.

The Bank's main KPI refers to the GAR for the stock exposures under Turnover and CapEx. €2.50 million and €4.21 million of the Banks total assets eligible for GAR calculation have been identified as environmentally sustainable under the Turnover and CapEx KPIs, respectively. This is equivalent to 0.02% under Turnover and 0.04% under CapEx. Around 64% of the Bank's total on-balance sheet assets are considered eligible in the denominator of the GAR. The uncovered exposure mainly consists of exposures to central governments and supranational issuers, which are not covered by the GAR calculation. Additionally, almost 29% of the Bank's on-balance sheet assets are excluded from the numerator of the GAR but included in the denominator. These consist of exposures to undertakings that are not subject to NFRD disclosure obligations within the EU and outside the EU, derivatives, on demand interbank loans and other assets included cash-related assets.

Additional KPIs disclosed above include the GAR for new exposures obtained during the current reporting period i.e. GAR (flow) and the GAR for off-balance sheet assets under management. €0.39 million of the Bank's total new assets eligible for GAR calculation have been identified as environmentally sustainable under the Turnover and CapEx KPIs respectively. For the current reporting period, the GAR flow is made up of retail exposures only. Naturally, such exposure does not differ under Turnover and CapEx. This is equivalent to 0.03% under Turnover.

Under turnover, €0.99 million of the Bank's off-balance sheet assets under management[6] have been identified as environmentally sustainable. This translates into a turnover of KPI equal to 1.70% of the Bank's off-balance sheet assets towards undertakings that are subject to NFRD. CapEx KPI for the Bank's Assets Under Management (AUM) is reported at 8.04% as at 31 December 2024.

[6] *Off-balance sheet exposures to undertakings that are subject to NFRD.*

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 1 – Assets for the GAR Calculations – Turnover

	Million EUR	Disclosure reference date T																														
		Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			TTRS	ES	UOP	T	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	T	E
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	5,716	3,492	3		0	2	78	0																			3,570	3		0	2
2	**Financial undertakings**	1,810	3	0				78	0																			81	0			
3	Credit institutions	1,622	0	0				66	0																			66	0			
4	Loans and advances	328	0					0																				0				
5	Debt securities, including UoP	1,275	0	0				66	0																			66	0			
6	Equity instruments	19	0					0																				0				
7	Other financial corporations	188	3					12																				15				
8	of which investment firms																															
9	Loans and advances																															
10	Debt securities, including UoP																															
11	Equity instruments																															
12	of which management companies																															
13	Loans and advances																															
14	Debt securities, including UoP																															
15	Equity instruments																															
16	of which insurance undertakings																															
17	Loans and advances																															
18	Debt securities, including UoP																															
19	Equity instruments																															
20	**Non-financial undertakings**	13	5	2		0	1	0	0																			5	2		0	1
21	Loans and advances	0						0																				0				
22	Debt securities, including UoP	13	5	2		0	1	0	0																			5	2		0	1
23	Equity instruments	1	0	0				0	0																			0	0			
24	**Households**	3,892	3,484	1			1																					3,484	1			1
25	of which loans collateralised by residential immovable property	3,371	3,371	0			0																					3,371	0			0
26	of which building renovation loans	23	23	1			1																					23	1			1
27	of which motor vehicle loans	73	73	0			0																					73	0			0
28	**Local governments financing**																															
29	Housing financing																															
30	Other local government financing																															
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0	0	0			0																					0	0			0

TTRS	Of which towards taxonomy relevant sectors (Taxonomy-eligible)
ES	Of which environmentally sustainable (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 1 – Assets for the GAR Calculations – Turnover (continued)

Disclosure reference date T

Million EUR	Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		TTRS	ES	UOP	T	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	T	E
GAR - Covered assets in both numerator and denominator																															
32 **Assets excluded from the numerator for GAR calculation (covered in the denominator)**	4,677																														
33 **Financial and Non-financial undertakings**	3,077																														
34 SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	3,015																														
35 Loans and advances	2,934																														
36 of which loans collateralised by commercial immovable property	1,444																														
37 of which building renovation loans																															
38 Debt securities	76																														
39 Equity instruments	4																														
40 Non-EU country counterparties not subject to NFRD disclosure obligations	62																														
41 Loans and advances	16																														
42 Debt securities	46																														
43 Equity instruments																															
44 **Derivatives**	4																														
45 **On demand interbank loans**	179																														
46 **Cash and cash-related assets**	1,021																														
47 **Other categories of assets (e.g. Goodwill, commodities etc.)**	395																														
48 **Total GAR assets**	10,393	3,492	3		0	2	78	0																			3,570	3		0	2
49 **Assets not covered for GAR calculation**	5,927																														
50 **Central governments and Supranational issuers**	4,973																														
51 **Central banks exposure**	955																														
52 **Trading book**																															
53 **Total assets**	16,321	3,492	3		0	2	78	0																			3,570	3		0	2
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																															
54 Financial guarantees																															
55 Assets under management	58	3	1		0	1	3	0																			6	1		0	1
56 Of which debt securities	54	3	1		0	1	3	0																			6	1		0	1
57 Of which equity instruments	4	1	0			0	0	0																			1	0			0

TTRS	Of which towards taxonomy relevant sectors (Taxonomy-eligible)
ES	Of which environmentally sustainable (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 1 – Assets for the GAR Calculations – CapEX

Disclosure reference date T

#	Million EUR	Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			TTRS	ES	UOP	T	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	T	E
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	5,718	3,491	4		0	4	0	0																			3,491	4		0	4
2	**Financial undertakings**	1,813		0				0	0																			0	0			
3	Credit institutions	1,641		0				0	0																			0	0			
4	Loans and advances	328																														
5	Debt securities, including UoP	1,263		0				0	0																			0	0			
6	Equity instruments	50																														
7	Other financial corporations	171																														
8	of which investment firms																															
9	Loans and advances																															
10	Debt securities, including UoP																															
11	Equity instruments																															
12	of which management companies																															
13	Loans and advances																															
14	Debt securities, including UoP																															
15	Equity instruments																															
16	of which insurance undertakings	1																														
17	Loans and advances	1																														
18	Debt securities, including UoP																															
19	Equity instruments																															
20	**Non-financial undertakings**	13	7	3		0	3		0																			7	3		0	3
21	Loans and advances	0																														
22	Debt securities, including UoP	13	7	3		0	3		0																			7	3		0	3
23	Equity instruments	1	0	0					0																			0	0			
24	**Households**	3,892	3,484	1			1																					3,484	1			1
25	of which loans collateralised by residential immovable property	3,371	3,371	0			0																					3,371	0			0
26	of which building renovation loans	23	23	1			1																					23	1			1
27	of which motor vehicle loans	73	73	0			0																					73	0			0
28	**Local governments financing**																															
29	Housing financing																															
30	Other local government financing																															
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0	0	0			0																					0	0			0

TTRS	Of which towards taxonomy relevant sectors (Taxonomy-eligible)
ES	Of which environmentally sustainable (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 1 – Assets for the GAR Calculations – CapEX (continued)

Million EUR	Total [gross] carrying amount	Disclosure reference date T																									
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		TTRS	ES	UOP	T	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	T	E
GAR - Covered assets in both numerator and denominator																											
32 **Assets excluded from the numerator for GAR calculation (covered in the denominator)**	4,672																										
33 **Financial and Non-financial undertakings**	3,073																										
34 SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	3,010																										
35 Loans and advances	2,934																										
36 of which loans collateralised by commercial immovable property	1,444																										
37 of which building renovation loans																											
38 Debt securities	76																										
39 Equity instruments	0																										
40 Non-EU country counterparties not subject to NFRD disclosure obligations	62																										
41 Loans and advances	16																										
42 Debt securities	46																										
43 Equity instruments																											
44 **Derivatives**	4																										
45 **On demand interbank loans**	179																										
46 **Cash and cash-related assets**	1,021																										
47 **Other categories of assets (e.g. Goodwill, commodities etc.)**	395																										
48 **Total GAR assets**	10,391	3,491	4		0	4	0	0																				3,491	4		0	4
49 **Assets not covered for GAR calculation**	5,930																										
50 **Central governments and Supranational issuers**	4,975																										
51 **Central banks exposure**	955																										
52 **Trading book**																											
53 **Total assets**	16,321	3,491	4		0	4	0	0																				3,491	4		0	4
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																											
54 Financial guarantees																											
55 Assets under management	58	6	5		1	3		0																				6	5		1	3
56 Of which debt securities	54	6	5		1	3		0																				6	5		1	3
57 Of which equity instruments	4	0	0			0		0																				0	0			0

TTRS	Of which towards taxonomy relevant sectors (Taxonomy-eligible)
ES	Of which environmentally sustainable (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 2 - GAR sector information – Turnover

This template outlines the Taxonomy-eligible and aligned exposure to undertakings subject to NFRD with a breakdown by sector at NACE classification level 4. The Bank's environmentally sustainable assets are exposed to 'C-Manufacturing', 'H-Transport and storage' and 'Q- Human health and social work activities.' Template 2 shows only the sectors in which the Bank has exposures.

Template 2 – Climate change mitigation (CCM) and Climate Change Adaptation (CCA), columns a – h

		a	b	c	d	e	f	g	h
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	Breakdown by sector - NACE 4 digits level (code and label)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCA)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCA)
88	C - Manufacturing	0	0			0	0		
224	C21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations	0	0			0	0		
225	C21.1 - Manufacture of basic pharmaceutical products	0	0			0	0		
226	C21.1.0 - Manufacture of basic pharmaceutical products	0	0			0	0		
390	C30 - Manufacture of other transport equipment	0	0			0	0		
396	C30.3 - Manufacture of air and spacecraft and related machinery	0	0			0	0		
397	C30.3.0 - Manufacture of air and spacecraft and related machinery	0	0			0	0		
622	H - Transporting and storage	5	2			0	0		
661	H53 - Postal and courier activities	5	2			0	0		
664	H53.2 - Other postal and courier activities	5	2			0	0		
665	H53.2.0 - Other postal and courier activities	5	2			0	0		
905	Q - Human health and social work activities	0	0			0	0		
915	Q87 - Residential care activities	0	0			0	0		
916	Q87.1 - Residential nursing care activities	0	0			0	0		
917	Q87.1.0 - Residential nursing care activities	0	0			0	0		

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 2 – Climate change mitigation (CCM) and Climate Change Adaptation (CCA), columns i-ab

		i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa	ab
		Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
Breakdown by sector - NACE 4 digits level (code and label)		[Gross] carrying amount Mn EUR	Of which environmentally sustainable (WTR)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (WTR)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CE)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CE)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (PPC)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (PPC)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (BIO)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (BIO)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
88	C - Manufacturing																	0	0		
224	C21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations																	0	0		
225	C21.1 - Manufacture of basic pharmaceutical products																	0	0		
226	C21.1.0 - Manufacture of basic pharmaceutical products																	0	0		
390	C30 - Manufacture of other transport equipment																	0	0		
396	C30.3 - Manufacture of air and spacecraft and related machinery																	0	0		
397	C30.3.0 - Manufacture of air and spacecraft and related machinery																	0	0		
622	H - Transporting and storage																	5	2		
661	H53 - Postal and courier activities																	5	2		
664	H53.2 - Other postal and courier activities																	5	2		
665	H53.2.0 - Other postal and courier activities																	5	2		
905	Q - Human health and social work activities																	0	0		
915	Q87 - Residential care activities																	0	0		
916	Q87.1 - Residential nursing care activities																	0	0		
917	Q87.1.0 - Residential nursing care activities																	0	0		

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 2 - GAR sector information – CapEX, columns a-h

	Breakdown by sector - NACE 4 digits level (code and label)	a	b	c	d	e	f	g	h
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCA)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCA)
88	C - Manufacturing	1	0				0		
224	C21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations	0	0				0		
225	C21.1 - Manufacture of basic pharmaceutical products	0	0				0		
226	C21.1.0 - Manufacture of basic pharmaceutical products	0	0				0		
390	C30 - Manufacture of other transport equipment	1	0				0		
396	C30.3 - Manufacture of air and spacecraft and related machinery	1	0				0		
397	C30.3.0 - Manufacture of air and spacecraft and related machinery	1	0				0		
622	H - Transporting and storage	5	3				0		
661	H53 - Postal and courier activities	5	3				0		
664	H53.2 - Other postal and courier activities	5	3				0		
665	H53.2.0 - Other postal and courier activities	5	3				0		
905	Q - Human health and social work activities	0	0				0		
915	Q87 - Residential care activities	0	0				0		
916	Q87.1 - Residential nursing care activities	0	0				0		
917	Q87.1.0 - Residential nursing care activities	0	0				0		

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 2 - GAR sector information – CapEX, columns i-ab

	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa	ab
	Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
Breakdown by sector - NACE 4 digits level (code and label)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (WTR)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (WTR)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CE)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CE)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (PPC)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (PPC)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (BIO)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (BIO)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
88 C - Manufacturing																	1	0		
224 C21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations																	0	0		
225 C21.1 - Manufacture of basic pharmaceutical products																	0	0		
226 C21.1.0 - Manufacture of basic pharmaceutical products																	0	0		
390 C30 - Manufacture of other transport equipment																	1	0		
396 C30.3 - Manufacture of air and spacecraft and related machinery																	1	0		
397 C30.3.0 - Manufacture of air and spacecraft and related machinery																	1	0		
622 H - Transporting and storage																	5	3		
661 H53 - Postal and courier activities																	5	3		
664 H53.2 - Other postal and courier activities																	5	3		
665 H53.2.0 - Other postal and courier activities																	5	3		
905 Q - Human health and social work activities																	0	0		
915 Q87 - Residential care activities																	0	0		
916 Q87.1 - Residential nursing care activities																	0	0		
917 Q87.1.0 - Residential nursing care activities																	0	0		

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 3 - GAR KPI Stock – Turnover

Template 3 outlines the Taxonomy-eligible and aligned stock exposures for the reporting period 31 December 2024.

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

	% (compared to total covered assets in the denominator)	Disclosure reference date T																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total assets covered
		TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	33.60%	0.02%	0.00%	0.00%	0.02%	0.75%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	34.35%	0.02%	0.00%	0.00%	0.02%	35.02%
2	**Financial undertakings**	0.03%	0.00%	0.00%	0.00%	0.00%	0.75%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.78%	0.00%	0.00%	0.00%	0.00%	11.09%
3	Credit institutions	0.00%	0.00%	0.00%	0.00%	0.00%	0.63%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.63%	0.00%	0.00%	0.00%	0.00%	9.94%
4	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.01%
5	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.63%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.63%	0.00%	0.00%	0.00%	0.00%	7.81%
6	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.11%
7	Other financial corporations	0.03%	0.00%	0.00%	0.00%	0.00%	0.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.14%	0.00%	0.00%	0.00%	0.00%	1.15%
8	of which investment firms	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
10	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
12	of which management companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
13	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
16	of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
17	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
18	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
19	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
20	**Non-financial undertakings**	0.05%	0.02%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%	0.02%	0.00%	0.00%	0.01%	0.08%
21	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 3 - GAR KPI Stock – Turnover (continued)

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

		Disclosure reference date T																														
% (compared to total covered assets in the denominator)		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total assets covered
		TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
GAR - Covered assets in both numerator and denominator																																
22	Debt securities, including UoP	0.05%	0.02%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%	0.02%	0.00%	0.00%	0.01%	0.08%
23	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
24	**Households**	33.52%	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									33.52%	0.01%	0.00%	0.00%	0.01%	23.85%
25	of which loans collateralised by residential immovable property	32.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									32.44%	0.00%	0.00%	0.00%	0.00%	20.66%
26	of which building renovation loans	0.22%	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									0.22%	0.01%	0.00%	0.00%	0.01%	0.14%
27	of which motor vehicle loans	0.70%	0.00%	0.00%	0.00%	0.00%																					0.70%	0.00%	0.00%	0.00%	0.00%	0.44%
28	**Local governments financing**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
29	Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
30	Other local government financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
32	**Total GAR assets**	33.60%	0.02%	0.00%	0.00%	0.02%	0.75%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	34.35%	0.02%	0.00%	0.00%	0.02%	63.68%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 3 - GAR KPI Stock – CapEX

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

		Disclosure reference date T																													
	% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total assets covered
		TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	33.59%	0.04%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	33.59%	0.04%	0.00%	0.00%	0.03%	35.04%
2	**Financial undertakings**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	11.11%
3	Credit institutions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	10.06%
4	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.01%
5	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	7.74%
6	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.30%
7	Other financial corporations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.05%
8	of which investment firms	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
10	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
12	of which management companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
13	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
16	of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
17	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
18	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
19	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
20	**Non-financial undertakings**	0.07%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%	0.03%	0.00%	0.00%	0.03%	0.08%
21	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 3 - GAR KPI Stock – CapEX (continued)

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

		Disclosure reference date T																													
	% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total assets covered
		TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
	GAR - Covered assets in both numerator and denominator																															
22	Debt securities, including UoP	0.06%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%	0.03%	0.00%	0.00%	0.03%	0.08%
23	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
24	Households	33.53%	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									33.53%	0.01%	0.00%	0.00%	0.01%	23.85%
25	of which loans collateralised by residential immovable property	32.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									32.44%	0.00%	0.00%	0.00%	0.00%	20.66%
26	of which building renovation loans	0.22%	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									0.22%	0.01%	0.00%	0.00%	0.01%	0.14%
27	of which motor vehicle loans	0.70%	0.00%	0.00%	0.00%	0.00%																					0.70%	0.00%	0.00%	0.00%	0.00%	0.44%
28	Local governments financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
29	Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
30	Other local government financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
31	Collateral obtained by taking possession: residential and commercial immovable properties	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
32	Total GAR assets	33.60%	0.04%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	33.60%	0.04%	0.00%	0.00%	0.03%	63.67%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 4 - GAR KPI Flow – Turnover

Template 4 under Turnover and CapEx are identical because the flow assets relate to retail exposure, and these do not distinguish between Turnover and CapEx KPIs.

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

		Disclosure reference date T																														
	% (compared to flow of total eligible assets)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total new assets covered
		TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	31.80%	0.03%	0.00%	0.00%	0.03%	0.69%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	32.49%	0.03%	0.00%	0.00%	0.03%	24.02%
2	**Financial undertakings**	0.07%	0.00%	0.00%	0.00%	0.00%	0.69%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.76%	0.00%	0.00%	0.00%	0.00%	10.27%
3	Credit institutions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	9.11%
4	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.62%
5	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.48%
6	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
7	Other financial corporations	0.07%	0.00%	0.00%	0.00%	0.00%	0.69%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.76%	0.00%	0.00%	0.00%	0.00%	1.16%
8	of which investment firms	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
10	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
12	of which management companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
13	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
16	of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
17	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
18	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
19	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
20	**Non-financial undertakings**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 4 - GAR KPI Flow – Turnover (continued)

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

% (compared to flow of total eligible assets)	Disclosure reference date T																														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total new assets covered
	TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
GAR - Covered assets in both numerator and denominator																															
21 Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
22 Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
23 Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
24 **Households**	31.73%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									31.73%	0.03%	0.00%	0.00%	0.03%	13.76%
25 of which loans collateralised by residential immovable property	29.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									29.20%	0.00%	0.00%	0.00%	0.00%	10.87%
26 of which building renovation loans	0.56%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									0.56%	0.03%	0.00%	0.00%	0.03%	0.21%
27 of which motor vehicle loans	1.93%	0.00%	0.00%	0.00%	0.00%																					1.93%	0.00%	0.00%	0.00%	0.00%	0.72%
28 **Local governments financing**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
29 Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
30 Other local government financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
32 **Total GAR assets**	31.80%	0.03%	0.00%	0.00%	0.03%	0.69%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	32.49%	0.03%	0.00%	0.00%	0.03%	37.23%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 4 - GAR KPI Flow – CapEX

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

		Disclosure reference date T																														
% (compared to flow of total eligible assets)		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total new assets covered
		TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
GAR - Covered assets in both numerator and denominator																																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	31.73%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	31.73%	0.03%	0.00%	0.00%	0.03%	24.02%
2	**Financial undertakings**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	10.27%
3	Credit institutions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	9.11%
4	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.62%
5	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.48%
6	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
7	Other financial corporations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.16%
8	of which investment firms	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
10	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
12	of which management companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
13	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
16	of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
17	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
18	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
19	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
20	**Non-financial undertakings**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 4 - GAR KPI Flow – CapEX (continued)

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

% (compared to flow of total eligible assets)	Disclosure reference date T																														Proportion of total new assets covered
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
	TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
GAR - Covered assets in both numerator and denominator																															
21 Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
22 Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
23 Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
24 **Households**	31.73%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									31.73%	0.03%	0.00%	0.00%	0.03%	13.76%
25 of which loans collateralised by residential immovable property	29.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									29.20%	0.00%	0.00%	0.00%	0.00%	10.87%
26 of which building renovation loans	0.56%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									0.56%	0.03%	0.00%	0.00%	0.03%	0.21%
27 of which motor vehicle loans	1.93%	0.00%	0.00%	0.00%	0.00%																					1.93%	0.00%	0.00%	0.00%	0.00%	0.72%
28 Local governments financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
29 Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
30 Other local government financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
32 **Total GAR assets**	31.73%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	31.73%	0.03%	0.00%	0.00%	0.03%	37.23%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

Template 5 - KPI off-balance sheet exposures - Turnover

% (compared to flow of total eligible assets)	Disclosure reference date T																										
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E
GAR - Covered assets in both numerator and denominator																														
1 Financial guarantees (FinGuar KPI)																														
2 Assets under management (AuM KPI)	5.58%	1.70%	0.00%	0.29%	1.10%	4.92%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	10.50%	1.70%	0.00%	0.29%	1.10%

Template 5 - KPI off-balance sheet exposures - CapEX

% (compared to flow of total eligible assets)	Disclosure reference date T																													
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E
GAR - Covered assets in both numerator and denominator																														
1 Financial guarantees (FinGuar KPI)																														
2 Assets under management (AuM KPI)	10.86%	8.04%	0.00%	1.06%	5.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	10.86%	8.04%	0.00%	1.06%	5.07%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

1.4.2.8 Nuclear and Fossil Gas Related Activities

Template 1 outlines whether the Bank has any exposure towards nuclear and fossil gas related activities. As at 31 December 2024, the Bank reported exposure towards the construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels. Nonetheless, the Bank does not disclosure the Taxonomy-eligible and non-eligible KPIs templates, as the counterparty does not fall in scope of NFRD and Article 8 of the EU Taxonomy.

Template 1 – Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

1.4.2.9 Key Performance Indicator (KPI) for Asset Managers

As from 1 January 2024, financial undertakings are required to disclose Annex IV template for the KPI of Asset Managers, under Annex III of the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, supplementing Article 8 of Regulation (EU) 2020/852. The key performance indicator for asset managers indicates the proportion of investments that are directed at funding, or associated with taxonomy-aligned activities, in relation to the total assets held by asset managers. The covered assets include exposures towards financial undertakings, non-financial undertakings, and other counterparties, excluding sovereigns, in debt instruments, funds, listed equity, and derivatives.

The value of all covered assets encompasses the value of all assets under management from the Bank's collective and individual portfolio management activities. Investments in central governments, supranational issuers, cash and cash equivalents are not considered, in line with regulatory requirements. The values of derivatives, as well as of EU and non-EU exposures towards financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU are excluded from the numerator of the KPI, and reported within the denominator.

The identification process of the undertakings subject to Articles 19a and 29a of Directive 2013/34/EU, aligns with the requirements outlined in the NFRD regulation. Nonetheless, the Bank relies on the information that investee companies disclose in accordance with Article 8 of the Taxonomy regulation, particularly the information on the share of turnover and capital expenditure (CapEx), derived from economic activities that qualify as environmentally sustainable under Article 3 and 9 of the Taxonomy Regulation. Such data unavailability is partially contributing to the Bank's low reported KPIs.

As of 31 December 2024, the Bank held a total of € 65.11 million assets covered by the KPI, which translates into 9.15% of total investments (assets under management). Additionally, the weighted average value of all investments that are directed at funding, or are associated with taxonomy-aligned economic activities, stood at 6.68% turnover-based and 14.61% when measured based on CapEx.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Annex IV Template for The KPI Of Asset Managers

The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-aligned economic activities **relative to the value of total assets covered by the KPI**, with following weights for investments in undertakings per below:		The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-aligned economic activities, with following weights for investments in undertakings per below:	
Turnover-based:	6.68%	Turnover-based:	4,348,323
CapEx—based:	14.61%	CapEx—based:	9,509,961
The percentage of assets covered by the KPI relative to total investments (total AuM). Excluding investments in sovereign entities,		The monetary value of assets covered by the KPI. Excluding investments in sovereign entities.	
Coverage ratio: %	9.15%	Coverage: [monetary amount]	65,107,711
Additional, complementary disclosures: breakdown of **denominator** of the KPI			
The percentage of derivatives relative to total assets covered by the KPI. X %	4.75%	The value in monetary amounts of derivatives: [monetary amount]	3,090,607
The proportion of **exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI:		Value of exposures to **EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU**:	
For non-financial undertakings:	7.37%	For non-financial undertakings: [monetary amount]	4,797,231
For financial undertakings:	0.25%	For financial undertakings: [monetary amount]	162,691
The proportion of **exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI:		Value of **exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU**:	
For non-financial undertakings:	50.83%	For non-financial undertakings: [monetary amount]	33,095,111
For financial undertakings:	12.52%	For financial undertakings: [monetary amount]	8,153,688
The proportion of **exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI:		Value of **exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU**:	
For non-financial undertakings:	97.80%	For non-financial undertakings: [monetary amount]	63,677,208
For financial undertakings:	2.20%	For financial undertakings: [monetary amount]	1,430,503
The proportion of **exposures to other counterparties over** total assets covered by the KPI: X %	0.00%	Value of **exposures to other counterparties**: [monetary amount]	-
The value of all the investments that are funding **economic activities that are not taxonomy-eligible** relative to the value of total assets covered by the KPI:		Value of all the investments that are funding **economic activities that are not taxonomy-eligible**: [monetary amount]	
Turnover-based: %	58.99%	Turnover-based: [monetary amount]	38,404,519
Capital expenditures-based: %	54.68%	Capital expenditures-based: [monetary amount]	35,600,288
The value of all the investments that are funding taxonomy-eligible economic activities, **but not taxonomy-aligned relative to the value of** total assets covered by the KPI:		Value of all the investments that are funding Taxonomy- eligible economic activities, **but not taxonomy-aligned**: monetary amount]	
Turnover-based: %	34.34%	Turnover-based: [monetary amount]	22,354,868
Capital expenditures-based: %	30.71%	Capital expenditures-based: [monetary amount]	19,997,462

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Annex IV Template for The KPI Of Asset Managers (continued)

Additional, complementary disclosures: breakdown of **numerator** of the KPI			
The proportion of **Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI:		Value of **Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU**:	
For non-financial undertakings:		For non-financial undertakings:	
Turnover-based: %	6.68%	Turnover-based: [monetary amount]	4,348,323
Capital expenditures-based: %	14.61%	Capital expenditures-based: [monetary amount]	9,509,961
For financial undertakings:		For financial undertakings:	
Turnover-based: %	0.00%	Turnover-based: [monetary amount]	0
Capital expenditures-based: %	0.00%	Capital expenditures-based: [monetary amount]	0
The proportion of **taxonomy-aligned exposures to other counterparties in** over total assets covered by the KPI:		Value of **taxonomy-aligned exposures to other counterparties**:	
Turnover-based: %	0.00%	Turnover-based: [monetary amount]	-
Capital expenditures-based: %	0.00%	Capital expenditures-based: [monetary amount]	-

Breakdown of the numerator of the KPI per environmental objective			
Taxonomy-aligned activities –:			
1. Climate change mitigation			
Turnover: %	6.09%	CapEx:%	13.72%
Enabling activities: %	2.43%	Enabling activities: %	4.05%
Transitional activities: %	1.21%	Transitional activities: %	2.83%
2. Climate change adaptation			
Turnover: %	0.00%	CapEx:%	0.00%
Enabling activities: %	0.00%	Enabling activities: %	0.00%
3. The sustainable use and protection of water and marine resources			
Turnover: %	0.02%	CapEx:%	0.01%
Enabling activities: %	0.00%	Enabling activities: %	0.00%
4. The transition to a circular economy			
Turnover: %	0.16%	CapEx:%	0.07%
Enabling activities: %	0.10%	Enabling activities: %	0.03%
5. Pollution prevention and control			
Turnover: %	0.04%	CapEx:%	0.08%
Enabling activities: %	0.00%	Enabling activities: %	0.00%
6. The protection and restoration of biodiversity and ecosystems			
Turnover: %	0.00%	CapEx:%	0.00%
Enabling activities: %	0.00%	Enabling activities: %	0.00%

Statements of profit or loss

for the year ended 31 December 2024

	Note	The Group 2024 €000	The Group 2023 €000	The Bank 2024 €000	The Bank 2023 €000
Interest and similar income					
- on loans and advances	2	306,747	323,404	306,747	323,404
- on debt, other fixed income instruments and derivatives	2	130,427	77,998	130,396	77,998
Interest expense	3	(51,257)	(49,403)	(51,257)	(49,403)
Net interest income		**385,917**	**351,999**	**385,886**	**351,999**
Fee and commission income		98,500	91,988	89,419	83,796
Fee and commission expense		(17,121)	(13,941)	(17,121)	(13,941)
Net fee and commission income	4	**81,379**	**78,047**	**72,298**	**69,855**
Dividend income		567	2,740	8,309	9,802
Trading profits	5	13,792	8,205	13,749	8,194
Net gain on investment securities and hedging instruments	6	4,101	11	4,101	11
Operating income		**485,756**	**441,002**	**484,343**	**439,861**
Employee compensation and benefits	7	(123,360)	(111,061)	(120,649)	(108,394)
General administrative expenses		(73,016)	(78,659)	(71,340)	(76,815)
Amortisation of intangible assets	20	(13,148)	(13,791)	(13,048)	(13,691)
Depreciation	21	(7,164)	(7,389)	(7,133)	(7,342)
Net impairment reversal	8	23,831	10,481	23,831	10,481
Operating profit		**292,899**	**240,583**	**296,004**	**244,100**
Share of results of equity-accounted investees, net of tax	18	9,466	11,030	-	-
Profit before tax	9	**302,365**	**251,613**	**296,004**	**244,100**
Income tax expense	10	(102,766)	(83,677)	(103,482)	(84,825)
Profit for the year		**199,599**	**167,936**	**192,522**	**159,275**
Earnings per share	11	**34.2c**	**28.8c**	**33.0c**	**27.3c**

Statements of profit or loss and other comprehensive income

for the year ended 31 December 2024

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Profit for the year	199,599	167,936	192,522	159,275
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Debt investments at FVOCI				
- change in fair value	(210)	1,615	(210)	1,615
tax thereon	74	(565)	74	(565)
	(136)	1,050	(136)	1,050
Items that will not be reclassified to profit or loss:				
Equity investments at FVOCI				
- change in fair value	(5,544)	(247)	(5,544)	(247)
tax thereon	1,940	86	1,940	86
Property revaluation	6,861	4,255	6,861	4,255
tax thereon and effect of changes in property tax rates	(686)	(426)	(686)	(426)
Release on sale of property	-	84	-	84
tax thereon	-	(8)	-	(8)
Remeasurement of actuarial (loss)/gain on defined benefit plans	(519)	154	(519)	154
tax thereon	182	(54)	182	(54)
Other comprehensive income for the year, net of tax	2,098	4,894	2,098	4,894
Total comprehensive income	201,697	172,830	194,620	164,169

The notes are an integral part of these financial statements.

Statements of financial position

as at 31 December 2024

	Note	The Group 2024 €000	The Group 2023 €000	The Bank 2024 €000	The Bank 2023 €000
ASSETS					
Balances with Central Bank of Malta, treasury bills and cash	13	1,085,871	2,353,317	1,085,871	2,353,317
Financial assets at fair value through profit or loss	14	106,220	113,853	104,678	113,562
Investments	15	5,771,727	4,366,633	5,771,727	4,366,633
Pledged investments	15	564,969	986,829	564,969	986,829
Loans and advances to banks	16	328,547	196,307	328,547	196,307
Loans and advances to customers at amortised cost	17	6,846,302	6,114,589	6,846,302	6,114,589
Investments in equity-accounted investees	18	117,160	110,098	72,870	72,870
Investments in subsidiary companies	19	-	-	6,230	6,230
Intangible assets	20	45,317	54,642	45,306	54,531
Property and equipment	21	153,519	134,172	153,487	134,125
Deferred tax	23	29,032	34,025	29,004	33,937
Assets held for realisation	40	11,870	11,979	11,870	11,979
Other assets	24	18,786	12,746	18,767	12,746
Prepayments		19,779	17,758	17,564	15,682
Total Assets		**15,099,099**	**14,506,948**	**15,057,192**	**14,473,337**
LIABILITIES					
Derivative liabilities held for risk management	14	4,200	4,154	4,200	4,154
Amounts owed to banks	25	9,150	315,651	9,150	315,651
Amounts owed to customers	26	12,803,915	12,152,216	12,807,957	12,157,044
Current tax		8,173	28,079	8,427	28,912
Deferred tax	23	8,119	7,435	8,119	7,435
Other liabilities	27	225,373	198,178	224,842	197,651
Provisions	33	18,388	20,166	18,388	20,016
Debt securities in issue	30	350,846	350,099	350,846	350,099
Subordinated liabilities	30	263,136	163,237	263,136	163,237
Total Liabilities		**13,691,300**	**13,239,215**	**13,695,065**	**13,244,199**
EQUITY					
Called up share capital	31	583,849	583,849	583,849	583,849
Share premium account		49,277	49,277	49,277	49,277
Revaluation reserves	32	62,319	59,628	62,207	59,516
Retained earnings	32	712,354	574,979	666,794	536,496
Total Equity		**1,407,799**	**1,267,733**	**1,362,127**	**1,229,138**
Total Liabilities and Equity		**15,099,099**	**14,506,948**	**15,057,192**	**14,473,337**
MEMORANDUM ITEMS					
Contingent liabilities	33	414,181	394,414	414,181	394,414
Commitments	34	3,000,258	2,315,962	3,000,258	2,315,944

The notes are an integral part of these financial statements.

These financial statements on pages 82 to 183 were approved by the Board of Directors and authorised for issue on 26 March 2025 and signed on its behalf by Dr Gordon Cordina (Chairperson), Deborah Schembri (Director) and Kenneth Farrugia (Chief Executive Officer) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2024.

Statements in changes of equity

for the year ended 31 December 2024

The Group	Share Capital €000	Share Premium Account €000	Revaluation Reserves €000	Retained Earnings €000	Total €000
At 1 January 2023	**583,849**	**49,277**	**57,212**	**422,098**	**1,112,436**
Profit for the year	-	-	-	167,936	**167,936**
Other comprehensive income					
Debt investments at FVOCI					
- change in fair value, net of tax	-	-	1,050	-	**1,050**
Equity investments at FVOCI					
- change in fair value, net of tax	-	-	(161)	-	**(161)**
- gain on sale	-	-	(1,982)	1,982	**-**
Property revaluation, net of tax	-	-	3,829	-	**3,829**
Release on sale of property, net of tax	-	-	(320)	396	**76**
Remeasurement of actuarial gains on defined benefit plans, net of tax	-	-	-	100	**100**
Total other comprehensive income	-	-	2,416	2,478	**4,894**
Total comprehensive income for the year	-	-	2,416	170,414	**172,830**
Transactions with owners, recorded directly in equity:					
Dividends to equity holders	-	-	-	(17,533)	**(17,533)**
At 31 December 2023	**583,849**	**49,277**	**59,628**	**574,979**	**1,267,733**
At 1 January 2024	583,849	49,277	59,628	574,979	**1,267,733**
Profit for the year	-	-	-	199,599	**199,599**
Other comprehensive income					
Debt investments at FVOCI					
- change in fair value, net of tax	-	-	(136)	-	**(136)**
Equity investments at FVOCI					
- change in fair value, net of tax	-	-	(3,604)	-	**(3,604)**
- loss on sale	-	-	278	(278)	**-**
Property revaluation, net of tax	-	-	6,175	-	**6,175**
Release on sale of property, net of tax	-	-	(22)	22	**-**
Remeasurement of actuarial losses on defined benefit plans, net of tax	-	-	-	(337)	**(337)**
Total other comprehensive income	-	-	2,691	(593)	**2,098**
Total comprehensive income for the year	-	-	2,691	199,006	**201,697**
Transactions with owners, recorded directly in equity:					
Dividends to equity holders	-	-	-	(61,631)	**(61,631)**
At 31 December 2024	**583,849**	**49,277**	**62,319**	**712,354**	**1,407,799**

The notes are an integral part of these financial statements.

Statements in changes of equity

for the year ended 31 December 2024 (continued)

The Bank	Share Capital €000	Share Premium Account €000	Revaluation Reserves €000	Retained Earnings €000	Total €000
At 1 January 2023	**583,849**	**49,277**	**57,100**	**392,276**	**1,082,502**
Profit for the year	-	-	-	159,275	**159,275**
Other comprehensive income					
Debt investments at FVOCI					
- change in fair value, net of tax	-	-	1,050	-	**1,050**
Equity investments at FVOCI					
- change in fair value, net of tax	-	-	(161)	-	**(161)**
- gain on sale	-	-	(1,982)	1,982	**-**
Property revaluation, net of tax	-	-	3,829	-	**3,829**
Release on sale of property,net of tax	-	-	(320)	396	**76**
Remeasurement of actuarial gains on defined benefit plans, net of tax	-	-	-	100	**100**
Total other comprehensive income	-	-	2,416	2,478	**4,894**
Total comprehensive income for the year	-	-	2,416	161,753	**164,169**
Transactions with owners, recorded directly in equity:					
Dividends to equity holders	-	-	-	(17,533)	**(17,533)**
At 31 December 2023	**583,849**	**49,277**	**59,516**	**536,496**	**1,229,138**
At 1 January 2024	583,849	49,277	59,516	536,496	**1,229,138**
Profit for the year	-	-	-	192,522	**192,522**
Other comprehensive income					
Debt investments at FVOCI					
- change in fair value, net of tax	-	-	(136)	-	**(136)**
Equity investments at FVOCI					
- change in fair value, net of tax	-	-	(3,604)	-	**(3,604)**
- loss on sale	-	-	278	(278)	**-**
Property revaluation, net of tax	-	-	6,175	-	**6,175**
Release on sale of property, net of tax	-	-	(22)	22	**-**
Remeasurement of actuarial losses on defined benefit plans, net of tax	-	-	-	(337)	**(337)**
Total other comprehensive income	-	-	2,691	(593)	**2,098**
Total comprehensive income for the year	-	-	2,691	191,929	**194,620**
Transactions with owners, recorded directly in equity:					
Dividends to equity holders	-	-	-	(61,631)	**(61,631)**
At 31 December 2024	**583,849**	**49,277**	**62,207**	**666,794**	**1,362,127**

The notes are an integral part of these financial statements.

Statements of cashflows

for the year ended 31 December 2024

	Note	The Group 2024 €000	The Group 2023 €000	The Bank 2024 €000	The Bank 2023 €000
Cash flows from operating activities					
Interest and commission receipts		398,255	418,039	389,135	409,842
Interest, commission and compensation payments		(26,395)	(22,657)	(26,395)	(22,657)
Receipt from sale of non-performing loans	8	-	26,000	-	26,000
Payments to employees and suppliers		(189,173)	(182,751)	(184,451)	(178,953)
Operating profit before changes in operating assets and liabilities		182,687	238,631	178,289	234,232
(Increase)/decrease in operating assets:					
Loans and advances to banks and customers		(692,441)	(521,286)	(692,441)	(521,286)
Reserve deposit with Central Bank of Malta	13	(4,288)	5,093	(4,288)	5,093
Fair value through profit or loss financial assets		3,954	22,280	5,203	22,286
Fair value through profit or loss equity instruments		-	72	-	201
Treasury bills with original maturity of more than 3 months		-	2,964	-	2,964
Other assets		(5,931)	(4,627)	(5,912)	(4,627)
Increase/(decrease) in operating liabilities:					
Amounts owed to banks and to customers		548,322	(301,710)	547,536	(303,555)
Other liabilities		18,344	(1,935)	18,309	(1,823)
Net cash from/(used) in operating activities before tax		50,647	(560,518)	46,696	(566,515)
Net tax paid		(115,484)	(1,593)	(116,839)	(1,535)
Net cash used in operating activities		(64,837)	(562,111)	(70,143)	(568,050)
Cash flows from investing activities					
Dividends received		2,971	3,878	8,309	9,802
Interest received from amortised and other fixed income instruments		100,850	50,073	100,818	50,073
Purchase of debt instruments	14,15	(2,083,678)	(1,876,446)	(2,083,678)	(1,876,446)
Proceeds from sale or maturity of debt instruments		1,131,065	1,094,631	1,131,065	1,094,631
Purchase of property and equipment and intangible assets		(23,259)	(17,583)	(23,262)	(17,575)
Proceeds from sale of equity instruments	14,15	111	7,897	111	7,897
Net cash used in investing activities		(871,940)	(737,550)	(866,637)	(731,618)
Cash flows from financing activities					
Interest paid on long-term liabilities	3	(5,781)	(5,781)	(5,781)	(5,781)
Proceeds from issue of unsecured subordinated bonds	30	100,000	-	100,000	-
Outflows from issue of unsecured subordinated bonds and senior non-preferred notes		(35,907)	(35,830)	(35,907)	(35,830)
Payment of lease liabilities	22	(1,413)	(1,763)	(1,410)	(1,756)
Dividends paid to equity holders	12	(61,631)	(17,533)	(61,631)	(17,533)
Net cash used in financing activities		(4,732)	(60,907)	(4,729)	(60,900)
Net change in cash and cash equivalents after fx changes		(941,509)	(1,360,568)	(941,509)	(1,360,568)
Effect of exchange rate changes on cash and cash equivalents		(156)	94	(156)	94
Net change in cash and cash equivalents before effect of exchange rate changes		(941,353)	(1,360,662)	(941,353)	(1,360,662)
Net change in cash and cash equivalents		(941,509)	(1,360,568)	(941,509)	(1,360,568)
Cash and cash equivalents at 1 January		2,218,734	3,579,302	2,218,734	3,579,302
Cash and cash equivalents at 31 December	36	**1,277,225**	**2,218,734**	**1,277,225**	**2,218,734**

The notes are an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2024

1. MATERIAL ACCOUNTING POLICIES

1.1 Basis of preparation

Legal Notice 19 of 2009 as amended by Legal Notice 233 of 2016, Accountancy Profession (Accounting and Auditing Standards) (Amendments) Regulations, 2016, defines compliance with generally accepted accounting principles and practice as adherence to International Financial Reporting Standards (IFRS) as adopted by the EU for financial periods starting on or after 1 January 2008. These Regulations have come into force on 17 June 2016.

Article 4 of Regulation 1606/2002/EC requires that, for each financial period starting on or after 1 January 2005, companies governed by the law of an EU Member State shall prepare their consolidated financial statements in conformity with IFRS as adopted by the EU if, at their reporting date, their securities are admitted to trading on a regulated market of any EU Member State. This Regulation prevails over the provisions of the Companies Act, 1995, (Chapter 386, Laws of Malta) to the extent that the said provisions of the Companies Act, 1995, (Chapter 386, Laws of Malta) are incompatible with the provisions of the Regulation. Consequently, the separate and the consolidated financial statements are prepared in conformity with IFRS as adopted by the EU. These financial statements have also been prepared in accordance with the provisions of the Banking Act, 1994 (Chapter 371, Laws of Malta) and the Companies Act, 1995 (Chapter 386, Laws of Malta).

The financial statements have been prepared on the historical cost basis. Assets and liabilities are measured at historical cost except for the following that are measured at fair value: financial assets measured at fair value through other comprehensive income (FVOCI), financial instruments classified at fair value through profit or loss (FVTPL), derivatives and land and buildings. Additionally, assets held for realisation are measured at fair value less costs to sell if it is lower than their cost.

References to the 'Group' applies also to the 'Bank'.

1.1.1 Going concern

Stress testing scenarios were carried out to evaluate the appropriateness of the going concern basis in preparing the financial statements for 2024.

In making this assessment as at 31 December 2024, which is at least, but not limited to, twelve months from the end of the reporting period, the Directors considered the Group's business, profitability projections, funding and capital plans, together with a range of other factors such as the prolongation of the heightened geopolitical tensions and ransomware. The matters of primary consideration by the Directors are set out below:

Capital: The Group has developed capital plans under base and stress scenarios and the Directors believe that the Group has sufficient capital to meet its regulatory capital requirements throughout the period of assessment. Stress tests used (both for capital and liquidity) were based upon an assessment of reasonably possible downside that the Group may experience including climate related risks and related reputational and strategic considerations. Taking into consideration the capital regulatory requirements together with a management buffer, a surplus in all capital ratios is reported under all severities.

Funding and Liquidity: The Directors have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment. This statement is based on the development of different stress testing scenarios.

In 2022, in order to meet regulatory requirements pertaining to MREL, the Bank had obtained approval from the Central Bank of Ireland for a base prospectus towards the establishment of a Euro Medium Note Programme of a maximum amount of €500 million. On 6 December 2022, the Bank issued €350 million Senior non-preferred notes. Furthermore, during the current year, the Bank has obtained regulatory approval of a Medium-Term Bond Programme of up to €250 million. On the 28 November 2024, the Bank has issued €100 million unsecured subordinated bonds (Refer to Note 30).

Based on the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment.

1.1.2 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2024:

- Amendments to IFRS 16 *Leases*: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)
- Amendments to IAS 1 *Presentation of Financial Statements*:
  - Classification of Liabilities as Current or Non-Current (issued on 23 January 2020);
  - Classification of Liabilities as Current or Non-Current - Deferral of Effective Date (issued on 15 July 2020); and
  - Non-Current Liabilities with Covenants (issued on 31 October 2022)
- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*: Supplier Finance Arrangements (issued on 25 May 2023)

The amendments did not have a significant impact on the Group and the Bank's annual report as at 31 December 2024.

Notes to the financial statements

for the year ended 31 December 2024

1. MATERIAL ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

1.1.3 Standards issued but not yet effective

Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*: Lack of Exchangeability have been issued on 15 August 2023 that contains guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments are effective for reporting periods beginning on or after 1 January 2025 and are applied retrospectively in accordance with IAS 8 and earlier application is permitted. Such amendments are not expected to have a significant impact on the Group.

1.1.4 Standards and amendments not yet endorsed by the EU

The following new standards and amendments have not yet been endorsed by the EU:

- IFRS 19 *Subsidiaries without Public Accountability: Disclosures* (issued on 9 May 2024)
- IFRS 18 *Presentation and Disclosure in Financial Statements* (issued on 9 April 2024)
- Contracts Referencing Nature-dependent Electricity - Amendments to IFRS 9 and IFRS 17 (issued on 18 December 2024)
- Annual improvements Volume 11 (issued on 18 July 2024)
- Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*

1.2 Basis of consolidation

The Group financial statements comprise the financial statements of Bank of Valletta p.l.c., (the Bank), a public liability company domiciled and incorporated in Malta, and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g., those resulting from a lending relationship) become substantive and lead to the Group having power over an investee. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances, transactions, income and expenses are eliminated on consolidation. Non-controlling interests that represent ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at their present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. After initial recognition, non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

The excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities is recognised as goodwill and is included within the carrying amount of the investment and assessed for impairment as part of the investment. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable assets and liabilities, the difference is included as income in the determination of the Group's share of the profit or loss in the period in which the investment is acquired. Equity-accounted investees comprise interests in associates. The results and assets and liabilities of equity-accounted investees are incorporated in the consolidated financial statements using the equity method of accounting from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Equity-accounted investees are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies.

The material accounting policies adopted are set out in the following pages.

1.3 Financial instruments

1.3.1 Amortised cost and effective interest rate

Interest income and expense is recognised using the effective interest method, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or, when appropriate, a shorter period to that instrument's gross carrying amount. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the instrument but not future credit losses. For purchase or originated credit-impaired (POCI) financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flow including Expected Credit Losses.

The calculation of the effective interest rate includes payments and receipts that are an integral part of the effective interest rate, transaction costs and all other discounts or premiums upon initial recognition.

Transaction costs include incremental costs that are directly attributable to the acquisition of issue of a financial asset or financial liability.

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets adjusted for any expected credit loss allowance.

Notes to the financial statements

for the year ended 31 December 2024

1. MATERIAL ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

1.3.2 Interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or liability. Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Financial assets that are not POCI but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis; or
- POCI financial assets, for which the credit-adjusted effective interest rate is applied to the amortised cost of the financial asset from initial recognition. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

The effective interest rate is revised as a result of periodic re-estimation of cash flows for floating-rate instruments to reflect movements in market rates of interest.

1.3.3 Initial Recognition

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument. All loans and advances to customers and to banks are recognised when cash is advanced to borrowers. All purchases and sales of securities are recognised and derecognised on settlement date, which is the date that an asset is delivered to or by the Group.

1.3.4 Measurement at initial recognition

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

An expected credit loss allowance (ECL) is also recognised after initial recognition for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in Note 39.2.1.2, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

1.4 Financial Assets

1.4.1 Classification and measurement of financial assets

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

i. the Group's business model for managing the asset; and
ii. the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) on specified dates, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 39.2.1.1. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses on specified dates, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gain on investment securities and hedging instruments'. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Notes to the financial statements

for the year ended 31 December 2024

1. MATERIAL ACCOUNTING POLICIES (continued)

1.4 Financial Assets (continued)

1.4.1 Classification and measurement of financial assets (continued)

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit or loss within 'Trading profits' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net gain on investment securities and hedging instruments'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Financial assets are designated at fair value through profit or loss on initial recognition where such designation results in more relevant information because it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases.

Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Cash flows that represent solely payments of principal and interest

'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money - e.g. periodical reset of interest rates.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

Notes to the financial statements

for the year ended 31 December 2024

1. MATERIAL ACCOUNTING POLICIES (continued)

1.4 Financial Assets (continued)

1.4.1 Classification and measurement of financial assets (continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis and is irrevocable. Other equity instruments are classified as measured at FVTPL.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised. Dividends are recognised in profit or loss (see Note 1.21) unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.Gains and losses on equity investments at FVTPL are included in the 'Trading profits' line in the statement of profit or loss.

1.4.2 Modification of terms

When modification of a loan agreement occurs as a result of commercial restructuring activity rather than due to the credit risk of the borrower, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see 1.4.5) and a new financial asset is recognised at fair value. If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset using the original or, if applicable, revised effective interest rate. The adjustment to the gross carrying amount is recognised as a modification gain or loss and is included in 'interest and similar income in the Statement of profit or loss.

Additionally, in the case of loans and advances which encountered actual or apparent financial difficulties, the Group may grant a concession where a customer's financial difficulty indicates that with the original terms and conditions of the contract satisfactory repayment may not be possible. Such concessions are recognised as revisions to the expected credit loss on the associated loan.

A concession refers to either of the following:

- a change in the previous terms and conditions of a contract the customer is considered unable to comply with due to its financial difficulties to allow for sufficient debt service ability, that would not have been granted had the customer not been in financial difficulties; or
- a total or partial refinancing of a troubled debt contract, that would not have been granted had the customer not been in financial difficulties.

1.4.3 Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 39.2.1.2 provides more detail of how the expected credit loss allowance is measured.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision;
- where a financial instrument includes both a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Notes to the financial statements

for the year ended 31 December 2024

1. MATERIAL ACCOUNTING POLICIES (continued)

1.4 Financial Assets (continued)

1.4.3 Impairment (continued)

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Modification of financial assets

When there is a modification of financial assets' terms (Note 1.4.2), the date of renegotiation is considered to be the date of initial recognition for impairment calculation purposes including for the purpose of determining whether a significant increase in credit risk has occurred.

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

1.4.4 Recoveries

Loans and debt securities are written off (either partially of in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determined that the borrowers do not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in the Impairment caption in the Statement of Profit or Loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

1.4.5 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or when the group transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

1.4.6 Fair valuation of financial assets

Where possible, fair value is based on quoted bid prices in an active market. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Notes to the financial statements

for the year ended 31 December 2024

1. MATERIAL ACCOUNTING POLICIES (continued)

1.5 Financial liabilities

1.5.1 Classification and measurement of financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial liabilities are initially measured at fair value less, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to their issue. Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss, which are measured at fair value.

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and those designated at fair value through profit or loss upon initial recognition. During the current and the previous year, the Group did not designate any financial liabilities as at fair value through profit or loss upon initial recognition. Derivatives are categorised as held for trading, unless they are designated and effective hedging instruments.

Financial liabilities that are measured at amortised cost using the effective interest method include amounts owed to banks, amounts owed to customers, senior non-preferred liabilities and subordinated liabilities.

The gain or loss on financial liabilities at fair value through profit or loss is recognised in profit or loss. For financial liabilities carried at amortised cost, the gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process whereby any difference between the proceeds net of transaction costs, and the settlement or redemption is recognised over the term of the financial liability.

Financial liabilities are classified in separate captions of the Statement of Financial Position based on the nature of the instrument and the counterparty. Financial liabilities where the creditor has a lower priority than others are classified as subordinated liabilities whilst Senior non-preferred liabilities that fulfil the minimum requirements for own funds and eligible liabilities (MREL) are presented in a separate caption.

1.5.2 Derecognition of financial liabilities

A financial liability is derecognised when it is extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

1.6 Financial guarantee contracts and loan commitments

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

For financial guarantees issued or commitments the Group recognises a loss allowance.

Impairment allowances and provisions on loan commitments that comprise both a drawn and undrawn commitment are presented in accordance with the policy set out in the Note 1.4.3 Impairment.

1.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.8 Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. For a cash flow hedge of a forecast transaction, the Group makes an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The Group normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.

Notes to the financial statements

for the year ended 31 December 2024

1. MATERIAL ACCOUNTING POLICIES (continued)

1.8 Derivatives held for risk management purposes and hedge accounting (continued)

These hedging relationships are discussed below.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a Central Counterparty Clearing (CCP) by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as an adjustment to the recalculated effective interest rate of the item over its remaining life.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

Other non-trading derivatives

Other non-trading derivatives are recognised on balance sheet at fair value on initial recognition. If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of trading profits and net income from other financial instruments at FVTPL (refer to Note 5).

1.9 Sale and repurchase agreements

Securities sold subject to a linked repurchase agreement (repos) are retained in the financial statements as financial assets at fair value through profit or loss or as investment securities as appropriate, and the counterparty liability is included in amounts owed to banks. Securities purchased under agreements to resell (reverse repos) are not recognised but the amounts paid are recorded as loans and advances to banks. The difference between sale and repurchase price or purchase and subsequent sale price is recognised over the life of the repo/reverse repo agreements using the effective interest method and is treated as interest.

1.10 Investments in subsidiaries and equity-accounted investees

Investments in subsidiaries and equity-accounted investees are initially included in the Bank's statement of financial position at cost and subsequently at cost less any impairment loss which may have arisen. Interest in equity-accounted investees are accounted for using the equity method at Group level. They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases. Dividends from the investments are recognised in the Bank's profit or loss when its right to receive dividend is established.

At the end of each reporting period, the Bank reviews the carrying amount of its investments in subsidiaries and equity-accounted investees to determine whether there is any indication of impairment and if any such indication exists, the recoverable amount of the asset is estimated.

1.11 Property and equipment

Property and equipment are classified into the following classes - land and buildings, IT infrastructure and equipment and other (primarily furniture and fittings) and are initially measured at cost.

Subsequent to initial recognition, freehold and long-term leasehold properties are stated in the statement of financial position at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by professionally qualified architects on a regular basis such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Other tangible assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Notes to the financial statements

for the year ended 31 December 2024

1. MATERIAL ACCOUNTING POLICIES (continued)

1.12 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

1.12.1 Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises, the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. After commencement date, the Group measures its right-of-use asset by applying the cost model and is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using its incremental borrowing rate. This rate was based on the swap rate curves as proxies for the risk-free rate, the MGS yield to include the local context and applying a risk margin.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

1.12.2 Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (below €5,000) and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.13 Intangible assets

Intangible assets comprise computer software. In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property and equipment and accounted for in accordance with the Group's accounting policy on property and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset. Computer software is externally generated.

Computer software is initially measured at cost. It is subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

1.14 Depreciation and amortisation

Depreciation on property and equipment commence when these assets are available for use and are charged to profit or loss so as to write off the cost or revalued amount of assets, other than land, less any estimated residual value, over their estimated useful life, using the straight-line method, on the following bases:

Property and equipment		
Freehold and long-term leasehold buildings	2%	per annum
IT infrastructure and equipment	10% - 25%	per annum
Other (primarily furniture and fittings)	5% - 33%	per annum
Right-of-use assets	Over the life of the lease	

The depreciation method applied, the residual value and the useful life are reviewed at the end of each reporting period and adjusted if appropriate.

Notes to the financial statements

for the year ended 31 December 2024

1. MATERIAL ACCOUNTING POLICIES (continued)

1.14 Depreciation and amortisation (continued)

Amortisation on intangible assets commence when these assets are available for use and are charged to profit or loss so as to write off the cost or revalued amount of assets, less any estimated residual value, over their estimated useful life, using the straight line method, on the following bases:

Intangible assets		
Computer software	10% - 33%	per annum

During the year, the Bank acquired new computer software assets and revised the estimated useful life reflecting the expected usage patterns and technological advancements of the new assets.

The amortisation method applied, the residual value and the useful life are reviewed at the end of each reporting period and adjusted if appropriate.

1.15 Impairment of property and equipment and intangible assets

At the end of each reporting period the Group reviews the carrying amount of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists the recoverable amount is estimated in order to determine the extent of the impairment loss and the carrying amount of the asset is reduced to its recoverable amount in line with IAS 36. An impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the loss is recognised in other comprehensive income to the extent that it does not exceed the amount in the revaluation surplus for that asset.

1.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Refer to note 1.4.3 for ECL related provisions.

1.17 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand or with a contractual period to maturity of less than 3 months; advances to banks repayable within 3 months from the date of the advance; balances with the Central Bank of Malta, excluding reserve deposit requirements, and treasury bills with an original maturity of less than 3 months. Amounts owed to banks that are repayable on demand or with a contractual period to maturity of less than 3 months and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flow.

1.18 Dividends payable

Interim dividends and special dividends approved by the Directors are recognised when paid. Final dividends are recognised as liability upon approval by the shareholders at the Annual General Meeting. Special dividends may be declared separately from the typical dividend cycle (interim and final) and are usually a one-off payment distributed to shareholders from the profit of the period and/or from retained earnings.

1.19 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in, its absence, the most advantageous market to which the Group has access at the date. The fair value of a liability reflects its non-performance risk.

Fair value reflects conditions, including but not limited to liquidity in the market, at a specific date and may therefore differ significantly from the amounts which will actually be received on the maturity or settlement date. The Bank's portfolio remains deployed across a wide spread of holdings of moderate duration debt securities issued by quality, credit rated, sovereign, supranational, corporate and financial institutions, as further disclosed in Notes 14 and 15 to the financial statements.

The best evidence of fair value of an instrument is a quoted price in an actively traded market for that instrument. The determination of what constitutes an active market is subjective and requires the collation of data and the exercise of judgement.

A financial instrument is regarded as quoted in an active market 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.

Notes to the financial statements

for the year ended 31 December 2024

1. MATERIAL ACCOUNTING POLICIES (continued)

1.19 Fair value (continued)

The Bank determines whether active market conditions exist by taking into consideration various characteristics, including:

- a significant decline in volume and level of trading activity;
- significant variations in available prices either over time or among market participants;
- the absence of or stale prices;
- unusually wide bid/offer spreads; and
- exceptionally minimal transactions when compared with the quantum of the issue in question.

Where it is concluded that an active market does not exist a valuation technique is used. The latter gives consideration to transaction prices in inactive markets, however it makes use of other observable market data which include a combination of the following:

- the risk premium of more active instruments of the same issuer, the same type of debt, the same currency and with the same or similar maturity;
- the spreads payable on Credit Default Swaps of the issuer;
- the risk premium over and above the risk free bonds for similarly rated issuers in the same industry sector;
- yield curve or Discounted Cash Flow (DCF) calculations to maturity using appropriate interest rate/discount factors;
- liquidity adjustments to reflect ability to sell asset over a reasonable timeframe; and
- other overall reasonableness tests.

The main assumptions and estimates which management considers when using valuation techniques are the likelihood and expected timing of future cash flows on the instrument, selecting an appropriate discount rate for the instrument and a risk premium. The valuation techniques used by the Group incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments.

1.20 Taxation

Income tax expense comprises current and deferred tax and is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case it is dealt with in other comprehensive income or in equity, as appropriate.

Current tax
Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. Current tax also includes any tax arising from dividends. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustments in relation to the prior periods.

Deferred tax
Deferred tax is determined under the liability method in respect of all temporary differences between the carrying amount of an asset or liability in the financial statements and its tax base. Deferred tax liabilities are generally recognised for all taxable temporary differences subject to certain exceptions and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is not recognised for temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

1.21 Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised.

Dividend income from investments is recognised when the right to receive payment has been established.

Interest income and expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or, when appropriate, a shorter period to that instrument's net carrying amount. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the instrument but not future credit losses. The calculation includes payments and receipts that are an integral part of the effective interest rate, transaction costs and all other discounts or premiums.

Generally, fee and commission income, is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses are expensed as the services are received.

Notes to the financial statements

for the year ended 31 December 2024

1. MATERIAL ACCOUNTING POLICIES (continued)

1.22 Foreign currency translation

For the purpose of the consolidated and separate financial statements, the presentation currency is the Euro. The functional currency of the Bank and of all its subsidiaries is the Euro.

In preparing the financial statements of the individual group entities, transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the rates of exchange ruling at the end of the reporting period. Gains and losses arising from such translation are dealt with in profit or loss and presented with trading income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euro at the exchange rate ruling on the date the fair value was measured. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are not retranslated.

1.23 Employee benefits

The Group and the Bank contribute towards the state pension in accordance with local legislation. The only obligation of the Group and the Bank is to make the required contribution. Costs are expensed in the period in which they are incurred in profit or loss.

1.23.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.23.2 Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised in Employee compensation and benefits in the Statement of Profit or Loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.23.3 Defined benefit plans

For the Group's and the Bank's defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with estimations being carried out at each reporting date. Past service cost is recognised as an expense at the earlier of the following dates (a) when the plan amendment or curtailment occurs and (b) when the entity recognises related restructuring costs or termination benefits. The amount recognised in the Statement of Financial Position represents the present value of the expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The service cost and the net interest on the net defined benefit liability are recognised in profit or loss. Remeasurements of the net defined benefit liability, comprising actuarial gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss in a subsequent period. Such remeasurements are recognised immediately in retained earnings. Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from experience adjustments and the effects of changes in actuarial assumptions. Actuarial assumptions are an entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Due to the nature of the actuarial assumptions, in accordance with the provisions of IAS 19 *Employee Benefits*, the Group and the Bank did not involve a qualified actuary in the measurement of their post-employment benefit obligations.

1.23.4 Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

1.24 Judgements in applying accounting policies and key sources of estimation uncertainty

The amounts recognised in the financial statements are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of financial statements. The judgements made by management in applying the Group's and the Bank's accounting policies that have the most significant effect on the amounts recognised in the financial statements, together with information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period have been disclosed in the financial statements.

1.24.1 Credit Impairment

Estimates and underlying assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are either disclosed below or in Note 39.2.1.2.5. This discloses the determination of inputs in the IFRS 9 ECL measurement model, including key assumptions used in incorporation of forward-looking information.

Notes to the financial statements

for the year ended 31 December 2024

1. MATERIAL ACCOUNTING POLICIES (continued)

1.24 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

1.24.2 Fair value of financial instruments not quoted in active markets

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. Periodically, the Group calibrates these valuation techniques and tests them for validity. Where possible the valuation techniques used by the Group make use of observable data and incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. Management is required to make certain assumptions and estimates in arriving at an appropriate fair value, based on available observable market data. A change in assumptions could affect the reported fair value of these financial instruments. Further disclosures are provided in Note 39.

1.24.3 Fair value of land and buildings

The fair value of the Group's and the Bank's land and buildings is determined by using valuation techniques as further disclosed in Note 21. In arriving at an estimate of fair value at the end of the reporting period, the Group and the Bank make use of significant unobservable inputs. A change in such inputs could affect the reported fair value of these land and buildings.

1.24.4 Classification of facilities as forborne

Management follows the European Banking Authority technical standard in identifying performing/non-performing exposures and in determining forborne exposures. Judgement is exercised in determining whether the modification of the original terms of a facility are granted, because of financial difficulties, which would result in the exposure being classified as forborne.

2. INTEREST AND SIMILAR INCOME

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
On loans and advances to banks	3,555	3,674	3,555	3,674
On loans and advances to customers	251,875	234,458	251,875	234,458
On balances with Central Bank of Malta	51,062	84,009	51,062	84,009
On treasury bills	255	1,263	255	1,263
	306,747	323,404	306,747	323,404
On debt, other fixed income instruments and derivatives				
- fair value through other comprehensive income	5,123	4,906	5,123	4,906
- amortised cost	112,720	64,406	112,720	64,406
- fair value through profit or loss	32	30	1	30
- interest rate swaps	2,030	1,773	2,030	1,773
	119,905	71,115	119,874	71,115
Amortisation of discounts and premiums				
- fair value through other comprehensive income	(834)	(1,003)	(834)	(1,003)
- amortised cost	11,356	7,886	11,356	7,886
	10,522	6,883	10,522	6,883
Net interest income on debt and other fixed income instruments using the effective interest rate method	130,427	77,998	130,396	77,998
	437,174	401,402	437,143	401,402

Notes to the financial statements

for the year ended 31 December 2024

3. INTEREST EXPENSE

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
On amounts owed to banks	6,502	4,791	6,502	4,791
On amounts owed to customers	3,227	3,162	3,227	3,162
On debt securities in issue	35,747	35,669	35,747	35,669
On subordinated liabilities	5,781	5,781	5,781	5,781
	51,257	49,403	51,257	49,403

4. NET FEE AND COMMISSION INCOME

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
On loans and advances, similar activities and local business	49,106	48,044	49,136	48,085
On life assurance, fund management and similar activities	23,839	20,463	14,728	12,230
On other activities	8,434	9,540	8,434	9,540
	81,379	78,047	72,298	69,855

The fees and commission presented in this note include income of €34.1 million (2023: €33.4 million) relating to financial assets and financial liabilities not measured at FVTPL.

A significant portion of the fees and commissions earned by the Group are recognised at the point in time when the transaction takes place. These include service charges, processing fees and card related income.

The other fee and commission income earned from contracts with customers is measured based on the consideration specified in the contract with a customer. The Group recognises revenue over time as the services are provided.

5. TRADING PROFITS

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Net income on foreign exchange activities	4,453	4,945	4,414	4,939
Fair value movements and net gains on sale of financial instruments designated at fair value through profit or loss	9,340	3,255	9,336	3,250
Fair value movements and net (losses)/gains on sale of financial instruments mandatorily measured at fair value through profit or loss	(1)	5	(1)	5
	13,792	8,205	13,749	8,194

Notes to the financial statements

for the year ended 31 December 2024

6. NET GAIN ON INVESTMENT SECURITIES AND HEDGING INSTRUMENTS

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Amortised cost instruments				
- net gain/(loss) on disposal	4,213	(2)	4,213	(2)
	4,213	(2)	4,213	(2)
Financial assets at FVOCI - debt instruments				
- net (loss)/gain on disposal	(111)	83	(111)	83
- net revaluation loss attributable to hedged risk	(1,280)	(479)	(1,280)	(479)
	(1,391)	(396)	(1,391)	(396)
Derivative financial instruments				
- net gain on derivative financial instruments held for hedging	1,279	409	1,279	409
	4,101	11	4,101	11

7. EMPLOYEE COMPENSATION AND BENEFITS

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Employee compensation and benefits				
- wages and salaries	98,286	88,984	95,811	86,531
- social security costs	5,689	5,168	5,529	5,016
- retirement benefits	6,063	5,945	6,063	5,945
- contribution plan benefits	1,811	1,507	1,757	1,460
- other staff costs	11,511	9,457	11,489	9,442
	123,360	111,061	120,649	108,394

	The Group		The Bank	
	2024	2023	2024	2023
	No. of persons	No. of persons	No. of persons	No. of persons
The average number of employees are analysed as follows:				
Managerial	982	899	959	876
Supervisory and clerical	1,187	1,133	1,154	1,102
Others	133	73	130	68
	2,302	2,105	2,243	2,046

8. NET IMPAIRMENT REVERSAL

8.1

	Note	The Group		The Bank	
		2024	2023	2024	2023
		€000	€000	€000	€000
Loans and advances to customers					
- increase in expected credit losses		(33,813)	(57,961)	(33,813)	(57,961)
- bad debts written off		(1,319)	(7,345)	(1,319)	(7,345)
		(35,132)	(65,306)	(35,132)	(65,306)
Loans and advances to customers					
- decrease in expected credit losses		55,334	58,604	55,334	58,604
- recoveries of amounts previously written off		3,929	3,694	3,929	3,694
		59,263	62,298	59,263	62,298
Net impact from Non-Performing Loans ('NPL') sale	8.2	-	17,533	-	17,533
Investments					
- increase in expected credit losses		(300)	(320)	(300)	(320)
- write off		-	(3,724)	-	(3,724)
Net impairment reversal		23,831	10,481	23,831	10,481

Net impairment reversal for the year includes post-model adjustment reversal of €3.4 million (2023: Post-model adjustment reversal of €18.2 million) (Note 39.2.1.2.5).

Notes to the financial statements

for the year ended 31 December 2024

8. NET IMPAIRMENT REVERSAL (continued)

8.2 NPL Sale derecognition and write-offs

During the comparative year ended 31 December 2023, the Group entered into an assignment agreement (the "Assignment") pursuant to which it has assigned its rights, title, interest, and benefits to the portfolio of long-standing non-performing loans ("the Portfolio") to a third-party acquirer (the "Acquirer") for a consideration of €26.0 million (the "Transaction"). Most of the Portfolio comprised of commercial loans across a number of different industries although it also included retail exposures. The consideration reflects, amongst other things, the reduced creditworthiness of the underlying borrowers, the recovery risk inherent in the Portfolio and the cost to acquire and manage the Portfolio over the recovery period.

The primary purpose of the transaction was to generate income from non-performing loans ("NPLs") which may have either been completely written off or provided for, in large part, in previous years. The net book value of the Portfolio, as at the last reporting date, December 2022, was €8.5 million, representing €41.3 million in gross carrying amount less €32.8 million in expected credit losses. In this regard, the Transaction had a net positive impact of €17.5 million on the Group's and Bank's profitability for the financial year 2023, representing the difference between the accumulated expected credit losses and the actual realised loss following the Transaction. The sale also included off-balance sheet amounts which had been written-off in previous years.

Refer to Notes 39.2.2.1 and 39.2.2.2 for further detail relating to the derecognition of the principal balances and the release of Expected Credit Losses in relation to the NPL transaction.

9. PROFIT BEFORE TAX

	The Group		The Bank	
	2024 €000	2023 €000	2024 €000	2023 €000
Profit before tax is stated after charging:				
Total remuneration payable to the external auditors of the parent company inclusive of VAT				
- the audit of financial statements	884	967	837	923
- other assurance services	126	114	112	100
- tax advisory services	15	6	10	5
- other non-audit services	223	27	223	27
	1,248	1,114	1,182	1,055
Directors' emoluments:				
- fees	525	443	488	425
- directors' salaries as full-time bank employees	669	512	669	512
	1,194	955	1,157	937
Compensation to other key management personnel is analysed as follows:				
- other fees	95	112	-	-
- short term employee benefits	2,297	1,575	2,297	1,554
- post employment benefits	19	21	19	21
- termination benefits	420	745	420	745
	2,831	2,453	2,736	2,320
Total remuneration of directors and other key management personnel	4,025	3,408	3,893	3,257

Notes to the financial statements

for the year ended 31 December 2024

10. INCOME TAX EXPENSE

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Through profit and loss				
Current	97,593	49,911	98,369	50,997
Deferred	5,173	33,766	5,113	33,828
	102,766	83,677	103,482	84,825

The charge for income tax is based on the taxable profit for the period at a rate of 35%. The income tax expense and the product of accounting profit multiplied by the statutory domestic income tax rate are reconciled as follows:

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Profit before tax	302,365	251,613	296,004	244,100
Tax at the applicable rate of 35%	105,828	88,065	103,601	85,435
Tax effect of:				
Exempt and untaxed dividends	(84)	(120)	(378)	(192)
Share of results of equity-accounted investees	(3,313)	(3,864)	-	-
Withholding tax on property sales	(317)	(259)	(317)	(259)
Depreciation on premises	866	624	866	624
Non-deductible expenses	-	(1)	-	(1)
Other differences	(214)	(768)	(290)	(782)
Income tax expense	102,766	83,677	103,482	84,825
Other comprehensive income				
- current	(2,014)	479	(2,014)	479
- deferred	504	488	504	488
	(1,510)	967	(1,510)	967

The credit in the current tax through Other Comprehensive Income is offset by the current tax expense in profit or loss.

11. EARNINGS PER SHARE

	The Group		The Bank	
	2024	2023	2024	2023
	cents per share	cents per share	cents per share	cents per share
Earnings per share	34.2c	28.8c	33.0c	27.3c

The earnings per share for the Group and Bank have been calculated on the profits of the Group and the Bank, as shown in the Statements of Profit or Loss, divided by number of shares in issue.

Earnings per share was calculated on profit attributable to shareholders of the Group of €199,599,000 (2023: €167,936,000) and the Bank €192,522,000 (2023: €159,275,000) divided by 583,849,270 shares outstanding as at 31 December 2024.

Notes to the financial statements

for the year ended 31 December 2024

12. DIVIDENDS

The amounts of dividends recognised as distributions to equity holders during the period, and the related amount per qualifying share, are as follows:

	The Bank			
	2024 cents per share	2023 cents per share	2024 €000	2023 €000
Gross of income tax				
- current year's interim dividend	9.24	4.62	53,948	26,974
- prior year's final dividend	7.00	-	40,869	-
	16.24	4.62	94,817	26,974
Net of income tax				
- current year's interim dividend	6.00	3.00	35,066	17,533
- prior year's final dividend	4.55	-	26,565	-
	10.55	3.00	61,631	17,533

During the comparative year, the Directors authorised an interim cash ordinary dividend of €0.0462 gross per share amounting to €27.0 million (net ordinary dividend of €0.0300 per share amounting to €17.5million) to be paid to shareholders. Payment was affected on 6 December 2023. Dividend was paid out of profits taxed at 35%. Furthermore, on the 27 March 2024, the Board of Directors resolved to recommend for approval of the Annual General Meeting the payment of a final gross dividend of €0.0700 per share making for a final net dividend of €0.0455 per share, which was approved by the shareholders at the Annual General Meeting and the regulator relating to the financial year ended 2023. The cash divided was paid on 12 June 2024. The total gross dividends relating to the financial year ended 2023 amounted to €67.8 million (net of tax amounting to €44.1 million).

In the current period, the Directors authorised an interim cash ordinary dividend of €0.0924 gross per share amounting to €53.9 million (net ordinary dividend of €0.0601 per share amounting to €35.1million) to be paid to shareholders. Payment was affected in the current period on 27 November 2024. Dividend was paid out of profits taxed at 35%.

The Directors have approved a proposal to shareholders of a final cash ordinary dividend of gross €0.1314 per share amounting to €76.7 million (net dividend of €0.0854 per share - €49.9 million) be paid to shareholders. The payment of this dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the register of members as at the "record date". The record date for the purposes of Article 2.1 of the Bank's Articles of Association is 30 days immediately preceding the date set for the Annual General Meeting.

Furthermore, at the forthcoming Annual General Meeting, the Board of Directors is proposing a bonus share issue of 1 share for every 10 shares held, subject to regulatory approval. This will result in the issue of an additional 58,384,927 shares and thereby increasing the issued Share Capital from the current 583,849,270 shares to 642,234,197 shares of €1.00 each fully paid up, resulting in a paid-up capital of €642,234,197.

13. BALANCES WITH CENTRAL BANK OF MALTA, TREASURY BILLS AND CASH

		The Group		The Bank	
	Note	2024 €000	2023 €000	2024 €000	2023 €000
Balances with Central Bank of Malta		954,420	2,277,670	954,420	2,277,670
Malta Government Treasury Bills		64,777	-	64,777	-
Cash	36	66,674	75,647	66,674	75,647
		1,085,871	2,353,317	1,085,871	2,353,317

Balances with Central Bank of Malta include Reserve Deposit, in terms of Regulation (EC) No. 1745/2003 of the European Central Bank amounting to €123.7 million (2023: €119.4 million) in respect of both the Group and the Bank.

The Group and Bank did not hold any Malta Government Treasury Bills in the comparative period.

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for the year ended 31 December 2024

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND DERIVATIVE LIABILITIES HELD FOR RISK MANAGEMENT

Financial assets at fair value through profit or loss

	The Group		The Bank	
	2024	**2023**	**2024**	**2023**
	€000	**€000**	**€000**	**€000**
Financial assets mandatorily measured at FVTPL:				
Debt and other fixed income instruments (note 14.1)	22	21	22	21
Derivative financial instruments (note 14.3)	4,071	7,922	4,071	7,922
	4,093	7,943	4,093	7,943
Financial assets designated at FVTPL:				
Debt and other fixed income instruments (note 14.1)	1,398	21	17	21
Equity and other non-fixed income instruments (note 14.2)	50,052	40,584	49,891	40,293
Loans and advances to customers (note 17)	50,677	65,305	50,677	65,305
	102,127	105,910	100,585	105,619
	106,220	113,853	104,678	113,562

Financial liabilities at fair value through profit or loss

Financial liabilities classified as held for trading:				
Derivative financial instruments (note 14.3)	4,200	4,154	4,200	4,154

14.1 Debt and other fixed income instruments

	The Group		The Bank	
	2024	**2023**	**2024**	**2023**
	€000	**€000**	**€000**	**€000**
Issued by public bodies				
- foreign general government	1,393	15	12	15
	1,393	15	12	15
Issued by other issuers				
- foreign banks	27	27	27	27
	27	27	27	27
	1,420	42	39	42
Listing status				
- listed elsewhere	1,420	42	39	42
	1,420	42	39	42
Summary of movements during the year:				
At the beginning of the year	42	1,072	42	1,072
Acquisitions	1350	-	-	-
Movement in accrued interest receivable	(1)	(27)	(1)	(27)
Redemptions	-	(1,000)	-	(1,000)
Movement in fair value	29	(1)	(2)	(1)
Exchange adjustment	-	(2)	-	(2)
At the end of the year	1,420	42	39	42

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for the year ended 31 December 2024

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND DERIVATIVE LIABILITIES HELD FOR RISK MANAGEMENT (continued)

14.2 Equity and other non-fixed income instruments

	The Group		The Bank	
	2024	**2023**	**2024**	**2023**
	€000	**€000**	**€000**	**€000**
Issued by other issuers				
- local banks	167	203	167	203
- foreign other	49,621	39,877	49,621	39,878
- local other	264	504	103	212
	50,052	40,584	49,891	40,293
Listing status				
- listed on Malta Stock Exchange	431	707	270	415
- foreign unlisted	49,621	39,877	49,621	39,878
	50,052	40,584	49,891	40,293
Summary of movements during the year:				
At the beginning of the year	40,584	37,700	40,293	37,548
Acquisitions	-	129	-	-
Disposals	(130)	(201)	-	(201)
Movement in fair value	7,986	3,639	7,986	3,629
Exchange adjustment	1,612	(683)	1,612	(683)
At the end of the year	50,052	40,584	49,891	40,293

14.3 Derivative financial instruments

Fair value of assets	4,071	7,922	4,071	7,922
Fair value of liabilities	4,200	4,154	4,200	4,154

The above comprise over-the-counter forward exchange contracts and interest rate swaps that have not been designated as hedging instruments stated at fair value, with notional amounts analysed with remaining life as follows:

- less than 3 months	226,695	263,131	226,695	263,131
- between 3 months and 1 year	11,287	119,358	11,287	119,358
- more than 1 year	110,963	132,560	110,963	132,560
	348,945	515,049	348,945	515,049

Derivative financial instruments include offset amounts (refer to Note 39.8).

Notes to the financial statements

for the year ended 31 December 2024

15. INVESTMENTS

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Debt and other fixed income instruments				
- measured at FVOCI (note 15.1)	80,541	75,951	80,541	75,951
- measured at amortised cost (note 15.2)	6,251,257	5,266,958	6,251,257	5,266,958
Equity and other non-fixed income instruments (note 15.3)				
- measured at FVOCI	4,898	10,553	4,898	10,553
	6,336,696	5,353,462	6,336,696	5,353,462

Investments with a nominal value of €509.6 million (2023: €630.1 million) have been pledged against the provision of credit lines by the Central Bank of Malta. Investments were valued at €524.8 million as at 31 December 2024 (2023: €649.9 million).

Investments with a nominal value of €40.0 million (2023: €40.0 million) have been pledged in favour of Depositor Compensation Scheme. Investments were valued at €40.2 million as at 31 December 2024 (2023: €40.2 million).

In the comparative year, investments with a nominal value of €295.1 million had been pledged which are covered by the TBMA/ISMA Global Repurchase Master Agreement. Investments were valued at €296.7 million as at 31 December 2023. At the end of 2024, there were no pledged investments covered by the TBMA/ISMA Globa Repurchase Agreements (refer to Note 39.5).

15.1 Debt and other fixed income instruments measured at FVOCI

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Issued by public bodies				
- local general government	13,467	13,418	13,467	13,418
- local public sector	64,445	62,533	64,445	62,533
	77,912	75,951	77,912	75,951
Issued by other issuers				
- foreign banks	1,077	-	1,077	-
- foreign others	1,552	-	1,552	-
	2,629	-	2,629	-
Listing status				
- listed on Malta Stock Exchange	77,912	75,951	77,912	75,951
- listed elsewhere	2,629	-	2,629	-
	80,541	75,951	80,541	75,951
Summary of movements during the year:				
At the beginning of the year	75,951	82,210	75,951	82,210
Acquisitions	37,113	-	37,113	-
Movement in interest receivable accrued	62	(94)	62	(94)
Redemptions and disposals	(34,568)	(3,072)	(34,568)	(3,072)
Movement in fair value	(2,531)	(692)	(2,531)	(692)
Loss on disposals	(111)	(51)	(111)	(51)
Expected credit losses	25	21	25	21
Exchange adjustment	4,600	(2,371)	4,600	(2,371)
At the end of the year	80,541	75,951	80,541	75,951

As at 31 December 2024 the loss allowance on Debt Instruments at FVOCI amounts to €27,636 (2023: €20,536).

Notes to the financial statements

for the year ended 31 December 2024

15. INVESTMENTS (continued)

15.2 Debt and other fixed income instruments measured at amortised cost

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Issued by public bodies				
- local general government	2,041,581	1,640,030	2,041,581	1,640,030
- foreign general government	3,290,970	2,312,296	3,290,970	2,312,296
	5,332,551	3,952,326	5,332,551	3,952,326
Issued by other issuers				
- foreign banks	834,953	1,207,968	834,953	1,207,968
- foreign other	83,753	106,084	83,753	106,084
- other local	-	580	-	580
	918,706	1,314,632	918,706	1,314,632
	6,251,257	5,266,958	6,251,257	5,266,958
Listing status				
- listed on Malta Stock Exchange	2,041,998	1,640,611	2,041,998	1,640,611
- listed elsewhere	4,086,051	3,495,976	4,086,051	3,495,976
- foreign unlisted	123,208	130,371	123,208	130,371
	6,251,257	5,266,958	6,251,257	5,266,958

At 31 December 2024, the fair value of debt and other fixed income instruments measured at amortised cost, without deducting transaction costs, amounted to €6,176.4 million (2023: €5,104.5 million).

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Summary of movements during the year:				
At the beginning of the year	5,266,958	4,467,433	5,266,958	4,467,433
Movement in interest receivable accrued	16,965	19,359	16,965	19,359
Acquisitions	2,046,565	1,876,446	2,046,565	1,876,446
Redemptions and disposals	(1,096,467)	(1,096,636)	(1,096,467)	(1,096,636)
Write-off	-	(5,000)	-	(5,000)
Amortisation	11,356	7,886	11,356	7,886
Gain / (loss) on disposals	4,213	(2)	4,213	(2)
Impairment loss	(206)	(330)	(206)	(330)
Exchange adjustment	1,873	(2,198)	1,873	(2,198)
At the end of the year	6,251,257	5,266,958	6,251,257	5,266,958

Notes to the financial statements

for the year ended 31 December 2024

15. INVESTMENTS (continued)

15.3 Equity and other non-fixed income instruments measured at FVOCI

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Issued by other issuers				
- local other	3,425	8,097	3,425	8,097
- foreign other	506	1,376	506	1,376
- local banks	33	40	33	40
- local public	934	1,040	934	1,040
	4,898	10,553	4,898	10,553
Listing status				
- listed on Malta Stock Exchange	4,392	9,177	4,392	9,177
-foreign listed	506	1,376	506	1,376
	4,898	10,553	4,898	10,553
Summary of movements during the year:				
At the beginning of the year	10,553	17,421	10,553	17,421
Acquisitions	834	1,276	834	1,276
Disposals	(1,161)	(7,897)	(1,161)	(7,897)
Movement in fair value	(5,328)	(247)	(5,328)	(247)
At the end of the year	4,898	10,553	4,898	10,553

16. LOANS AND ADVANCES TO BANKS

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Repayable on call and at short notice	179,267	128,151	179,267	128,151
Term placements with other banks	144,952	68,156	144,952	68,156
Cheques in course of collection	4,328	-	4,328	-
	328,547	196,307	328,547	196,307

Balances with a carrying amount of €3.6 million (2023: €4.3 million) were held as collateral against derivative contracts.

17. LOANS AND ADVANCES TO CUSTOMERS

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Repayable on call and at short notice	547,135	507,481	547,135	507,481
Term loans and advances	6,386,456	5,710,654	6,386,456	5,710,654
	6,933,591	6,218,135	6,933,591	6,218,135
Less impairment losses	(87,289)	(103,546)	(87,289)	(103,546)
Net loans and advances at amortised cost	6,846,302	6,114,589	6,846,302	6,114,589
Loans and advances designated at fair value through profit or loss (note 14)	50,677	65,305	50,677	65,305
Total loans and advances	6,896,979	6,179,894	6,896,979	6,179,894
Expected credit loss allowances	87,289	103,546	87,289	103,546
	87,289	103,546	87,289	103,546

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18. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
At the beginning of the year	110,098	100,206	72,870	72,870
Share of results, net of tax	9,466	11,030	-	-
Dividend received	(2,404)	(1,138)	-	-
At the end of the year	117,160	110,098	72,870	72,870
Amounts include:				
Local listed	29,994	27,412	22,304	22,304
Local unlisted	87,166	82,686	50,566	50,566
	117,160	110,098	72,870	72,870

On the historical cost basis, shares in equity-accounted investees of the Group, would have been included at a cost of €72.9 million (2023: €72.9 million).

The fair value of the equity-accounted investees that is publicly quoted amounted to €40.0 million (2023: €42.9 million) at 31 December 2024. The cost of this investment is €22.3 million (2023: €22.3 million).

The fair value of the publicly quoted investee is calculated using observable inputs and is regarded as Level 1 under the fair value hierarchy of IFRS 13.

18.1 Details of associates

Details of the associates held by the Group and the Bank are as follows:

	Equity Interest		Class	Incorporated in	Nature of Business
	2024	2023			
Name of company	%	%			
MAPFRE Middlesea p.l.c.	31.08	31.08	Ordinary	Malta	Insurance
MAPFRE MSV Life p.l.c.*	50.00	50.00	Ordinary	Malta	Life Assurance

	Group's share of results	
	2024	2023
Name of company	€000	€000
MAPFRE Middlesea p.l.c.	3,990	4,316
MAPFRE MSV Life p.l.c.	5,476	6,714
	9,466	11,030

*A further 15.54% (2023:15.54%) is held indirectly via another equity-accounted investee. Although the Bank has an effective participating interest of 65.54% (2023: 65.54%), it does not exercise control over the financial and operating decisions of the associate as it only has the right for equal representation on the Board of Directors of the associate together with the other shareholders. Furthermore, as from 1 October 2011 the Bank is deemed to exercise significant influence on MAPFRE MSV Life p.l.c. as opposed to joint control as a result of a shareholders' agreement which gives the other shareholder control and as from the financial year 30 September 2012 it is being treated as an equity-accounted investee.

The financial statements of the equity-accounted investees are prepared to 31 December. The registered addresses of the associates are as follows:

MAPFRE Middlesea p.l.c.	Middlesea House, Floriana FRN 1442, Malta
MAPFRE MSV Life p.l.c.	The Mall, Mall Street, Floriana FRN 1470, Malta

Notes to the financial statements

for the year ended 31 December 2024

18. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES (continued)

18.1 Details of associates (continued)

Summarised financial information extracted from the published statement of annual results of the associates as at 31 December 2024 in respect of the equity-accounted investees:

	2024 €000	2023 €000
Total assets	2,453,909	2,413,265
Total liabilities	2,270,391	2,242,402
Revenues	146,697	140,581
Profit for the year	17,994	15,943
Other Comprehensive Income	158	219

	The Group	
	2024 €000	2023 €000
Share of net assets of equity-accounted investees	117,160	110,098
Share of results of equity-accounted investees	9,466	11,030

The share of results of equity-accounting investees, net of tax in the Statement of Profit or Loss includes both the profit and other comprehensive income components of the associates.

The carrying amount of the equity-accounted investees is equal to the equity interest of the Bank in the net assets of the respective investees.

18.2 Key judgements made by equity-accounted investees

The associates of the Group have applied IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* for the first time on 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments and have had a material impact on the associates consolidated financial statements in the period of initial application.

The Associates make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The below notes present information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the associates' financial statements, which also include information about assumptions and uncertainties as at 31 December 2024 that have a significant risk of resulting in a material adjustment in the carrying amounts of assets and liabilities in the associates' financial statements of the next financial year.

Long-term contracts - insurance contract assets, insurance contract liabilities and reinsurance contract liabilities

Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities are subject to an annual valuation using generally accepted accounting and actuarial practices.

Different principles and valuation methodologies are adopted depending on the type and generation of products. The key assumptions used in determining the measurement of insurance contract assets, insurance contract liabilities and reassurance contract liabilities are described in Note 24.6 of the financial statements of MAPFRE Middlesea p.l.c.

Short-term insurance contracts under PAA - liabilities for incurred claims

Liability of incurred claims (LIC) of short-term business insurance contracts, measured under the PAA model, comprise of the estimates of future cash flows. The estimates of future cash flows is derived using a standard actuarial claims projection technique, the Chain Ladder method, other than for the claims reserves as explained below. The key assumptions underlying this technique is that past claims development experience can be used to project future claims development.

Claims reserves which are not projected using actuarial techniques, particularly those involving fatalities and/or serious bodily injuries, are reserved at the case-by-case reserve estimate. The measurement of claim payments due by the Group involves the assessment of future settlements and is therefore dependent on assumptions around determining such reserves based on, among others, legal precedent and current trends in compensation awards.

More detail on the key assumptions used in determining the LIC in respect of short-term insurance contracts under PAA are described in Note 24.2 to the financial statements of MAPFRE Middlesea p.l.c.

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for the year ended 31 December 2024

19. INVESTMENTS IN SUBSIDIARY COMPANIES

Name of company	Equity interest 2024 %	2023 %	Class	Incorporated in	Nature of Business
BOV Asset Management Limited	100	100	Ordinary	Malta	Fund Management
BOV Fund Services Limited	100	100	Ordinary	Malta	Fund Administration

	The Bank	
Name of company	2024 €000	2023 €000
BOV Asset Management Limited	5,481	5,481
BOV Fund Services Limited	749	749
Cost/Carrying amount	6,230	6,230

The registered address of the above unlisted undertakings is as follows:

BOV Asset Management Limited 58, Triq San Żakkarija, Il-Belt Valletta VLT1130
BOV Fund Services Limited 58, Triq San Żakkarija, Il-Belt Valletta VLT1130

All subsidiaries prepared their financial statements to the same date, 31 December.

20. INTANGIBLE ASSETS

	The Group		The Bank	
	2024 €000	2023 €000	2024 €000	2023 €000
Software				
Cost				
1 January	119,538	112,924	119,238	112,624
Additions	3,823	12,386	3,823	12,386
Assets retired from active use	(1,185)	(5,772)	(1,185)	(5,772)
31 December	122,176	119,538	121,876	119,238
Accumulated amortisation				
1 January	64,896	56,877	64,707	56,788
Charge for the year	13,148	13,791	13,048	13,691
Accumulated amortisation on assets retired from active use	(1,185)	(5,772)	(1,185)	(5,772)
31 December	76,859	64,896	76,570	64,707
Carrying amount at 31 December	45,317	54,642	45,306	54,531
Future capital expenditure:				
- contracted but not provided for in the financial statements	124	321	124	321
- authorised by the directors but not contracted	21,700	10,481	21,700	10,481

Notes to the financial statements

for the year ended 31 December 2024

21. PROPERTY AND EQUIPMENT

Reconciliation of Carrying Amount

The Group	**Land and buildings €000**	**IT infrastructure and equipment €000**	**Other €000**	**Total €000**
Cost or valuation				
Balance at 1 January 2023	140,205	31,990	26,629	198,824
Additions	2,825	1,066	3,549	7,440
Transfer from Assets held for realisation	177	-	-	177
Assets retired from active use	(285)	(716)	(436)	(1,437)
Disposals	(2,551)	-	(208)	(2,759)
Revaluation	4,255	-	-	4,255
Balance at 31 December 2023	144,626	32,340	29,534	206,500
Balance at 1 January 2024	144,626	32,340	29,534	206,500
Additions	6,661	8,473	5,210	20,344
Assets retired from active use	(20)	(37)	(437)	(494)
Disposals	(404)	-	(47)	(451)
Revaluation	6,861	-	-	6,861
Balance at 31 December 2024	157,724	40,776	34,260	232,760
Accumulated depreciation				
Balance at 1 January 2023	23,462	23,001	19,670	66,133
Depreciation for the year	2,605	3,162	1,622	7,389
Accumulated depreciation on assets retired from active use	(285)	(16)	(320)	(621)
Disposals	(448)	-	(125)	(573)
Balance at 31 December 2023	25,334	26,147	20,847	72,328
Balance at 1 January 2024	25,334	26,147	20,847	72,328
Depreciation for the year	2,282	3,206	1,676	7,164
Accumulated depreciation on assets retired from active use	(9)	(8)	(105)	(122)
Disposals	(104)	-	(25)	(129)
Balance at 31 December 2024	27,503	29,345	22,393	79,241
Carrying amount at:				
Balance at 31 December 2023	**119,292**	**6,193**	**8,687**	**134,172**
Balance at 31 December 2024	**130,221**	**11,431**	**11,867**	**153,519**

As at 31 December 2024, Property and Equipment includes right-of-use assets of €6.0 million (2023: €6.6 million) related to office premises and motor vehicles (note 22).

Notes to the financial statements

for the year ended 31 December 2024

21. PROPERTY AND EQUIPMENT (continued)

Reconciliation of carrying amount (continued)

	Land and buildings	IT infrastructure and equipment	Other	Total
The Bank	**€000**	**€000**	**€000**	**€000**
Cost or valuation				
Balance at 1 January 2023	140,167	31,274	24,815	196,256
Additions	2,821	1,062	3,549	7,432
Transfer from Assets held for realisation	177	-	-	177
Assets retired from active use	(285)	(716)	(391)	(1,392)
Disposals	(2,551)	-	(208)	(2,759)
Revaluation	4,255	-	-	4,255
Balance at 31 December 2023	144,584	31,620	27,765	203,969
Balance at 1 January 2024	144,584	31,620	27,765	203,969
Additions	6,637	8,473	5,210	20,320
Assets retired from active use	(21)	(37)	(437)	(495)
Disposals	(403)	-	(38)	(441)
Revaluation	6,861	-	-	6,861
Balance at 31 December 2024	157,658	40,056	32,500	230,214
Accumulated depreciation				
Balance at 1 January 2023	23,396	22,035	18,220	63,651
Depreciation for the year	2,605	3,120	1,617	7,342
Accumulated depreciation on assets retired from active use	(285)	(17)	(274)	(576)
Disposals	(448)	-	(125)	(573)
Balance at 31 December 2023	25,268	25,138	19,438	69,844
Balance at 1 January 2024	25,268	25,138	19,438	69,844
Depreciation for the year	2,282	3,178	1,673	7,133
Accumulated depreciation on assets retired from active use	(9)	(8)	(105)	(122)
Disposals	(104)	-	(24)	(128)
Balance at 31 December 2024	27,437	28,308	20,982	76,727
Carrying amount at:				
Balance at 31 December 2023	**119,316**	**6,482**	**8,327**	**134,125**
Balance at 31 December 2024	**130,221**	**11,748**	**11,518**	**153,487**

As at 31 December 2024, Property and Equipment includes right-of-use assets of €5.9 million (2023: €6.6 million) related to office premises and motor vehicles (see note 22).

Notes to the financial statements

for the year ended 31 December 2024

21. PROPERTY AND EQUIPMENT (continued)

21.1 Reconciliation of carrying amount

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Carrying amount of land and buildings occupied for own use	130,221	119,292	130,221	119,316
Future capital expenditure:				
- contracted but not provided for in the financial statements	17,496	2,365	17,496	2,365
- authorised by the directors but not contracted for	38,271	15,023	38,271	15,005

Land and buildings are revalued by professionally qualified architects in accordance with the policy documented in Note 1. The carrying amounts of land and buildings that would have been included in the financial statements had these assets been carried at cost less accumulated depreciation are:

2024: Group €55.0 million (2023: €50.3 million)
2024: Bank €55.0 million (2023: €50.3 million)

Property valuations are mainly valued using the 'comparative investment approach' whereby market value is arrived at by capitalising at an appropriate yield rate, the annual income produced, should the property be leased out to third parties. The income is arrived at by analysing a number of estate agent listings for comparative properties and determining a mean rental value rate. The valuation techniques were consistent with those applied for the year ended 31 December 2023. Revaluations are carried out on a regular basis in accordance with the Group's accounting policies.

Property fair value measurement is classified as Level 3. Significant unobservable inputs used in the valuation of these properties is the rental income for office space and the percentage capitalisation rate which indicates the multiplier relationship between Net Rental Income and Property Value. Further details about these significant inputs are summarised in the table below:

	Significant unobservable input	Narrative sensitivity
Buildings in Commercial Area	Price per square metre, ranging from €125/sqm to €880/sqm	The higher the price per square metre the higher the fair value
	Capitalisation rate, ranging from 5.31% to 8.30%	The higher the capitalisation rate the lower the fair value
Buildings in Residential Area	Price per square metre, ranging from €125/sqm to €611/sqm	The higher the price per square metre the higher the fair value
	Capitalisation rate, ranging from 5.50% to 8.00%	The higher the capitalisation rate the lower the fair value

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22. LEASES

The Group's lease arrangements comprise long-term leasehold properties, other immovable property leaseholds, equipment leases and property space for ATMs. The Group does not recognise low value items (below €5,000) or short-term arrangements of one year or less.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets relate to office premises and motor vehicles that are presented within property and equipment (see note 21)

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Balance at 1 January 2023	7,827	794	8,621
Additions	517	50	567
Depreciation charge for the year	(1,404)	(224)	(1,628)
Disposals	(918)	(51)	(969)
Balance at 31 December 2023	6,022	569	6,591
Balance at 1 January 2024	6,022	569	6,591
Additions	650	158	808
Depreciation charge for the year	(1,064)	(196)	(1,260)
Disposals	(173)	(8)	(181)
Balance at 31 December 2024	5,435	523	5,958

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Balance at 1 January 2023	7,826	787	8,613
Additions	517	50	567
Depreciation charge for the year	(1,404)	(219)	(1,623)
Disposals	(918)	(51)	(969)
Balance at 31 December 2023	6,021	567	6,588
Balance at 1 January 2024	6,021	567	6,588
Additions	650	137	787
Depreciation charge for the year	(1,064)	(192)	(1,256)
Disposals	(173)	(8)	(181)
Balance at 31 December 2024	5,434	504	5,938

See note 28 for maturity analysis of lease liabilities as at 31 December 2024.

Notes to the financial statements

for the year ended 31 December 2024

22. LEASES (continued)

ii. Amounts recognised in profit or loss

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Interest on lease liabilities 2023	190	11	201
Expenses relating to short-term leases 2023	534	13	547
	724	24	748
Interest on lease liabilities 2024	166	9	175
Expenses relating to short-term leases 2024	240	-	240
	406	9	415

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Interest on lease liabilities 2023	190	10	200
Expenses relating to short-term leases 2023	534	13	547
	724	23	747
Interest on lease liabilities 2024	166	9	175
Expenses relating to short-term leases 2024	240	-	240
	406	9	415

iii. Amounts recognised in statement of cash flows

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Total cash outflow for leases 2023	1,525	238	1,763
Total cash outflow for leases 2024	1,205	208	1,413

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Total cash outflow for leases 2023	1,525	231	1,756
Total cash outflow for leases 2024	1,207	203	1,410

iv. Extension options

Some property leases contain extension options exercisable by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options, and if it is reasonably certain to exercise the extension option, the Group includes this period in the lease term and the potential future lease payments in the lease liability.

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23. DEFERRED TAX

The Group's deferred tax assets and liabilities on the statement of financial position have not been off-set to the extent that there is no legally enforceable right of set-off with the tax authorities.

The Bank is expected to have sufficient profits in the future to absorb the deferred tax asset recognised.

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Deferred taxation is analysed as follows:				
Net deferred tax asset arising on:				
Fair value movement of financial instruments	281	281	281	281
Impairment allowances	36,753	42,876	36,753	42,876
Allowance for employee benefits	2,896	3,411	2,896	3,411
Excess of capital allowances over depreciation	(14,275)	(15,870)	(14,275)	(15,870)
Defined benefit plans	2,597	2,415	2,597	2,415
Provisions and other temporary differences	780	912	752	824
	29,032	34,025	29,004	33,937
Deferred tax liability arising on:				
Property revaluation	8,119	7,435	8,119	7,435

	The Group			
	At 31 December 2023	Recognised in profit or loss	Recognised in OCI	At 31 December 2024
	€000	€000	€000	€000
Movement in temporary differences relating to:				
Fair value movement of financial instruments	281	-	-	281
Impairment allowances	42,876	(6,123)	-	36,753
Allowance for employee benefits	3,411	(515)	-	2,896
Excess of capital allowances over depreciation	(15,870)	1,595	-	(14,275)
Defined benefit plans	2,415	-	182	2,597
Property revaluation	(7,435)	2	(686)	(8,119)
Provisions and other temporary differences	912	(132)	-	780
	26,590	(5,173)	(504)	20,913

	The Group			
	At 31 December 2022	Recognised in profit or loss	Recognised in OCI	At 31 December 2023
	€000	€000	€000	€000
Movement in temporary differences relating to:				
Fair value movement of financial instruments	281	-	-	281
Impairment allowances	52,250	(9,374)	-	42,876
Allowance for employee benefits	3,548	(137)	-	3,411
Excess of capital allowances over depreciation	(16,218)	348	-	(15,870)
Defined benefit plans	2,469	-	(54)	2,415
Property revaluation	(7,054)	45	(426)	(7,435)
Provisions and other temporary differences	310	610	(8)	912
Unabsorbed tax losses	25,258	(25,258)	-	-
	60,844	(33,766)	(488)	26,590

Notes to the financial statements

for the year ended 31 December 2024

23. DEFERRED TAX (continued)

	The Bank			
	At 31 December 2023	Recognised in profit or loss	Recognised in OCI	At 31 December 2024
	€000	€000	€000	€000
Movement in temporary differences relating to:				
Fair value movement of financial instruments	281	-	-	281
Impairment allowances	42,876	(6,123)	-	36,753
Allowance for employee benefits	3,411	(515)	-	2,896
Excess of capital allowances over depreciation	(15,870)	1,595	-	(14,275)
Defined benefit plans	2,415	-	182	2,597
Property revaluation	(7,435)	2	(686)	(8,119)
Provisions and other temporary differences	824	(72)	-	752
	26,502	(5,113)	(504)	20,885

	The Bank			
	At 31 December 2022	Recognised in profit or loss	Recognised in OCI	At 31 December 2023
	€000	€000	€000	€000
Movement in temporary differences relating to:				
Fair value movement of financial instruments	281	-	-	281
Impairment allowances	52,250	(9,374)	-	42,876
Allowance for employee benefits	3,548	(137)	-	3,411
Excess of capital allowances over depreciation	(16,218)	348	-	(15,870)
Defined benefit plans	2,469	-	(54)	2,415
Property revaluation	(7,054)	45	(426)	(7,435)
Provisions and other temporary differences	284	548	(8)	824
Unabsorbed tax losses	25,258	(25,258)	-	-
	60,818	(33,828)	(488)	26,502

24. OTHER ASSETS

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Settlement account	9,464	7,504	9,464	7,504
Deferred expenditure	80	368	80	368
Other assets	9,242	4,874	9,223	4,874
	18,786	12,746	18,767	12,746

The Settlement account consists of card settlements.

25. AMOUNTS OWED TO BANKS

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Term deposits	-	290,603	-	290,603
Repayable on demand	9,150	25,048	9,150	25,048
	9,150	315,651	9,150	315,651

Balances with a carrying amount of €1.7 million (2023: €10.0 million) were held as collateral against derivative contracts.

Notes to the financial statements

for the year ended 31 December 2024

26. AMOUNTS OWED TO CUSTOMERS

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Term deposits	106,546	177,354	106,546	177,354
Repayable on demand	12,697,369	11,974,862	12,701,411	11,979,690
	12,803,915	12,152,216	12,807,957	12,157,044

27. OTHER LIABILITIES

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Post-employment and termination liabilities (see note 35)	15,788	16,741	15,788	16,741
Cash collateral for commitments	65,772	66,095	65,772	66,095
Deposits from companies in formation	3,168	2,589	3,168	2,589
Bills payable	38,704	41,025	38,704	41,025
Accruals and deferred income	29,274	26,345	28,761	26,021
Payment orders outwards	23,405	12,464	23,405	12,464
Lease liability (see note 28)	6,280	6,893	6,262	6,891
Taxation payable	6,101	7,650	6,101	7,650
Other	36,881	18,376	36,881	18,175
	225,373	198,178	224,842	197,651

28. LEASE LIABILITY

At 31 December 2024, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Maturity analysis - Contractual undiscounted cash flows			
Less than one year	953	165	1,118
Between one and five years	3,088	363	3,451
More than five years	3,404	26	3,430
Total undiscounted lease liabilities at 31 December 2024	7,445	554	7,999
Lease liabilities included in statement of financial position at 31 December 2024:			
Current	802	157	959
Non-current	4,949	372	5,321
	5,751	529	6,280

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Maturity analysis - Contractual undiscounted cash flows			
Less than one year	953	162	1,115
Between one and five years	3,088	348	3,436
More than five years	3,404	26	3,430
Total undiscounted lease liabilities at 31 December 2024	7,445	536	7,981
Lease liabilities included in statement of financial position at 31 December 2024:			
Current	802	153	955
Non-current	4,948	359	5,307
	5,750	512	6,262

Notes to the financial statements

for the year ended 31 December 2024

28. LEASE LIABILITY (continued)

At 31 December 2023, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Maturity analysis - Contractual undiscounted cash flows			
Less than one year	1,160	202	1,362
Between one and five years	3,093	374	3,467
More than five years	3,722	18	3,740
Total undiscounted lease liabilities at 31 December 2023	7,975	594	8,569
Lease liabilities included in statement of financial position at 31 December 2023:			
Current	1,007	197	1,204
Non-current	5,307	382	5,689
	6,314	579	6,893

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Maturity analysis - Contractual undiscounted cash flows			
Less than one year	1,160	202	1,362
Between one and five years	3,093	373	3,466
More than five years	3,722	18	3,740
Total undiscounted lease liabilities at 31 December 2023	7,975	593	8,568
Lease liabilities included in statement of financial position at 31 December 2023:			
Current	1,007	195	1,202
Non-current	5,307	382	5,689
	6,314	577	6,891

29. DERIVATIVES DESIGNATED FOR HEDGE ACCOUNTING

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Derivative financial instruments designated as fair value hedges				
-Gross amounts of financial instruments	615	1,727	615	1,727
-Related financial instruments that are offset	(615)	(1,727)	(615)	(1,727)
Net amount	-	-	-	-

Refer to note 6: Net gain on Investments and hedging instruments for the net gain/loss on the bond and hedging instrument.

The above comprise over-the-counter interest rate swaps, stated at fair value with notional amounts analysed by the remaining life as follows:

-more than 1 year	62,458	58,680	62,458	58,680
	62,458	58,680	62,458	58,680

Notes to the financial statements

for the year ended 31 December 2024

30. DEBT SECURITIES IN ISSUE AND SUBORDINATED LIABILITIES

	Note	The Group		The Bank	
		2024	2023	2024	2023
		€000	€000	€000	€000
Debt securities in issue					
Senior non-preferred notes	30.1	350,846	350,099	350,846	350,099
		350,846	350,099	350,846	350,099
Subordinates liabilities					
3.50% Euro subordinated unsecured bonds	30.2	113,130	113,130	113,130	113,130
3.75% Euro subordinated unsecured bonds	30.2	50,107	50,107	50,107	50,107
5.00% Euro subordinated unsecured bonds	30.2	99,899	-	99,899	-
		263,136	163,237	263,136	163,237

30.1 Senior non-preferred notes

On 6 December 2022, the Bank has issued €350 million Callable Senior Non-Preferred Notes (traded on the Irish Stock Exchange) with a final maturity date of 6 December 2027 and a fixed coupon of 10% per annum. The fair value as of 31 December 2024 is €384.5 million (2023: €379.8 million). The Senior Non-Preferred Notes constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank and rank in priority to all subordinated claims but are junior in right of payment to all preferred claims and all ordinary unsecured claims. The Notes were rated by Fitch as BBB-.

30.2 Subordinated liabilities

The 3.5% Euro subordinated bonds are redeemable at par on 8 August 2030 and are listed on the Malta Stock Exchange. The fair value of these unsecured bonds as of 31 December 2024 is €106.9 million (2023: €100.7 million).

The 3.75% Euro subordinated bonds are redeemable at par on 15 June 2031 and are listed on the Malta Stock Exchange. The fair value of these unsecured bonds as of 31 December 2024 is €49.0 million (2023: €46.0 million).

During quarter four of 2024, the Bank has issued 5% Euro Medium Term subordinated bonds redeemable at part on the 28 November 2034 and are listed on the Malta Stock Exchange. The fair value of these unsecured bonds as at 31 December 2024 is €103.5 million.

The bonds are unsecured and subordinated to the claims of all holders of senior indebtedness.

31. SHARE CAPITAL AND SHARE PREMIUM

	The Bank	
	2024	2023
	€000	€000
Share Capital		
Authorised:		
1,000,000,000 Ordinary shares of €1.00 each	1,000,000	1,000,000
(2023: 1,000,000,000 Ordinary shares of €1.00 each)		
Issued and paid up:		
583,849,000 Ordinary shares of €1.00 each fully paid	583,849	583,849
(2023: 583,849,000 Ordinary shares of €1.00 each)		

Notes to the financial statements

for the year ended 31 December 2024

32. OTHER RESERVES

Retained Earnings

Retained earnings represent the profits retained over the years and primarily comprise the profit attributable to equity holders and transfers to share capital in respect of bonus issues. This reserve includes the amount held in respect of General Banking Reserves.

General Banking Reserves

The revised Banking Rule 09 requires banks in Malta to hold additional reserves for general banking risks against non-performing loans. This reserve is deductible from distributable funds. As at the reporting date this reserve amounts to €4.4 million (2023: €3.4 million).

Revaluation Reserves

Revaluation reserves represent fair value movements on land and buildings and financial assets at FVOCI net of tax, which are recognised in Other Comprehensive Income.

	The Group €000	The Bank €000
On land and buildings:		
Balance at 31 December 2022	52,051	52,051
Property revaluation	4,255	4,255
Deferred tax and effect of changes in property tax rates	(426)	(426)
Release on sale of property	(356)	(356)
tax thereon	36	36
Balance at 31 December 2023	**55,560**	**55,560**
Property revaluation	6,861	6,861
Deferred tax and effect of changes in property tax rates	(686)	(686)
Release on sale of property	(24)	(24)
tax thereon	2	2
Balance at 31 December 2024	**61,713**	**61,713**
On fair-value-through-other comprehensive income:		
Balance at 31 December 2022	5,161	5,049
Fair value adjustments	1,368	1,368
tax thereon	(479)	(479)
Gain on sale	(3,049)	(3,049)
tax thereon	1,067	1,067
Balance at 31 December 2023	**4,068**	**3,956**
Fair value adjustments	(5,754)	(5,754)
tax thereon	2,014	2,014
Loss on sale	428	428
tax thereon	(150)	(150)
Balance at 31 December 2024	**606**	**494**
Total	**62,319**	**62,207**

Notes to the financial statements

for the year ended 31 December 2024

33. PROVISIONS AND CONTINGENCIES

33.1 Provisions

The Group and the Bank considers the provisions recognised to be the best estimate of the amounts likely required to settle its claims and are presented as follows:

	The Group		
	Financial guarantees and loan commitments provisions	Other litigation provision	Total
Provisions	**€000**	**€000**	**€000**
Carrying amount at 1 January 2023	15,556	962	16,518
Movement	2,257	1,391	3,648
Carrying amount at 31 December 2023	**17,813**	**2,353**	**20,166**
Movement	(1,425)	(353)	(1,778)
Carrying amount at 31 December 2024	**16,388**	**2,000**	**18,388**

	The Bank		
	Financial guarantees and loan commitments provisions	Other litigation provision	Total
Provisions	**€000**	**€000**	**€000**
Carrying amount at 1 January 2023	15,556	812	16,368
Movement	2,257	1,391	3,648
Carrying amount at 31 December 2023	**17,813**	**2,203**	**20,016**
Movement	(1,425)	(203)	(1,628)
Carrying amount at 31 December 2024	**16,388**	**2,000**	**18,388**

The amount in respect of financial guarantee contracts and loan commitments issued represent the expected credit loss as of 31 December 2024 while other litigation provision movement represents the increase/(decrease) in liabilities or the release of liability following settlement of other litigation claims.

Notes to the financial statements

for the year ended 31 December 2024

33. PROVISIONS AND CONTINGENCIES (continued)

33.2 Contingent liabilities

In its ordinary course of business, the Group and the Bank is subject to complaints or legal proceedings by third parties, as well as legal and regulatory reviews, enquiries and examinations concerning legal, operational and compliance risks in relation to but not limited to compliance with legislation and regulations. Such legal and regulatory matters are reassessed on an ongoing basis whilst the Group and the Bank collaborates continuously with the relevant authorities as appropriate. The assistance of external professional consultants is obtained where appropriate, to determine the likelihood of the Group and the Bank incurring a liability.

Contingent liabilities are backed by corresponding obligations from third parties. Except as disclosed hereunder, it is not practicable to provide an aggregate estimate of other potential liability for the Group's and the Bank's legal proceedings, legal and regulatory reviews as a class of contingent liabilities.

Contingencies

	The Group		The Bank	
	2024	**2023**	**2024**	**2023**
	€000	**€000**	**€000**	**€000**
Acceptances and endorsements	278	60	278	60
Guarantees	395,536	375,277	395,536	375,277
Other contingent liabilities	18,367	19,077	18,367	19,077
	414,181	**394,414**	**414,181**	**394,414**

34. COMMITMENTS

	The Group		The Bank	
	2024	**2023**	**2024**	**2023**
	€000	**€000**	**€000**	**€000**
Documentary credits	45,873	41,500	45,873	41,500
Undrawn formal standby facilities, credit facilities and other commitments to lend	2,936,765	2,271,758	2,936,765	2,271,758
Capital expenditure contracted but not provided for in the financial statements	17,620	2,704	17,620	2,686
	3,000,258	**2,315,962**	**3,000,258**	**2,315,944**

35. EMPLOYEE BENEFITS

35.1 Post-employment benefits

35.1.1 Defined benefit plan – Pension Top-up

The Group and the Bank contributes to a post-employment benefit plan ("the plan") which is applicable to eligible individuals. The benefits provided to the individuals in terms of the plan are computed on a specified formula which takes into consideration, amongst other things, the employees' salary on retirement and the pension entitlement in terms of Maltese law.

The provision is computed in accordance with the accounting policy for post-employment benefit plans and represents the Group's and the Bank's obligation:

(i) discounted to the net present value at the rate which has been determined by reference to market yields at the end of the reporting period on high-quality corporate bonds;

(ii) after considering the life expectancy of such employees based on the latest publicly available mortality tables;

(iii) the expected terminal salaries; and

(iv) the Bank's expectations of the employees' retirement date.

The year-end obligation in relation to the plan is mainly in relation to retired employees.

The plan exposes the Group and the Bank to the following main risks:

(i) interest risk, since a decrease in market yields will increase the plan liability; and

(ii) longevity risk, since an increase in the life expectancy of the plan participants will increase the plan liability.

Notes to the financial statements

for the year ended 31 December 2024

35. EMPLOYEE BENEFITS (continued)

35.1 Post-employment benefits (continued)

35.1.1 Defined benefit plan – Pension Top-up (continued)

The significant actuarial assumptions applied by the Group and the Bank in respect of the plan are as follows:

	The Group and the Bank	
	2024	**2023**
Weighted discount rates - Euro corporate yield per Bloomberg	2.85%	3.13%
Life expectancy (years):		
Males	82	81
Females	86	86

The Group and the Bank are providing sensitivity analysis in connection with each significant actuarial assumption applied in respect of the plan. These analysis are prepared as of the end of the reporting period, showing how the liability would have been affected by hypothetical changes in the relevant actuarial assumptions that were reasonably possible at that date, while holding all other assumptions constant. The analysis presented below are for illustrative purposes only and may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another. In presenting the sensitivity analysis, the present value of the obligation has been calculated using the projected unit credit method at the end of the reporting period. The amounts generated from the analysis represent forward-looking estimates and hence, actual results in the future may differ materially from those projected results.

- If the discount rate is 100 basis points higher / (lower) with all other assumptions held constant, the defined benefit obligation decreases by €0.5 million (increases by €0.5 million).
- If the life expectancy increases (decreases) by two years for both men and women with all other assumptions held constant, the defined benefit obligation increases by €2.1 million (decreases by €2.2 million).

The weighted average duration of the liability in respect of the plan at 31 December 2024 is 7 years (2023: 6 years).

The Bank does not fund these pensions by assigning specific assets as there is sufficient liquidity to meet the required payments as these arise. In view of the non-complexity of the inputs involved, no actuary was deemed necessary in estimating this obligation.

Furthermore, the Group and the Bank make payments to certain eligible employees in consideration of the liquidation of a defunct pension scheme.

35.1.2 Defined contribution plan – Voluntary Occupational Pensions Scheme

The Voluntary Occupational Pension Scheme was introduced in 2022 in which the Group and the Bank assists eligible employees that opt for the scheme in saving for their retirement (Note 7).

35.2 Termination benefits

The Bank has retained the Gradual Retirement and Retirement Gratuity Schemes similar to prior years. The Gradual retirement consists of reduced number of hours worked whilst applicants eligible for the Retirement Gratuity Scheme shall be given a lump sum payment of one time their terminal salary and a proportion of the terminal annual salary depending on the aggregate years of service.

Furthermore, the Group and Bank have introduced a new Voluntary Retirement Scheme for eligible employees as of 1 April 2022 in which formal notice is required within a stipulated period. The scheme remains open at the Group and Bank's discretion. Accepted applicants under the respective scheme shall be given a lump sum payment of three times their terminal salary reduced pro-rata up to the age of 61.

Notes to the financial statements

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35. EMPLOYEE BENEFITS (continued)

35.3 Summary of movements in post-employment and termination benefits

	The Group and the Bank	
	2024	**2023**
	€000	**€000**
Present value at 1 January	16,741	17,282
Payments effected	(7,536)	(6,337)
Recognised in profit or loss:		
- Interest expense	319	129
- Terminal benefits	5,744	5,816
Remeasurement of actuarial (losses)/gains recognised in other comprehensive income resulting from:		
- Experience adjustments	(824)	(384)
- Changes in financial assumptions	293	226
- Changes in demographic assumptions	1,051	9
Present value at 31 December	**15,788**	**16,741**

36. NOTES TO THE STATEMENTS OF CASH FLOWS

		The Group		The Bank	
	Note	**2024**	**2023**	**2024**	**2023**
		€000	**€000**	**€000**	**€000**
Cash	13	66,674	75,647	66,674	75,647
Balances with Central Bank of Malta (excluding Reserve Deposit)		830,705	2,158,243	830,705	2,158,243
Treasury bills (with original maturity of less than 3 months)		64,777	-	64,777	-
Money at call and short notice		324,219	196,767	324,219	196,767
Amounts owed to banks		(9,150)	(211,923)	(9,150)	(211,923)
Cash and cash equivalents included in the statements of cash flows		**1,277,225**	**2,218,734**	**1,277,225**	**2,218,734**
Balances with contractual maturity of more than 3 months		4,328	(104,188)	4,328	(104,188)
		1,281,553	2,114,546	1,281,553	2,114,546
Equivalent items reported in the statements of financial position:					
Balances with Central Bank of Malta, Treasury bills and cash (excluding Reserve Deposit)		962,156	2,233,890	962,156	2,233,890
Loans and advances to banks		328,547	196,307	328,547	196,307
Amounts owed to banks		(9,150)	(315,651)	(9,150)	(315,651)
		1,281,553	2,114,546	1,281,553	2,114,546

Notes to the financial statements

for the year ended 31 December 2024

37. RELATED PARTY TRANSACTIONS

During the current and prior year, the Group and the Bank entered into transactions during the course of their normal business, with equity-accounted investees, subsidiaries, the Government of Malta ("The Government") (which has a 25% holding in the Bank), Government related entities, key management personnel, and other related parties. Government related entities are those where, in the opinion of the Bank, the Government is either deemed to exercise control, that is, it has the power to govern the financial and operating policies of the entity or linked to the Government but not controlled by the Government.

Key management personnel includes the Chairperson, Directors, the members of the Management Board and their respective spouses, spousal equivalent and dependants. Other related parties are those companies over which the key management personnel hold control or significant influence (directorship).

Transactions with related parties are made on an arm's length basis.

The Bank also entered into related party transactions on an arm's length basis with its subsidiaries and equity-accounted investees. Transactions between the Bank and its subsidiaries have been eliminated on consolidation.

The amounts due to or from related parties are settled in cash and the amount of related party transactions and outstanding balances at the reporting date are disclosed below:

The Group	2024 Related party activity/ balances €000	Total activity/ balance €000	% of total	2023 Related party activity/ balances €000	Total activity/ balance €000	% of total
Interest and similar income:						
- on loans and advances						
The Government and Government-related entities	76,399			108,345		
Key management personnel	35			29		
Other related parties	22			310		
	76,456	306,747	25%	108,684	323,404	34%
Interest and similar income:						
- on debt and other fixed income instruments						
The Government	38,880	130,427	30%	16,690	77,998	21%
Interest expense						
Equity-accounted investees	-			179		
The Government and Government-related entities	1,055			347		
Key management personnel	1			1		
	1,056	51,257	2%	527	49,403	1%
Fee and commission income						
Equity-accounted investees	3,806			2,947		
The Government and Government-related entities	5,750			4,029		
Key management personnel	8			4		
Other related parties	8			16		
	9,572	98,500	10%	6,996	91,988	8%
Short term employee compensation and benefits including post-employment benefits						
Key management personnel	4,025	123,360	3%	3,408	111,061	3%
General administrative expenses						
Equity-accounted investees	372			376		
Key management personnel	107			77		
Other related parties	-			47		
	479	73,016	1%	500	78,659	1%

Notes to the financial statements

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37. RELATED PARTY TRANSACTIONS (continued)

The Group	2024 Related party activity/ balances €000	Total activity/ balance €000	% of total	2023 Related party activity/ balances €000	Total activity/ balance €000	% of total
Movement in impairment allowances						
The Government and Government-related entities	233			(199)		
Key management personnel	6			16		
Other related parties	26			(2)		
	265	23,831	1%	(185)	10,481	-2%
Balances with Central Bank of Malta treasury bills and cash						
The Government	1,019,198	1,085,871	94%	2,277,670	2,353,317	97%
Investments						
The Government	2,054,976	6,336,696	32%	1,653,448	5,353,462	31%
Loans and advances to customers (net)						
The Government and Government-related entities	406,242			491,035		
Key management personnel	3,982			3,541		
Other related parties	461			2,389		
	410,685	6,846,302	6%	496,965	6,114,589	8%
Impairment allowances						
The Government and Government-related entities	(213)			(446)		
Key management personnel	(1)			(7)		
Other related parties	-			(26)		
	(214)	(87,289)	0%	(479)	(103,546)	0%
Amounts owed to customers						
Equity-accounted investees	58,802			33,615		
The Government and Government-related entities	1,188,694			820,096		
Key management personnel	9,925			8,532		
Other related parties	595			3,417		
	1,258,016	12,803,915	10%	865,660	12,152,216	7%
Total Assets less Liabilities						
Equity-accounted investees	(58,802)			(33,615)		
The Government and Government-related entities	2,291,509			3,601,611		
Key management personnel	(5,944)			(4,998)		
Other related parties	(134)			(1,054)		
	2,226,629			3,561,944		
Commitments						
Equity-accounted investees	317			317		
The Government and Government-related entities	179,787			163,985		
Key management personnel	2,484			884		
Other related parties	47			142		
	182,635	3,000,258	6%	165,328	2,315,962	7%

Notes to the financial statements

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37. RELATED PARTY TRANSACTIONS (continued)

The Bank	2024 Related party activity/ balances €000	Total activity/ balance €000	% of total	2023 Related party activity/ balances €000	Total activity/ balance €000	% of total
Interest and similar income:						
- on loans and advances						
The Government and Government-related entities	76,399			108,345		
Key management personnel	12			11		
Other related parties	18			282		
	76,429	306,747	25%	108,638	323,404	34%
Interest and similar income:						
- on debt and other fixed income instruments						
The Government	38,880	130,396	30%	16,690	77,998	21%
Interest expense						
Equity-accounted investees	-			179		
The Government and Government-related entities	1,055			347		
Key management personnel	2			-		
	1,057	51,257	2%	526	49,403	1%
Fee and commission income						
Equity-accounted investees	3,806			2,947		
Subsidiaries	2,677			2,270		
The Government and Government-related entities	5,750			4,029		
Key management personnel	8			3		
Other related parties	5			13		
	12,246	89,419	14%	9,262	83,796	11%
Dividend income						
Equity-accounted investees	3,242			1,562		
Subsidiaries	4,500			5,500		
	7,742	8,309	93%	7,062	9,802	72%
Short term employee compensation and benefits including post-employment benefits						
Key management personnel	3,893	120,649	3%	3,257	108,394	3%
General administrative expenses						
Equity-accounted investees	372			376		
Key management personnel	119			77		
Other related parties	-			47		
	491	71,340	1%	500	76,815	1%
Movement in impairment allowances						
The Government and Government-related entities	233			(199)		
Key management personnel	5			(2)		
Other related parties	22			2		
	260	23,831	1%	(199)	10,481	-2%
Balances with Central Bank of Malta treasury bills and cash						
The Government	1,019,198	1,085,871	94%	2,277,670	2,353,317	97%
Investments						
The Government	2,054,976	6,336,696	32%	1,653,448	5,353,462	31%

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37. RELATED PARTY TRANSACTIONS (continued)

The Bank	2024 Related party activity/ balances €000	Total activity/ balance €000	% of total	2023 Related party activity/ balances €000	Total activity/ balance €000	% of total
Loans and advances to customers (net)						
The Government and Government-related entities	406,242			491,035		
Key management personnel	2,368			2,132		
Other related parties	461			1,847		
	409,071	6,846,302	6%	495,014	6,114,589	8%
Impairment allowances						
The Government and Government-related entities	(213)			(446)		
Key management personnel	(1)			(6)		
Other related parties	-			(22)		
	(214)	(87,289)	0%	(474)	(103,546)	0%
Other assets						
Subsidiaries	238	77,205	0%	151	74,344	0%
Amounts owed to customers						
Equity-accounted investees	58,802			33,615		
Subsidiaries	4,044			4,828		
The Government and Government-related entities	1,188,694			820,096		
Key management personnel	9,172			7,908		
Other related parties	156			1,521		
	1,260,868	12,807,957	10%	867,968	12,157,044	7%
Total Assets less Liabilities						
Equity-accounted investees	(58,802)			(33,615)		
Subsidiaries	(3,806)			(4,677)		
The Government and Government-related entities	2,291,509			3,601,611		
Key management personnel	(6,805)			(5,782)		
Other related parties	305			304		
	2,222,401			3,557,841		
Commitments						
Equity-accounted investees	317			317		
The Government and Government-related entities	179,787			163,985		
Key management personnel	990			281		
Other related parties	47			142		
	181,141	3,000,258	6%	164,725	2,315,944	7%

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37. RELATED PARTY TRANSACTIONS (continued)

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
All outstanding balances are secured except for the following:				
Loans and advances to customers:				
- Key management personnel	38	52	35	46
	38	52	35	46
Details of guarantees received are disclosed below:				
Loans and advances to customers:				
- Amounts guaranteed by The Government	345,097	371,383	345,097	371,383

The above facilities do not involve more than the normal risk of repayment or present other unfavourable features and were made in the ordinary course of business on substantially the same terms as for comparable transactions with persons of a similar standing, or where applicable, other employees.

Loans to and commitments on behalf of directors and other key management personnel (including connected persons):

	The Group		The Bank	
	Loans and advances	Commitments	Loans and advances	Commitments
	€000	€000	€000	€000
Directors				
At 31 December 2022	2,152	128	918	99
Additions	92	576	55	5
	2,244	704	973	104
Less reductions/repayments	(789)	(46)	(540)	(48)
At 31 December 2023	1,455	658	433	56
Additions	342	1,398	3	229
	1,797	2,056	436	285
Less reductions/repayments	(419)	(278)	(52)	-
At 31 December 2024	**1,378**	**1,778**	**384**	**285**
Other key management personnel				
At 31 December 2022	1,814	54	1,814	54
Additions	671	180	671	180
	2,485	234	2,485	234
Less reductions/repayments	(788)	(11)	(788)	(11)
At 31 December 2023	1,697	223	1,697	223
Additions	448	617	448	617
	2,145	840	2,145	840
Less reductions/repayments	(197)	(134)	(197)	(134)
At 31 December 2024	**1,948**	**706**	**1,948**	**706**

Notes to the financial statements

for the year ended 31 December 2024

38. SEGMENTAL INFORMATION BY CLASSES OF BUSINESS

The Group's reportable segments as at 31 December 2024 and 31 December 2023 are as follows:

Reportable segments	Operations
Retail Banking	Loan products, cards, payment and other transactions for all client segments of the Bank. It also includes all deposit products for non-corporate and non-institutional client segments, internet/mobile banking activities, ATM activities and all Bank retail branches operations.
Wealth Management	Discretionary advisory and wealth management services, insurance and stock broking services, asset and fund management, prestige and private banking.
Business Banking	Financing and business deposit products for all business client segments including business and corporate centers.
Treasury	Proprietary investments, derivatives, and other investment related revenues. It also includes custody services and investment operations.
Associates and Others	Share of profits from associates, custody services, and other non-client specific investments. This includes the management of the Bank's property, plant and equipment, investments, other assets, long-term liabilities and other liabilities.

38.1 Information by segment

Interest income is the main revenue generating activity for all segments. The customer-oriented segments also have income derived from fees and commissions and earnings arising on foreign exchange transactions.

	Retail Banking		Wealth Management		Business Banking		Treasury		Associates, Investments & Others		Total Reportable Segments	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Interest income	134,715	147,194	31	-	168,212	171,273	134,216	82,935	-	-	437,174	401,402
Interest expense	(16,098)	(16,060)	(40)	(420)	(17,283)	(16,266)	(11,348)	(10,766)	(6,488)	(5,891)	(51,257)	(49,403)
Fee and commission income	44,588	44,273	22,418	19,158	27,572	24,812	1,211	913	2,711	2,832	98,500	91,988
Fee and commission expense	(15,911)	(12,981)	3	(1)	-	-	-	(35)	(1,213)	(924)	(17,121)	(13,941)
Trading income/(loss)	3,119	3,326	174	130	1,516	1,072	(708)	417	-	-	4,101	4,945
Gains from financial assets	-	-	4	5	-	-	4,445	625	9,343	2,641	13,792	3,271
Dividend income	-	-	-	-	-	-	567	1,178	-	1,562	567	2,740
Depreciation/ amortisation	(12,361)	(12,588)	(2,739)	(3,125)	(3,997)	(4,243)	(684)	(721)	(531)	(503)	(20,312)	(21,180)
Other costs	(107,483)	(108,032)	(30,185)	(25,435)	(44,303)	(42,736)	(8,056)	(5,945)	(6,349)	(7,572)	(196,376)	(189,720)
Impairment reversal/ (charge)	8,059	3,229	-	-	15,984	11,315	(212)	(4,063)	-	-	23,831	10,481
Operating profit/(loss) before share of results of equity-accounted investees	38,628	48,361	(10,334)	(9,688)	147,701	145,227	119,431	64,538	(2,527)	(7,855)	292,899	240,583
Group share results after tax of equity-accounted investees	-	-	-	-	-	-	-	-	9,466	11,030	9,466	11,030
Group profit before taxation for the year											302,365	251,613

	Retail Banking		Wealth Management		Business Banking		Treasury		Associates, Investments & Others		Total Reportable Segments	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
ASSETS												
Total Assets	3,742,693	3,274,591	4,647	3,302	3,202,373	2,972,306	7,780,527	7,944,226	368,859	312,523	15,099,099	14,506,948
LIABILITIES												
Total Liabilities	8,493,556	8,300,788	14,408	5,688	4,549,056	4,030,245	100,932	484,753	533,348	417,741	13,691,300	13,239,215

The revenue which is reported above represents revenue generated from external customers. There was no inter-segment revenue during the year and comparative year.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment's operating profit represents the profit earned by each segment.

There are no material activities which are carried out outside Malta.

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT

39.1 Use of financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to increase its interest margins through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve both on-balance sheet loans and advances, as well as guarantees and other commitments such as performance and other bonds and letters of credit.

The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. Foreign exchange and interest rate exposures are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

Given that the difference between the Group and the Bank balances in respect of financial instruments, and the corresponding effect on the statement of profit or loss and other comprehensive income and reserves in respect thereof, are not material, references in this note to the Group are to be construed as references to the Bank, unless otherwise stated.

The principal areas of financial risk are detailed below:

39.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Financial assets which could potentially expose the Group to credit risk, mainly include balances with Central Bank of Malta, treasury bills and cash, derivative financial assets, debt and other fixed income instruments, and loans and advances to banks and customers.

39.2.1 Credit risk management and exposure

(i) Loans and advances

The purpose of credit risk management is to keep credit risk exposure to a permissible level relative to capital, to maintain the soundness of assets, and to ensure returns commensurate with risk. This leads to a loan portfolio that achieves high returns on capital and assets.

Credit risk is managed and controlled throughout the Bank on the basis of established credit processes, and within a framework of credit policy and delegated authorities based on responsibility, skill and experience.

Credit grading and monitoring systems are in place to accommodate the early identification and management of deterioration in loan quality. In addition, the credit management process is underpinned by an independent system of credit review.

Credit risk analysis is carried out on two levels: the single name; and the Bank's lending portfolio review. The Bank uses a number of tools to limit its exposure to undue credit risk. These include the application of:

- High-level credit policies designed to ensure a balanced and managed approach to the identification and mitigation of credit risk;
- Lending guidelines defining the responsibilities of lending officers that seek to provide a disciplined and focused benchmark for credit decisions;
- Independent reviews of credit exposures;
- Sector caps, encompassing both industry and specific product types, to communicate the Board's risk appetite for specific types of business;
- Establishment and maintenance of large exposures and provisioning policies in accordance with regulatory reporting requirements; and
- Communication and provision of general guidance on all credit-related risk issues, including regulatory changes to promote consistent and best practice throughout the Bank.

Where possible the Bank aims to reduce and control risk concentrations. Broadly stated, concentration results when the Bank has a high level of exposure to a single or related group of borrowers, credit exposures secured by a single security, or credit exposures with common characteristics within an industry, such that adverse developments in this exposure would be damaging to the Bank.

Given the size and nature of the domestic financial sector and the local economy, the Bank is exposed to concentration risk in its credit business. The Bank has systems in place to identify material concentrations in the loan portfolio, and to ensure adherence to prudential limits set by the Board of Directors and/or the regulator to single borrowers or groups of related borrowers and other significant risk concentrations. The CEO and the Board of Directors are regularly informed on the concentration of the Bank's portfolio.

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for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

	The Group	
	2024	**2023**
	€000	**€000**
Households and Individuals	3,713,403	3,230,103
Accommodation and food service activities	552,256	459,794
Real estate activities	525,444	415,164
Financial and insurance activities	477,442	397,378
Wholesale and retail trade	445,743	451,710
Construction	253,814	226,014
Transportation and storage	250,439	314,169
Human health and Social work activities	146,472	143,880
Electricity, Gas, Steam and Air Conditioning Supply	112,337	160,610
Manufacturing	109,248	118,642
Information and communication	104,017	68,600
Arts, Entertainment and Recreation	73,076	72,761
Agriculture, Forestry and Fishing	58,105	57,331
Professional, Scientific and Technical activities	52,455	54,132
Administrative and Support service activities	37,017	42,654
Education	33,145	27,028
Water supply, Sewerage waste management and remediation activities	14,178	14,166
Other services activities	12,668	13,215
Public administration and Defence, Compulsory social security	8,255	9,801
Mining and quarrying	4,754	6,288
Loans and advances to customers	6,984,268	6,283,440
Loans and advances to banks	328,547	196,307
	7,312,815	**6,479,747**

Loans and advances to customers comprises gross loans and advances at amortised cost and loans and advances designated at fair value through profit and loss as per note 17.

(ii) Other financial assets
The credit risk in respect of other financial assets is mitigated through limits set in the Treasury Management Policy. The Bank assigns limits on the level of credit risk undertaken in relation to any single counterparty or sovereign exposure in accordance with external ratings based on Fitch's ratings or on those of other major rating agencies.

Changes in credit ratings are monitored on a daily basis and are subject to frequent review, when considered necessary. The limits on the level of credit risk are reviewed consistently and approved by the Board of Directors at regular intervals. Actual exposures are monitored against limits on an on-going basis. The Bank enters into security transactions only with such authorised counterparties and it invests only in securities or paper with credit quality within specific parameters stated in the Treasury Management Policy.

The level of concentration in respect of other significant financial assets is disclosed in the remaining notes to the financial statements.

Collateral and other credit enhancements
Credit risk mitigation is one of the key elements of the Group's credit policy. This includes the requirement to obtain collateral, depending on the nature of the proposal, as set out in the Bank's policies and procedures. The nature and level of collateral required depends on a number of factors, including, but not limited to the amount of the exposure, the type of facility provided, the term of the facility, the amount of the counterparty's contribution and an evaluation of the level of the credit risk or probability of default involved (see note 39.2.1.5).

Settlement Risk
The Group's activity may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed. Settlement risk in respect of security transactions is mitigated through settlement limits assigned to counterparties based on external credit ratings or by effecting payment on a delivery versus payment (DVP) basis.

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

Sovereign Debt

Sovereign risk refers to the risk that a government may default on its obligations and includes refinancing risk related to the inability to raise capital to repay maturing bonds. The Group monitors sovereign risks through sovereign credit ratings issued by credit rating agencies which include Fitch, Moody's, and Standard & Poor's. The Treasury Management Policy seeks to mitigate sovereign risk, whether directly or indirectly through exposures to corporate and financial institutions domiciled therein, through investment limits assigned on the basis of the long-term credit rating of such sovereigns. This is further supplemented by in depth economic reviews undertaken periodically and assessments of the fiscal, economic and socio-political aspects upon which such limits are accordingly aligned.

39.2.1.1 Credit Quality

Financial Assets by external rating agency designation

	Balances with CBM and Treasury Bills	Debt Securities	Loans and Advances to Banks	Derivatives	Total
The Group	**€000**	**€000**	**€000**	**€000**	**€000**
As at 31 December 2024					
AAA	954,420	1,048,986	3	22	2,003,431
AA- to AA+	-	1,403,138	75,158	-	1,478,296
A- to A+	64,777	3,304,006	209,046	642	3,578,471
BBB- to BBB+	-	570,693	41,604	282	612,579
Lower than BBB-	-	5,007	221	-	5,228
Unrated	-	7	2,515	3,125	5,647
	1,019,197	**6,331,837**	**328,547**	**4,071**	**7,683,652**
As at 31 December 2023					
AAA	2,277,670	987,475	497	61	3,265,703
AA- to AA+	-	1,033,068	30,774	-	1,063,842
A- to A+	-	2,782,942	109,620	5,995	2,898,557
BBB- to BBB+	-	533,937	45,655	290	579,882
Lower than BBB-	-	5,521	9,520	-	15,041
Unrated	-	8	241	1,576	1,825
	2,277,670	**5,342,951**	**196,307**	**7,922**	**7,824,850**

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.1 Credit Quality (continued)

The tables below analyse debt securities by sector, classification and residency.

Sector

	The Group		
	Amortised cost	**FVOCI**	**FVTPL**
2024	**€000**	**€000**	**€000**
Banks	834,953	1,077	27
Government	5,332,551	14,460	1,393
Public	-	64,445	-
Others	83,753	559	-
	6,251,257	80,541	1,420

	The Group		
	Amortised cost	**FVOCI**	**FVTPL**
2023	**€000**	**€000**	**€000**
Banks	1,207,968	-	27
Government	3,952,325	13,418	15
Public	-	62,533	-
Others	106,665	-	-
	5,266,958	75,951	42

Residency

	The Group		
	Amortised cost	**FVOCI**	**FVTPL**
2024	**€000**	**€000**	**€000**
Malta	2,042,024	77,912	-
Monetary Union member states	3,035,617	940	1,393
Rest of the world	1,173,616	1,689	27
	6,251,257	80,541	1,420

	The Group		
	Amortised cost	**FVOCI**	**FVTPL**
2023	**€000**	**€000**	**€000**
Malta	1,640,610	75,951	-
Monetary Union member states	2,328,493	-	15
Rest of the world	1,297,855	-	27
	5,266,958	75,951	42

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39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.1 Credit Quality (continued)

Loans and advances to customers analysed into performing and non-performing exposures.

	The Group		The Group	
Total Gross/Forborne Exposures	**Total**	**Of which Forborne**	**Total**	**Of which Forborne**
	2024	**2024**	**2023**	**2023**
	€000	**€000**	**€000**	**€000**
Performing				
Stage 1	6,423,559	-	5,633,851	-
Stage 2	373,766	164,808	457,190	138,655
	6,797,325	164,808	6,091,041	138,655
Non-performing				
Stage 3	186,943	76,964	192,399	87,438
	186,943	76,964	192,399	87,438
Total Gross/Forborne Exposures	**6,984,268**	**241,772**	**6,283,440**	**226,093**

Gross Forborne Exposures are analysed as follows:

	Modification in Terms	Refinancing	Modification in Terms	Refinancing
	2024	**2024**	**2023**	**2023**
Performing	**€000**	**€000**	**€000**	**€000**
Personal	6,129	293	12,593	167
Business	156,703	1,683	124,634	1,261
	162,832	1,976	137,227	1,428
Non-performing				
Personal	20,403	316	14,829	681
Business	45,900	10,345	64,746	7,182
	66,303	10,661	79,575	7,863

The movement in forbearance activity during the period is as follows:

	Loans & Advances	
	2024	**2023**
	€000	**€000**
1 January	226,093	265,609
Additions	89,594	62,326
Retired from forborne	(73,915)	(101,842)
31 December	241,772	226,093

(iii) Analysis of past due balances

	2024	2023
Past due up to 29 days	21,263	82,664
Past due 30 - 59 days	5,399	4,942
Past due 60 - 89 days	519	6,870
	27,181	94,476

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39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.1 Credit Quality (continued)

Analysis of past due balances comprise all loan exposures (including forborne exposures).

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	2024	2023
	€000	€000
Defaulted gross loans by segment:		
Business	151,067	154,342
Personal	35,876	38,057
	186,943	**192,399**

Defaulted facilities are those credit facilities with payments of interest and/or capital overdue by 90 days or more or where the Group has reasons to doubt the eventual recoverability of funds. A variety of types of collateral are accepted including property, securities, cash, guarantees and insurance, as disclosed in note 39.2.1.5.

Information about impairment allowances is disclosed in note 39.2.1.2 in respect of the Group's exposures as at 31 December 2024 and 31 December 2023.

39.2.1.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. Refer to note 39.2.1.2.1 for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. Refer to note 39.2.1.2.2 for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected losses on a lifetime bases. Refer to note 39.2.1.2.4 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 39.2.1.2.5 includes an explanation of how the Group has incorporated this in its ECL models.

Further explanation is also provided of how the Group determines appropriate groupings when ECL is measured on a collective basis (refer to note 39.2.1.2.8).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

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for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2 Expected credit loss measurement (continued)

39.2.1.2.1 Significant increase in credit risk

With the exception of instruments measured at FVTPL, exposures with low credit risk at the reporting date and any originated credit-impaired financial assets (note 39.2.1.2.2), the Group assesses whether financial instruments have experienced a significant increase in credit risk since initial recognition.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information. A quantitative backstop trigger (30 days in arrears) shift exposures from stage 1 to stage 2 as significant increase in credit risk is deemed to have occurred.

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Stage Allocation

At the origination of a loan, all exposures (except for POCI), irrelevant of the credit grading, are allocated to stage 1 as the Bank accepts the credit risk profile at an agreed price. It follows that 12 months of expected credit losses are held against newly originated loans as long as the credit risk at origination does not increase significantly. A transfer to stage 2 is only triggered when SICR, compared to the credit risk at origination, occurs. Assessment of SICR has been enhanced to include a comparative assessment between the PD at a point in time and that at origination to determine whether credit risk has increased over time. The Bank also makes use of a second backstop trigger for SICR. The latter pushes exposures to underperforming (stage 2) whenever the PD is found to have doubled that at origination.

Exposures are subject to ongoing qualitative monitoring, which may also result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Commercial exposures	Personal exposures	All exposures
• Information obtained during periodic review of customer files - e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	• Internally collected data on customer behaviour - e.g. utilisation of credit card facilities • Affordability metrics	• Payment record - this includes overdue status as well as a range of variables about payment ratios • Utilisation of the granted limit • Requests for and granting of forbearance • Existing and forecast changes in business • Financial and economic conditions

The Group applies the low credit risk simplification for all investments which are of an investment grade, which comprises the vast majority of its treasury portfolio. The Group accordingly only assesses SICR for investments in those debt securities which are rated as sub-investment grade. For sub-investment grade securities, the Group considers a security to have experienced a significant increase in credit risk if the security has been the subject to a credit rating downgrade since initial recognition.

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2 Expected credit loss measurement (continued)

39.2.1.2.2 Definition of default and credit impaired

The Group considers financial assets in the advances portfolio to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any credit obligation to the Group.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit lower than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default aligns with that applied by the Group for regulatory capital purposes.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In the case of the treasury portfolio, the Group considers investments in debt instruments to be in default when a payment, including a coupon payment, is missed.

39.2.1.2.3 Cure rate

An instrument in the Group's advances portfolio is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period of three months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

A forborne instrument is considered to no longer be in default when it no longer meets any of the criteria for a consecutive period of twelve months.

The Group's experience is that defaulted debt investments within the treasury portfolio do not cure given that a security's default mechanism is triggered when a security's issuer misses a coupon payment. Any new instruments which the Group receives as part of an eventual debt restructuring exercise is considered to be a new instrument altogether.

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2 Expected credit loss measurement (continued)

39.2.1.2.4 Measuring ECL

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or 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), defined as follows:

- 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.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving overdraft, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12 month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described in note 39.2.1.2.5.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

The Group estimates LGD parameters on its advances portfolio based on historical data sets of property contractual prices and recovered claims against defaulted counterparties. From this data, future property prices are estimated, which are then discounted to allow for costs to sell and time to sell. Net realisable values are discounted using the individual exposure's interest rate. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. In the case of the Group's treasury portfolio, the Group lacks historical experience of defaults, and accordingly makes use of the LGD parameters set out by the Bank for International Settlements.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period.

The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2 Expected credit loss measurement (continued)

39.2.1.2.5 Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Quarterly Central Bank of Malta (CBM) forecasts for those macro-economic factors, that are found to be relevant for the Bank's credit portfolio, are used. On an annual basis, as part of the model recalibration exercise an assessment is carried out to ensure that the selected macro-economic model is still adequate and relevant.

The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD.

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

As at 31 December 2024, the IFRS 9 model was updated with the Central Bank of Malta (CBM) Quarter 4, 2024 baseline macro-economic projections for the period 2024 to 2027 for GDP growth and unemployment.

The calibrated model includes three scenarios (base/optimistic/pessimistic) whereby the baseline scenarios are mapped to the economic forecasts published quarterly by the Central Bank of Malta for Unemployment rate, and bi-annually in the Budgetary Plan and the Update of Stability Program for GDP growth rate issued by the Ministry for Finance and Employment.

The upside and downside scenarios are then derived as follows:

- The Budgetary Plan and the Update of Stability Program publish upside and downside scenarios for real GDP growth (GDP fan chart);
- Okun's law is used to derive the upside and downside scenarios for Unemployment rate. Okun's law prescribes a presumably stable economic relationship between the Unemployment rate and GDP growth rate;

The following table compares the three key forecasts as per CBM issue Quarter 4: 2023 to those issued by the CBM in Quarter 4: 2024.

	December 23 CBM Forecasts			December 24 CBM Forecasts			
	2023	2024	2025	2024	2025	2026	2027
Macro-variable	%	%	%	%	%	%	%
GDP	4.3	3.8	3.6	4.9	3.9	3.6	3.4
Unemployment	2.8	2.9	2.9	3.2	3.2	3.1	3.1

Management adjustments to models for impairment

Management adjustments to impairment models are applied in order to factor in certain conditions or changes in policy that are not fully incorporated into the impairment models, or to additional facts and circumstances at the period end. Management adjustments are reviewed and incorporated into future model development where applicable.

Post-model adjustments due to long-outstanding non-performing exposures

A total of €16.1 million (2023: €19.6 million) are held as post-model adjustments related to non-performing exposures, thereby releasing €3.4 million arising mainly from account closures and write-offs (2023: releasing €18.2 million arising mainly from the NPL Sale derecognition and write-offs) (note 8.1). The remaining movement reflects changes in portfolio.

The long-outstanding/legacy non-performing exposures are considered as very high-risk exposures with a high degree of uncertainty associated with the realisation of their collateral. For this group of exposures time to sell is longer than normally expected resulting in additional costs to maintain the assets in a good and saleable condition. For these types of exposures, it is also highly probable that the debt is realised through court proceedings and hence, further legal costs would be incurred. Taking all these factors into consideration, the Bank is of the view that an additional independent analysis, from the LGD model is necessary to estimate the adequate ECL coverage for this group of exposures with an intention to improve the coverage.

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for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2 Expected credit loss measurement (continued)

39.2.1.2.6 Critical estimates

The most significant key macro-economic variables used for the ECL estimate as at 31 December 2024 are set out below.

As part of the annual calibration exercise, the IFRS 9 model has been updated to include a revised mix of macro-economic variables (Gross domestic product and unemployment rate) to make the model more intuitive and reflective of the current economic conditions.

The macro-economic model includes GDP growth rate and year on year difference in Unemployment rate for both retail and business portfolio. The credit cycle coefficients together with their relative weights in the credit cycle are summarized in the table below:

Macro-economic credit-cycle for Retail and Business portfolio:

2024				
Variable	**Retail**	**Weights**	**Business**	**Weights**
GDP Growth	-0.0060	37.80%	-0.0052	12.64%
Unemployment Rate	0.0800	62.20%	0.2800	87.36%

2023				
Variable	**Retail**	**Weights**	**Business**	**Weights**
GDP Growth	-0.0083	52.05%	-0.0174	54.72%
Unemployment Rate	0.0789	47.95%	0.1480	45.28%

The table presents the final credit cycle specifications for Retail and Business portfolios, with a focus on two macroeconomic variables: GDP year-over-year (YY) change and Unemployment Rate year-over-year (YY) difference. Here are some key insights:

The retail portfolio's credit cycle is influenced by GDP growth and unemployment rates, with GDP having a negative impact and unemployment rates having a positive impact. The weights assigned are 37.80% for GDP and 62.20% for unemployment rates.

The business portfolio's credit cycle is influenced by GDP and unemployment rate changes. GDP growth has a minor negative effect, while rising unemployment significantly worsens credit conditions. The unemployment rate has a dominant impact with a weight of 87.36%, compared to GDP's 12.64%.

Overall, the table illustrates that both the retail and business portfolios are influenced by macroeconomic conditions, particularly unemployment rates. The signs of the coefficients align with theoretical expectations, where economic growth (reflected by GDP) tends to improve credit conditions, while rising unemployment rates tend to worsen them. The differences in the weights indicate that unemployment rate changes are more influential for the business portfolio compared to the retail portfolio.

A review of the most significant key macro-economic variables is performed on an annual basis.

Three scenarios "baseline", "downside" and "upside" were used for all loan portfolios.

Macro-economic forecasts (2024-2027)	**Downside**	**Baseline**	**Upside**
	%	%	%
GDP Growth rate	2.1	4.0	7.8
Unemployment rate	3.5	3.2	2.5
Probability (%)	25.0	50.0	25.0

Other forward-looking considerations not incorporated within the above scenarios, such as the impact of any regulatory, legislative, or political changes, have also been considered, but are not deemed to have a material impact. This is reviewed and monitored for appropriateness on a quarterly basis.

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2 Expected credit loss measurement (continued)

39.2.1.2.7 Sensitivity of ECL to future economic conditions

ECL is sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations.

A sensitivity analysis is performed on the ECL requirement for the credit portfolio, assuming the upside and downside forward-looking scenarios as the baseline and weighted at 100% instead of applying an unbiased set of probability weights.

	2024
	€000
Gross performing exposures	6,797,325
ECL variance	
- Upside	(1,966)
- Downside	1,613

Applying a baseline scenario would approximate the probability weighted scenario.

The Group performed additional ECL runs to sensitise expected credit loss requirements to changes in the impact of macro-variable inputs and their impact on projected PD curves. The most significant change in ECL resulting from shifts in macro variable inputs is coming from unemployment since, over the past 10 years unemployment has been gradually decreasing and applying an abrupt shift upwards would cause a shock to the model. A higher unemployment rate would result in a significant impact on the purchasing power and hence on the borrowers' ability to meet its contractual obligations.

Set out below are the changes to ECL as at 31 December 2024 that would result from changes in parameters from the actual observations. The most significant sensitivity tests affecting the ECL allowance are as follows:

Macro-variable	**Shift in basis points**	**Increase in ECL**
		€000
Unemployment	+150	4,997
Gross Domestic Product	-250	258

39.2.1.2.8 Grouping by shared risk characteristics

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2.8 Grouping by shared risk characteristics (continued)

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

As at December 2024	Exposure	External benchmarks used LGD
Investments in debt securities within the treasury portfolio	€ 6,332,902	28% - 59% Bank for International Settlements parameters

As at December 2023	Exposure	External benchmarks used LGD
Investments in debt securities within the treasury portfolio	€ 5,343,807	16% - 59% Bank for International Settlements parameters

Majority of the instruments are of an investment grade and as such the Bank has applied simplification rules as permitted by IFRS 9.

39.2.1.3 Gross carrying amount and exposure to credit risk

The following table sets out information about the credit quality of financial assets measured at amortised cost, and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in note 39.2.1.1.

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL not Credit-Impaired €000	Stage 3 Lifetime ECL Credit-Impaired €000	Total €000
Loans and advances to banks at amortised cost				
As at 31 December 2024				
AAA	954,423	-	-	954,423
AA- to AA+	75,158	-	-	75,158
A- to A+	273,829	-	-	273,829
BBB- to BBB+	41,605	-	-	41,605
Lower than BBB-	-	221	-	221
Unrated	2,515	-	-	2,515
	1,347,530	221	-	1,347,751
Loss allowance	(7)	-	-	(7)
Carrying amount	1,347,523	221	-	1,347,744
Loans and advances to banks at amortised cost				
As at 31 December 2023				
AAA	2,278,169	-	-	2,278,169
AA- to AA+	30,774	-	-	30,774
A- to A+	109,621	-	-	109,621
BBB- to BBB+	45,656	-	-	45,656
Lower than BBB-	-	9,537	-	9,537
Unrated	241	-	-	241
	2,464,461	9,537	-	2,473,998
Loss allowance	(4)	(17)	-	(21)
Carrying amount	2,464,457	9,520	-	2,473,977

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.3 Gross carrying amount and exposure to credit risk (continued)

The Group makes use of external ratings based on major rating agencies.

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL not Credit-Impaired €000	Stage 3 Lifetime ECL Credit-Impaired €000	Total €000
Loans and advances to customers at amortised cost				
As at 31 December 2024				
Grades 1-3	6,163,796	25,855	-	6,189,651
Grades 4-5	209,087	347,911	-	556,998
Grades 6-11	-	-	186,942	186,942
	6,372,883	373,766	186,942	6,933,591
Loss allowance	(14,738)	(10,426)	(62,125)	(87,289)
Carrying amount	6,358,145	363,340	124,817	6,846,302
Loans and advances to customers at amortised cost				
As at 31 December 2023				
Grades 1-3	5,401,738	41,013	12	5,442,763
Grades 4-5	166,808	416,177	6	582,991
Grades 6-11	-	-	192,381	192,381
	5,568,546	457,190	192,399	6,218,135
Loss allowance	(12,186)	(17,872)	(73,488)	(103,546)
Carrying amount	5,556,360	439,318	118,911	6,114,589

Exposures under probation or which experienced a deterioration in stage subject to the doubling of the PD result in an ECL stage which is worse than the stage related to their internal grading.

Exposures graded 4 and 5 and allocated in Stage 1 comprise of newly originated business exposire. (Refer to 39.2.1.2.1 - Stage Allocation).

The following table represents the average 12-month PD corresponding to the internal credit grading.

Grading	12-month average PD
Grades 1 - 3	0.029
Grades 4 - 5	0.329
Grades 6 - 11	1.000

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL not credit-Impaired €000	Stage 3 Lifetime ECL credit-Impaired €000	Total €000
Investments in debt securities				
As at 31 December 2024				
AAA	1,049,006	-	-	1,049,006
AA- to AA+	1,403,165	-	-	1,403,165
A- to A+	3,304,719	-	-	3,304,719
BBB- to BBB+	571,017	-	-	571,017
Lower than BBB-	-	4,995	-	4,995
	6,327,907	4,995	-	6,332,902
Loss allowance	(1,104)	-	-	(1,104)
Carrying amount	6,326,803	4,995	-	6,331,798

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.3 Gross carrying amount and exposure to credit risk (continued)

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL not Credit-Impaired €000	Stage 3 Lifetime ECL Credit- Impaired €000	Total €000
Investments in debt securities				
As at 31 December 2023				
AAA	987,491	-	-	987,491
AA- to AA+	1,033,085	-	-	1,033,085
A- to A+	2,783,477	-	-	2,783,477
BBB- to BBB+	534,228	-	-	534,228
Lower than BBB-	-	5,526	-	5,526
	5,338,281	5,526	-	5,343,807
Loss allowance	(836)	(62)	-	(898)
Carrying amount	5,337,445	5,464	-	5,342,909

The treasury portfolio is made up primarily of investment grade securities.

39.2.1.4 Maximum exposure to credit risk on FVTPL securities, Financial guarantees and loan commitments

Maximum exposure
The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the maximum exposure to credit risk without taking account of the value of any collateral obtained, except as disclosed below.

Financial guarantees
The maximum exposure to credit risk is the full amount that the Group would have to pay if the guarantees are called upon (note 33).

Loan commitments
The maximum exposure to credit risk arising on loan commitments and other credit related commitments that are irrecoverable over the life of the respective facilities is the full amount of the committed facilities (note 34).

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVTPL):

	Maximum exposure to credit risk	
	2024	**2023**
	€000	**€000**
Financial assets mandatorily measured at FVTPL:		
- Debt securities	22	21
	22	**21**
Financial assets designated at fair value:		
- Debt securities	1,398	21
- Loans and advances to customers	50,677	65,305
	52,075	**65,326**
	52,097	**65,347**
Derivatives financial instruments	**4,071**	**7,922**

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.5 Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities; and
- Margin agreement for derivatives, for which the Group has master netting agreements imposed by way of law.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

A portion of the Group's financial assets originated by the mortgage business has sufficiently low 'loan to value' (LTV) ratios, which results in no loss allowance being recognised in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is €431.7 million as at 31 December 2024 (2023: €396.5 million).

Security values are reviewed on a regular basis and are also re-assessed at time of default if it is found that the carrying value of the collateral item could have materially changed since last valuation. The Bank calculates the value of collateral as the market value less a haircut, with the latter representing a conservative estimate of the costs to sell and the potential loss of value in a forced sale scenario. For financial instruments, haircuts are calculated according to the risk profile of each individual security and depend on a number of variables including price volatility and liquidity/marketability of the instrument.

The table below shows the financial effect and main types of collateral held against the Group's customer loan exposures:

The Group
As at 31 December 2024

	Loans and advances to customers	Undrawn credit facilities and other commitments to lend
	€000	€000
Loans collateralised by:		
Prime bank guarantees	461	194
Cash or quasi cash	119,546	50,267
Guarantees and/or letters of comfort issued by the Malta Government, the Central Bank of Malta or Public agencies	328,853	138,276
Residential property	3,472,228	1,460,013
Commercial property	1,597,453	671,702
Personal guarantees and others	431,631	181,493
	5,950,172	**2,501,945**

Notes to the financial statements

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39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.5 Collateral (continued)

The Group
As at 31 December 2023

	Loans and advances to customers €000	Undrawn credit facilities and other commitments to lend €000
Loans collateralised by:		
Prime bank guarantees	445	161
Cash or quasi cash	125,646	45,427
Guarantees and/or letters of comfort issued by the Malta Government, the Central Bank of Malta or Public agencies	386,519	139,743
Residential property	2,934,010	1,060,782
Commercial property	1,363,330	492,908
Personal guarantees and others	396,162	143,231
	5,206,112	**1,882,252**

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

The Group
As at 31 December 2024

	Gross carrying amount €000	Impairment allowance €000	Net carrying amount €000	Fair value of collateral held post haircut as per model €000
Credit-impaired assets				
Loans to individuals:				
- Personal Loans	5,226	(3,397)	1,829	2,261
- Home Loans	29,788	(13,414)	16,374	24,893
- Personal Overdrafts	87	(77)	10	14
- Credit Cards	260	(258)	2	-
Loans to corporate entities:				
- Business Loans	123,925	(31,403)	92,522	93,939
- Business Overdrafts	21,758	(9,711)	12,047	14,152
Encroachments*	5,899	(3,865)	2,034	-
Total credit-impaired assets	**186,943**	**(62,125)**	**124,818**	**135,259**

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.5 Collateral (continued)

The Group
As at 31 December 2023

	Gross carrying amount €000	Impairment allowance €000	Net carrying amount €000	Fair value of collateral held post haircut as per model €000
Credit-impaired assets				
Loans to individuals:				
- Personal Loans	4,472	(2,807)	1,665	2,572
- Home Loans	32,118	(13,532)	18,586	28,810
- Personal Overdrafts	105	(95)	10	125
- Credit Cards	389	(379)	10	-
Loans to corporate entities:				
- Business Loans	123,810	(38,557)	85,253	98,019
- Business Overdrafts	25,716	(12,334)	13,382	27,097
Encroachments*	5,789	(5,784)	5	-
Total credit-impaired assets	**192,399**	**(73,488)**	**118,911**	**156,623**

* Encroachments include exposures which form part of both loans to individuals and corporate entities.

On specific exposures, the fair value of the collateral exceeds the carrying amount of the loan. The value of the collateral in this note is capped to the gross carrying amount of the exposures.

The impairment allowances on the credit-impaired assets comprises model driven expected credit loss amounting to €46.0 million (2023: €53.9 million) and post model adjustments €16.1 million (2023: €19.6 million). Refer to note 39.2.1.2.5.

Fair value of collateral refers to architect's valuation less applicable haircuts.

Collateral valuations vary from full valuations by external independent appraisers to desktop valuations according to the Bank's collateral policy. The frequency of collateral valuations range between 1 and 3 years depending on the type of property, exposure status (i.e. whether performing or non-performing) as well as exposure range in line with the Bank's collateral policy.

Lending and Commitments covered by Residential Property
The table below stratifies credit exposures, covered by residential property, to customers by ranges of loan-to-value ('LTV'). LTV is calculated as the ratio of the gross amount of loan or the amount committed for loan commitments to the value of the collateral. The gross amounts exclude any impairment allowances. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for these loans is based on the collateral value at origination updated based on changes in house price indices.

Lending and commitments covered by residential property	**2024 €000**	**2023 €000**
Less than 25%	659,823	475,121
25% to 50%	1,620,009	1,482,823
51% to 75%	1,665,267	1,300,456
76% to 90%	1,005,382	750,984
91% to 100%	38,434	30,924
	4,988,915	**4,040,308**

The following table classifies the Group's mortgage credit-impaired exposures which are covered by residential property by ranges of loan-to-value (LTV). The value of collateral for these loans is calculated by taking into consideration the eligibility of collateral pursuant to Article 208 of the Capital Requirement Regulation.

Mortgage portfolio - LTV distribution	**2024 Credit-Impaired (Gross carrying amount) €000**	**2023 Credit-Impaired (Gross carrying amount) €000**
Lower than 25%	7,080	5,120
25% to 50%	9,372	10,467
51% to 75%	3,344	3,270
76% to 90%	589	1,238
Total	**20,385**	**20,095**

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for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures

39.2.2.1 Reconciliation of ECL

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to the following factors:

- 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. Changes in the staging allocation of balances existing at 1 January 2021 (and associated ECL changes) are presented in "transfers to/(from)", whereas subsequent changes in the staging allocation of new assets originated during the year are presented in "new financial assets originated";
- 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 (see note 39.2.2.4)

Allowances on On-Balance Sheet Exposures	**Stage 1 12-month ECL €000**	**Stage 2 Lifetime ECL €000**	**Stage 3 Lifetime ECL €000**	**Total €000**
Total allowances at 1 January 2024	12,186	17,872	73,488	**103,546**
Home Loans				
Allowances at 1 January 2024	428	80	13,532	**14,040**
Transfer to/(from):				
Stage 1	(4)	99	618	**713**
Stage 2	1	(9)	23	**15**
Stage 3	-	47	(403)	**(356)**
New financial assets originated*	250	20	36	**306**
Financial assets that have been derecognised	(52)	(50)	(1,261)	**(1,363)**
Write-offs	-	-	(232)	**(232)**
NPL Sale	-	-	-	**-**
Changes to model assumptions and methodologies	(9)	(3)	43	**31**
Other movements**	(252)	(4)	1,057	**801**
Allowances on home loans at 31 December 2024	362	180	13,413	**13,955**
Personal				
Allowances at 1 January 2024	883	825	3,871	**5,579**
Transfer to/(from):				
Stage 1	(19)	148	564	**693**
Stage 2	384	(497)	91	**(22)**
Stage 3	161	31	(566)	**(374)**
New financial assets originated*	471	77	610	**1,158**
Financial assets that have been derecognised	(53)	(333)	(634)	**(1,020)**
Write-offs	-	-	(95)	**(95)**
NPL Sale	-	-	-	**-**
Changes to model assumptions and methodologies	(253)	(135)	(10)	**(398)**
Other movements**	(65)	224	155	**314**
Allowances on personal at 31 December 2024	1,509	340	3,986	**5,835**

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.1 Reconciliation of ECL (continued)

Allowances on On-Balance Sheet Exposures	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Credit Cards				
Allowances at 1 January 2024	815	841	379	**2,035**
Transfer to/(from):				
Stage 1	(75)	318	86	**329**
Stage 2	72	(346)	98	**(176)**
Stage 3	1	19	(230)	**(210)**
New financial assets originated*	49	38	1	**88**
Financial assets that have been derecognised	(28)	(50)	(82)	**(160)**
Changes to model assumptions and methodologies	(104)	(36)	-	**(140)**
Other movements**	13	44	6	**63**
Allowances on credit cards at 31 December 2024	743	828	258	**1,829**
Business				
Allowances at 1 January 2024	10,060	16,126	55,706	**81,892**
Transfer to/(from):				
Stage 1	(515)	2,709	991	**3,185**
Stage 2	693	(972)	3,837	**3,558**
Stage 3	5	252	(4,038)	**(3,781)**
New financial assets originated*	4,634	1,091	3,810	**9,535**
Financial assets that have been derecognised	(802)	(8,748)	(4,933)	**(14,483)**
Write-offs	-	-	(780)	**(780)**
NPL Sale	-	-	-	**-**
Changes to model assumptions and methodologies	(33)	(118)	1,479	**1,328**
Other movements**	(1,918)	(1,262)	(11,604)	**(14,784)**
Allowances on business at 31 December 2024	12,124	9,078	44,468	**65,670**
Total allowances at 31 December 2024	**14,738**	**10,426**	**62,125**	**87,289**

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.1 Reconciliation of ECL (continued)

Allowances on On-Balance Sheet Exposures	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Total allowances at 1 January 2023	**16,486**	**13,495**	**102,936**	**132,917**
Home Loans				
Allowances at 1 January 2023	1,128	614	24,222	**25,964**
Transfer to/(from):				
Stage 1	(3)	12	348	**357**
Stage 2	9	(394)	119	**(266)**
Stage 3	1	33	(962)	**(928)**
New financial assets originated*	278	19	20	**317**
Financial assets that have been derecognised	(80)	(106)	(2,207)	**(2,393)**
Write-offs	-	-	(872)	**(872)**
NPL Sale	-	-	(8,162)	**(8,162)**
Changes to model assumptions and methodologies	(850)	(110)	129	**(831)**
Other movements**	(55)	12	897	**854**
Allowances on home loans at 31 December 2023	428	80	13,532	**14,040**
Personal				
Allowances at 1 January 2023	903	282	5,060	**6,245**
Transfer to/(from):				
Stage 1	(357)	546	365	**554**
Stage 2	31	(192)	68	**(93)**
Stage 3	-	18	(189)	**(171)**
New financial assets originated*	479	208	657	**1,344**
Financial assets that have been derecognised	(82)	(42)	(567)	**(691)**
Write-offs	-	-	(207)	**(207)**
NPL Sale	-	-	(1,463)	**(1,463)**
Changes to model assumptions and methodologies	(339)	219	10	**(110)**
Other movements**	248	(214)	137	**171**
Allowances on personal at 31 December 2023	883	825	3,871	**5,579**
Credit Cards				
Allowances at 1 January 2023	1,502	334	167	**2,003**
Transfer to/(from):				
Stage 1	(190)	578	168	**556**
Stage 2	43	(143)	105	**5**
Stage 3	-	10	(48)	**(38)**
New financial assets originated*	47	32	6	**85**
Financial assets that have been derecognised	(48)	(25)	(36)	**(109)**
Changes to model assumptions and methodologies	(590)	349	-	**(241)**
Other movements**	51	(294)	17	**(226)**
Allowances on credit cards at 31 December 2023	815	841	379	**2,035**

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.1 Reconciliation of ECL (continued)

Allowances on On-Balance Sheet Exposures	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Business				
Allowances at 1 January 2023	12,953	12,265	73,487	**98,705**
Transfer to/(from):				
Stage 1	(887)	5,149	10,082	**14,344**
Stage 2	112	(2,537)	9,772	**7,347**
Stage 3	6	9	(2,417)	**(2,402)**
New financial assets originated*	4,272	4,887	7,062	**16,221**
Financial assets that have been derecognised	(870)	(678)	(8,869)	**(10,417)**
Write-offs	-	-	(3,738)	**(3,738)**
NPL Sale	-	-	(23,076)	**(23,076)**
Changes to model assumptions and methodologies	(4,232)	(730)	3,909	**(1,053)**
Other movements**	(1,294)	(2,239)	(10,506)	**(14,039)**
Allowances on business at 31 December 2023	10,060	16,126	55,706	**81,892**
Total allowances at 31 December 2023	**12,186**	**17,872**	**73,488**	**103,546**

Provisions on Off-Balance Sheet Exposures	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Total Provisions at 1 January 2024	6,802	3,632	7,311	**17,745**
Home Loans				
Provisions at 1 January 2024	495	-	678	**1,173**
Transfer to/(from):				
Stage 1	(1)	-	1	**-**
Stage 2	-	-	-	**-**
Stage 3	-	-	(237)	**(237)**
New financial assets originated*	504	69	202	**775**
Financial assets that have been derecognised	(31)	-	(412)	**(443)**
Changes to model assumptions and methodologies	(7)	(4)	-	**(11)**
Other movements**	(363)	4	126	**(233)**
Provisions on home loans at 31 December 2024	597	69	358	**1,024**
Personal				
Provisions at 1 January 2024	75	1,434	997	**2,506**
Transfer to/(from):				
Stage 1	-	-	9	**9**
Stage 2	1,229	(1,782)	13	**(540)**
Stage 3	833	-	(1,984)	**(1,151)**
New financial assets originated*	101	3	1	**105**
Financial assets that have been derecognised	(11)	(40)	(52)	**(103)**
Write-offs	-	-	(4)	**(4)**
Changes to model assumptions and methodologies	(874)	(6)	(5)	**(885)**
Other movements**	825	403	1,173	**2,401**
Provisions on personal at 31 December 2024	2,178	12	148	**2,338**

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.1 Reconciliation of ECL (continued)

Provisions on Off-Balance Sheet Exposures	**Stage 1 12-month ECL €000**	**Stage 2 Lifetime ECL €000**	**Stage 3 Lifetime ECL €000**	**Total €000**
Credit Cards				
Provisions at 1 January 2024	198	25	8	**231**
Transfer to/(from):				
Stage 1	(7)	10	-	**3**
Stage 2	8	(16)	1	**(7)**
Stage 3	-	1	(4)	**(3)**
New financial assets originated*	16	1	-	**17**
Financial assets that have been derecognised	(10)	(2)	(4)	**(16)**
Changes to model assumptions and methodologies	(26)	(2)	-	**(28)**
Other movements**	4	2	(1)	**5**
Provisions on credit cards at 31 December 2024	183	19	-	**202**
Business				
Provisions at 1 January 2024	6,034	2,173	5,628	**13,835**
Transfer to/(from):				
Stage 1	(197)	474	922	**1,199**
Stage 2	228	(683)	125	**(330)**
Stage 3	-	1	(177)	**(176)**
New financial assets originated*	5,689	73	360	**6,122**
Financial assets that have been derecognised	(1,048)	(214)	(1,489)	**(2,751)**
Write-offs	-	-	(31)	**(31)**
Changes to model assumptions and methodologies	(242)	(149)	44	**(347)**
Other movements**	(2,778)	(464)	(1,630)	**(4,872)**
Provisions on business at 31 December 2024	7,686	1,211	3,752	**12,649**
Total Provisions at 31 December 2024	**10,644**	**1,311**	**4,258**	**16,213**

Provisions on Off-Balance Sheet Exposures	**Stage 1 12-month ECL €000**	**Stage 2 Lifetime ECL €000**	**Stage 3 Lifetime ECL €000**	**Total €000**
Total Provisions at 1 January 2023	6,569	2,335	6,574	**15,478**
Home Loans				
Provisions at 1 January 2023	456	320	493	**1,269**
Transfer to/(from):				
Stage 1	(4)	-	351	**347**
Stage 2	20	(152)	-	**(132)**
Stage 3	-	-	(413)	**(413)**
New financial assets originated*	438	-	249	**687**
Financial assets that have been derecognised	(38)	(168)	(1)	**(207)**
Changes to model assumptions and methodologies	(430)	15	1	**(414)**
Other movements**	53	(15)	(2)	**36**
Provisions on home loans at 31 December 2023	495	-	678	**1,173**

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for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.1 Reconciliation of ECL (continued)

Provisions on Off-Balance Sheet Exposures	**Stage 1 12-month ECL €000**	**Stage 2 Lifetime ECL €000**	**Stage 3 Lifetime ECL €000**	**Total €000**
Personal				
Provisions at 1 January 2023	92	30	84	**206**
Transfer to/(from):				
Stage 1	(63)	1,419	910	**2,266**
Stage 2	-	(12)	2	**(10)**
Stage 3	-	-	(10)	**(10)**
New financial assets originated*	67	9	17	**93**
Financial assets that have been derecognised	(19)	-	(8)	**(27)**
Changes to model assumptions and methodologies	(24)	1,529	297	**1,802**
Other movements**	22	(1,541)	(295)	**(1,814)**
Provisions on personal at 31 December 2023	75	1,434	997	**2,506**
Credit Cards				
Provisions at 1 January 2023	343	11	4	**358**
Transfer to/(from):				
Stage 1	(16)	19	5	**8**
Stage 2	5	(7)	2	**-**
Stage 3	-	-	(2)	**(2)**
New financial assets originated*	14	1	1	**16**
Financial assets that have been derecognised	(19)	(1)	(1)	**(21)**
Changes to model assumptions and methodologies	(147)	5	(4)	**(146)**
Other movements**	18	(3)	3	**18**
Provisions on credit cards at 31 December 2023	198	25	8	**231**
Business				
Provisions at 1 January 2023	5,678	1,974	5,993	**13,645**
Transfer to/(from):				
Stage 1	(277)	864	1,730	**2,317**
Stage 2	35	(230)	267	**72**
Stage 3	38	80	(1,849)	**(1,731)**
New financial assets originated*	4,634	547	1,086	**6,267**
Financial assets that have been derecognised	(428)	(228)	(1,187)	**(1,843)**
Write-offs	-	-	(36)	**(36)**
NPL Sale	-	-	(120)	**(120)**
Changes to model assumptions and methodologies	(2,204)	583	981	**(640)**
Other movements**	(1,442)	(1,417)	(1,237)	**(4,096)**
Provisions on business at 31 December 2023	6,034	2,173	5,628	**13,835**
Total Provisions at 31 December 2023	**6,802**	**3,632**	**7,311**	**17,745**

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for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.2 Contributors to changes in provision

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

- Gross loans and advances increased by 11% during the year (2023: increase by 9%). The high volume of new loans originated during the period, aligned with the Group's organic growth objective, increased the gross carrying amount of the loan book by 20% (2023: 18%), with a corresponding €11.1 million increase in loss allowance (2023: increase of €18.0 million).
- There were no significant changes to the modification of facility contracts following renegotiation with customers facing financial difficulties.
- The write-off of loans with a total gross carrying amount of €1.3 million (2023: €7.3 million) resulted in the reduction of the Stage 3 expected credit losses by €1.1 million (2023: €4.9 million).

The following tables further explain changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Total Gross Carrying Amount at 1 January 2024	**5,633,851**	**457,190**	**192,399**	**6,283,440**
Home Loans				
Gross carrying amount at 1 January 2024	2,905,190	41,300	32,118	**2,978,608**
Transfer to/(from):				
Stage 1	(14,700)	10,047	4,649	**(4)**
Stage 2	12,840	(15,956)	1,827	**(1,289)**
Stage 3	3,514	1,431	(4,180)	**765**
New financial assets originated*	684,783	1,105	290	**686,178**
Financial assets that have been derecognised	(118,192)	(3,296)	(3,741)	**(125,229)**
Write-offs	-	-	(421)	**(421)**
Repayment on existing assets***	(117,348)	(1,509)	(754)	**(119,611)**
Home loans gross carrying amount at 31 December 2024	**3,356,087**	**33,122**	**29,788**	**3,418,997**
Personal				
Gross carrying amount at 1 January 2024	209,897	4,395	5,550	**219,842**
Transfer to/(from):				
Stage 1	(3,715)	2,079	1,279	**(357)**
Stage 2	1,324	(1,596)	273	**1**
Stage 3	600	135	(818)	**(83)**
New financial assets originated*	70,555	664	649	**71,868**
Financial assets that have been derecognised	(16,260)	(995)	(811)	**(18,066)**
Write-offs	-	-	(101)	**(101)**
Repayment on existing assets***	5,715	(77)	(193)	**5,445**
Personal gross carrying amount at 31 December 2024	**268,116**	**4,605**	**5,828**	**278,549**

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39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.2 Contributors to changes in provision (continued)

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Credit Cards				
Gross carrying amount at 1 January 2024	40,513	9,355	389	**50,257**
Transfer to/(from):				
Stage 1	(3,403)	4,052	87	**736**
Stage 2	3,535	(4,238)	98	**(605)**
Stage 3	33	138	(230)	**(59)**
New financial assets originated*	2,645	445	1	**3,091**
Financial assets that have been derecognised	(1,405)	(508)	(87)	**(2,000)**
Drawdown/(repayment) on existing assets***	255	39	2	**296**
Credit cards gross carrying amount at 31 December 2024	**42,173**	**9,283**	**260**	**51,716**
Business				
Gross carrying amount at 1 January 2024	2,478,251	402,140	154,342	**3,034,733**
Transfer to/(from):				
Stage 1	(91,556)	82,243	6,261	**(3,052)**
Stage 2	74,928	(95,544)	21,226	**610**
Stage 3	1,480	8,312	(11,074)	**(1,282)**
New financial assets originated*	445,482	30,005	13,512	**488,999**
Financial assets that have been derecognised	(186,250)	(74,992)	(24,551)	**(285,793)**
Write-offs	-	-	(796)	**(796)**
NPL Sale	-	-	-	-
Drawdown/(repayment) on existing assets***	34,848	(25,408)	(7,853)	**1,587**
Business gross carrying amount at 31 December 2024	**2,757,183**	**326,756**	**151,067**	**3,235,006**
Total Gross carrying amount at 31 December 2024	6,423,559	373,766	186,943	**6,984,268**
Less Allowances	(14,738)	(10,426)	(62,125)	**(87,289)**
Net Loans and Advances to customers	**6,408,821**	**363,340**	**124,818**	**6,896,979**

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Total Gross Carrying Amount at 1 January 2023	**4,998,276**	**569,137**	**204,305**	**5,771,718**
Home Loans				
Gross carrying amount at 1 January 2023	2,673,823	45,861	42,405	**2,762,089**
Transfer to/(from):				
Stage 1	(23,989)	18,299	4,782	**(908)**
Stage 2	15,803	(20,178)	3,300	**(1,075)**
Stage 3	1,869	1,125	(2,510)	**484**
New financial assets originated*	465,876	473	20	**466,369**
Financial assets that have been derecognised	(123,914)	(2,779)	(5,069)	**(131,762)**
Write-offs	-	-	(452)	**(452)**
NPL Sale	-	-	(9,506)	**(9,506)**
Repayment on existing assets***	(104,278)	(1,501)	(852)	**(106,631)**
Home loans gross carrying amount at 31 December 2023	**2,905,190**	**41,300**	**32,118**	**2,978,608**

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.2 Contributors to changes in provision (continued)

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Personal				
Gross carrying amount at 1 January 2023	161,837	3,588	6,543	**171,968**
Transfer to/(from):				
Stage 1	(8,056)	1,954	540	**(5,562)**
Stage 2	1,707	(2,043)	286	**(50)**
Stage 3	21	110	(204)	**(73)**
New financial assets originated*	84,801	1,212	752	**86,765**
Financial assets that have been derecognised	(15,491)	(264)	(60)	**(15,815)**
Write-offs	-	-	(673)	**(673)**
NPL Sale	-	-	(1,646)	**(1,646)**
Repayment on existing assets***	(14,922)	(162)	12	**(15,072)**
Personal gross carrying amount at 31 December 2023	**209,897**	**4,395**	**5,550**	**219,842**
Credit Cards				
Gross carrying amount at 1 January 2023	43,498	4,671	253	**48,422**
Transfer to/(from):				
Stage 1	(6,323)	6,591	169	**437**
Stage 2	1,691	(2,136)	105	**(340)**
Stage 3	14	71	(108)	**(23)**
New financial assets originated*	2,169	397	13	**2,579**
Financial assets that have been derecognised	(1,435)	(322)	(48)	**(1,805)**
NPL Sale	-	-	(6)	**(6)**
Drawdown/(repayment) on existing assets***	899	83	11	**993**
Credit cards gross carrying amount at 31 December 2023	**40,513**	**9,355**	**389**	**50,257**
Business				
Gross carrying amount at 1 January 2023	2,119,118	515,017	155,104	**2,789,239**
Transfer to/(from):				
Stage 1	(104,432)	73,412	34,728	**3,708**
Stage 2	107,016	(130,919)	14,287	**(9,616)**
Stage 3	1,866	3,004	(4,987)	**(117)**
New financial assets originated*	444,146	24,354	11,962	**480,462**
Financial assets that have been derecognised	(133,264)	(31,556)	(7,983)	**(172,803)**
Write-offs	-	-	(6,219)	**(6,219)**
NPL Sale	-	-	(30,170)	**(30,170)**
Drawdown/(repayment) on existing assets***	43,801	(51,172)	(12,380)	**(19,751)**
Business gross carrying amount at 31 December 2023	**2,478,251**	**402,140**	**154,342**	**3,034,733**
Total Gross carrying amount at 31 December 2023	5,633,851	457,190	192,399	**6,283,440**
Less Allowances	(12,186)	(17,872)	(73,488)	**(103,546)**
Net Loans and Advances to customers	**5,621,665**	**439,318**	**118,911**	**6,179,894**

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.2 Contributors to changes in provision (continued)

Gross carrying amount comprises of loans and advances to customers at amortised cost and loans and advances to customers designated as fair value through profit or loss.

* Newly originated financial assets during the period comprises of:

- In stage 2 - business loans originate in stage 1 and deteriorate to stage 2 if they experience a significant increase in credit risk. An exception to this arises when new accounts are opened as part of a restructuring agreement in replacement of exposures which would have already experienced significant increase in credit risk. Retail exposures are allocated to stage 2 at origination if granted to counterparties in stage 2 that are still subject to the Bank's cure/probation criteria.,
- In stage 3 - include €13.0 million (2023: €9.8 million) of originated credit-impaired assets which relate to new facilities granted to counterparties in default as part of existing commitments.

** Other movements comprise changes in impairment against accounts which have not been upgraded nor downgraded

*** Drawdown/(repayment) on existing assets is comprised of changes in carrying amount balance of accounts which have not been upgraded nor downgraded

39.2.2.3 Impairment Allowances on Total/Forborne Exposures

	The Group		The Group	
	Total	Of which Forborne	Total	Of which Forborne
	2024	2024	2023	2023
	€000	€000	€000	€000
Performing				
Stage 1	14,738	-	12,186	-
Stage 2	10,426	6,078	17,872	3,926
	25,164	6,078	30,058	3,926
Non-performing				
Stage 3	62,125	29,914	73,488	33,949
	62,125	29,914	73,488	33,949
Total Impairment Allowances	**87,289**	**35,992**	**103,546**	**37,875**

The movement in allowance accounts for loans and advances to customers are as follows:

	The Group	
	Allowances 2024	Allowances 2023
	€000	€000
Change in allowances for uncollectibility:		
At 1 January	103,546	132,917
Additions	27,936	51,847
Reversals	(44,193)	(81,218)
At 31 December	**87,289**	**103,546**

Interest income recognised during the year ended 31 December 2024 in respect of forborne assets amounted to €12.0 million (2023: €11.2 million).

39.2.2.4 Write-off policy

Loans and debt securities are written off in full when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts. However, financial assets that are written off could be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

39.2.2.5 Contractual amounts outstanding on assets that were written off

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2024 and that are still subject to enforcement activity is €1.3 million (2023: €7.3 million).

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.3 Modification of financial assets' terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in note 1.4.2.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on date at initial recognition and the original contractual terms.

For financial assets modified as part of the Group's policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 39.2.1.1 (iii)). A customer needs to demonstrate consistently good payment behaviour over a period of 12 months before the exposure is no longer in default or a period of 3 months before the exposure's PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

During the current financial year there were no significant modification of financial assets.

39.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group monitors and manages this risk by maintaining sufficient cash and, where possible, financial assets for which there is a liquid market and that are readily saleable to meet liquidity needs. The Group is exposed to daily calls on its available cash resources from overnight deposits, current and call deposits, maturing term deposits, loan drawdowns, guarantees and from margin and other calls on cash-settled derivatives.

In order to ensure that maturing funds are always available to meet expected demand for cash, the Board sets parameters within which maturities of assets and liabilities may be mismatched. Unmatched positions potentially enhance profitability, but also increase the risk of losses. In addition, the Group manages its risk to a shortage of funds by monitoring forecast and actual cashflows, by monitoring the availability of raising funds to meet commitments associated with financial instruments and by holding financial assets which are expected to generate cash inflows that will be available to meet cash outflows on liabilities.

The following table analyses Group financial liabilities into relevant maturity groupings, based on the remaining period at the reporting date to the contractual maturity date. The balances in this table will not agree directly to the balances in the statement of financial position as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future coupon payments. Furthermore, loan commitments do not meet the criteria for recognition in the statement of financial position.

Derivative liabilities held for risk management and derivatives designated for hedge accounting disclosed, represent amounts for which net cash flows are exchanged.

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Liquidity risk (continued)

The Group

At 31 December 2024	Due within 3 months €000	Due between 3 and 12 months €000	Due between 1 and 5 years €000	Due after 5 years €000	Gross Nominal outflow €000	Carrying amount €000
Derivative liabilities held for risk management	2,976	614	610	-	4,200	4,200
Amounts owed to banks	9,151	8	-	-	9,159	9,150
Amounts owed to customers	12,696,567	68,718	34,868	4,480	12,804,633	12,803,915
Debt securities in issue	-	35,000	420,000	-	455,000	350,846
Subordinated liabilities	1,953	9,156	43,123	294,247	348,479	263,136
Derivatives designated for hedge accounting	-	94	608	-	702	-
Other financial liabilities	238,532	3,889	11,530	9,938	263,889	260,053
	12,949,179	**117,479**	**510,739**	**308,665**	**13,886,062**	**13,691,300**
Loan commitments	2,936,765					
Financial Guarantees	395,536					
At 31 December 2023						
Derivative liabilities held for risk management	2,028	717	1,409	-	4,154	4,154
Amounts owed to banks	212,170	105,747	-	-	317,917	315,651
Amounts owed to customers	11,984,087	111,727	52,041	5,585	12,153,440	12,152,216
Debt securities in issue	-	35,000	455,000	-	490,000	350,099
Subordinated liabilities	1,953	3,828	23,123	175,027	203,931	163,237
Derivatives designated for hedge accounting	-	-	2,368	-	2,368	-
Other financial liabilities	229,684	5,491	11,981	10,652	257,808	253,858
	12,429,922	**262,510**	**545,922**	**191,264**	**13,429,618**	**13,239,215**
Loan commitments	2,271,758					
Financial Guarantees	375,277					

Assets available to meet these liabilities, and to cover outstanding commitments, include balances with Central Bank of Malta, treasury bills and cash, cheques in course of collection, loans to banks and to customers and marketable securities and undrawn credit lines.

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Liquidity risk (continued)

The following table analyses the assets and liabilities that are recognised in the statement of financial position into relevant maturity groupings, based on the remaining period at the reporting date to their contractual maturity date.

The Group

At 31 December 2024	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Other	Carrying Amount
	€000	€000	€000	€000	€000	€000
Assets						
Balances with Central Bank of Malta, treasury bills and cash	1,019,197	-	-	-	66,674	1,085,871
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	1,026	355	-	39	-	1,420
- Equity and other non-fixed income instruments	-	-	-	-	50,052	50,052
- Loans and advances	-	4,601	14,409	31,667	-	50,677
- Derivative financial instruments	3,368	1	648	54	-	4,071
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	-	-	73,051	7,490	-	80,541
- Amortised cost	104,005	602,177	3,033,320	2,511,755	-	6,251,257
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	4,898	4,898
Loans and advances to banks	328,547	-	-	-	-	328,547
Loans and advances to customers	637,910	91,808	642,614	5,473,970	-	6,846,302
Investments in equity-accounted investees	-	-	-	-	117,160	117,160
Other assets	-	-	-	-	278,303	278,303
	2,094,053	**698,942**	**3,764,042**	**8,024,975**	**517,087**	**15,099,099**
Liabilities and Equity						
Derivative liabilities held for risk management	2,976	614	610	-	-	4,200
Amounts owed to banks	9,142	8	-	-	-	9,150
Amounts owed to customers	12,696,314	68,671	34,750	4,180	-	12,803,915
Other liabilities	231,957	3,417	10,285	7,937	6,457	260,053
Debt securities in issue	-	2,493	348,353	-	-	350,846
Subordinated liabilities	1,540	900	-	260,696	-	263,136
Equity holders of the Bank	-	-	-	-	1,407,799	1,407,799
	12,941,929	**76,103**	**393,998**	**272,813**	**1,414,256**	**15,099,099**

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Liquidity risk (continued)

The Group

	Less than 3 months €000	Between 3 months and 1 year €000	Between 1 and 5 years €000	More than 5 years €000	Other €000	Carrying Amount €000
At 31 December 2023						
Assets						
Balances with Central Bank of Malta, treasury bills and cash	2,277,670	-	-	-	75,647	2,353,317
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	-	-	-	42	-	42
- Equity and other non-fixed income instruments	-	-	-	-	40,584	40,584
- Loans and advances	475	-	27,727	37,103	-	65,305
- Derivative financial instruments	5,566	573	1,624	159	-	7,922
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	-	-	62,533	13,418	-	75,951
- Amortised cost	130,980	538,329	2,909,487	1,688,162	-	5,266,958
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	10,553	10,553
Loans and advances to banks	196,307	-	-	-	-	196,307
Loans and advances to customers	625,173	73,525	605,570	4,810,321	-	6,114,589
Investments in equity-accounted investees	-	-	-	-	110,098	110,098
Other assets	-	-	-	-	265,322	265,322
	3,236,171	**612,427**	**3,606,941**	**6,549,205**	**502,204**	**14,506,948**
Liabilities and Equity						
Derivative liabilities held for risk management	2,034	717	1,403	-	-	4,154
Amounts owed to banks	211,210	104,441	-	-	-	315,651
Amounts owed to customers	11,983,974	111,218	51,789	5,235	-	12,152,216
Other liabilities	229,579	5,185	10,589	8,505	-	253,858
Debt securities in issue	-	2,486	347,613	-	-	350,099
Subordinated liabilities	1,540	106	-	161,591	-	163,237
Equity holders of the Bank	-	-	-	-	1,267,733	1,267,733
	12,428,337	**224,153**	**411,394**	**175,331**	**1,267,733**	**14,506,948**

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Liquidity risk (continued)

The Bank

At 31 December 2024	Less than 3 months €000	Between 3 months and 1 year €000	Between 1 and 5 years €000	More than 5 years €000	Other €000	Carrying Amount €000
Assets						
Balances with Central Bank of Malta, treasury bills and cash	1,019,197	-	-	-	66,674	1,085,871
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	-	-	-	39	-	39
- Equity and other non-fixed income instruments	-	-	-	-	49,891	49,891
- Loans and advances	-	4,601	14,409	31,667	-	50,677
- Derivative financial instruments	3,368	1	648	54	-	4,071
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	-	-	73,051	7,490	-	80,541
- Amortised cost	104,005	602,177	3,033,320	2,511,755	-	6,251,257
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	4,898	4,898
Loans and advances to banks	328,547	-	-	-	-	328,547
Loans and advances to customers	637,910	91,808	642,614	5,473,970	-	6,846,302
Investments in equity-accounted investees and subsidiaries	-	-	-	-	79,100	79,100
Other assets	-	-	-	-	275,998	275,998
	2,093,027	**698,587**	**3,764,042**	**8,024,975**	**476,561**	**15,057,192**
Liabilities and Equity						
Derivative liabilities held for risk management	2,976	614	610	-	-	4,200
Amounts owed to banks	9,142	8	-	-	-	9,150
Amounts owed to customers	12,700,356	68,671	34,750	4,180	-	12,807,957
Other liabilities	231,680	3,417	10,285	7,937	6,457	259,776
Debt securities in issue	-	2,493	348,353	-	-	350,846
Subordinated liabilities	1,540	900	-	260,696	-	263,136
Equity holders of the Bank	-	-	-	-	1,362,127	1,362,127
	12,945,694	**76,103**	**393,998**	**272,813**	**1,368,584**	**15,057,192**

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Liquidity risk (continued)

The Bank

At 31 December 2023	Less than 3 months €000	Between 3 months and 1 year €000	Between 1 and 5 years €000	More than 5 years €000	Other €000	Carrying amount €000
Assets						
Balances with Central Bank of Malta, treasury bills and cash	2,277,670	-	-	-	75,647	2,353,317
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	-	-	-	42	-	42
- Equity and other non-fixed income instruments	-	-	-	-	40,293	40,293
- Loans and advances	475	-	27,727	37,103	-	65,305
- Derivative financial instruments	5,565	573	1,624	160	-	7,922
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	-	-	62,533	13,418	-	75,951
- Amortised cost	130,980	538,329	2,909,487	1,688,162	-	5,266,958
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	10,553	10,553
Loans and advances to banks	196,307	-	-	-	-	196,307
Loans and advances to customers	625,173	73,525	605,570	4,810,321	-	6,114,589
Investments in equity-accounted investees and subsidiaries	-	-	-	-	79,100	79,100
Other assets	-	-	-	-	263,000	263,000
	3,236,170	**612,427**	**3,606,941**	**6,549,206**	**468,593**	**14,473,337**
Liabilities and Equity						
Derivative liabilities held for risk management	2,034	717	1,403	-	-	4,154
Amounts owed to banks	211,210	104,441	-	-	-	315,651
Amounts owed to customers	11,988,802	111,218	51,789	5,235	-	12,157,044
Other liabilities	229,885	5,035	10,589	8,505	-	254,014
Debt securities in issue	-	2,486	347,613	-	-	350,099
Subordinated liabilities	1,540	106	-	161,591	-	163,237
Equity holders of the Bank	-	-	-	-	1,229,138	1,229,138
	12,433,471	**224,003**	**411,394**	**175,331**	**1,229,138**	**14,473,337**

The ratio of net liquid assets to deposits from customers and short-term funding is used by the Group for managing liquidity risk. For this purpose, 'net liquid assets' includes cash and cash equivalents and high-quality liquid assets for which there is an active and liquid market. 'Deposits from customers and short-term funding' includes deposits from banks, customers, debt securities issued, other borrowings and commitments due within 30 days from reference date. Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

	2024	2023
At 31 December	39.66%	40.65%
Average for the period	38.58%	42.48%
Maximum for the period	40.38%	45.52%
Minimum for the period	36.69%	38.82%

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for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Liquidity risk (continued)

Banking Rule 07 transposing the provisions of the EBA Guidelines on Disclosures of Encumbered and Unencumbered Assets (EBA/GL/2014/03) requires disclosure on asset encumbrance. The Group is in compliance with the contents thereof.

This disclosure provides details of available and unrestricted assets that could be used to support potential future funding and collateral needs. An asset is considered as encumbered when it has been pledged as collateral against an existing liability, and as a result is no longer available to the Group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

This disclosure is limited to assets available for central bank refinancing and securities that are transferable and 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.

Asset Encumbrance

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets if different from carrying amount
	€000	€000	€000	€000
The Group				
As at 31 December 2024				
Equity instruments	-	-	54,950	54,950
Debt securities	40,153	38,452	6,357,842	6,284,671
Loans and advances	-	-	8,179,950	-
Other assets	-	-	466,204	-
	40,153	**38,452**	**15,058,946**	**6,339,621**
The Group				
As at 31 December 2023				
Equity instruments	-	-	51,139	51,139
Debt securities	336,931	324,737	5,006,019	4,855,727
Loans and advances	-	-	8,653,870	-
Other assets	-	-	458,989	-
	336,931	**324,737**	**14,170,017**	**4,906,866**
The Bank				
As at 31 December 2024				
Equity instruments	-	-	54,788	54,788
Debt securities	40,153	38,452	6,356,461	6,283,291
Loans and advances	-	-	8,179,950	-
Other assets	-	-	425,840	-
	40,153	**38,452**	**15,017,039**	**6,338,079**
The Bank				
As at 31 December 2023				
Equity instruments	-	-	50,847	50,847
Debt securities	336,931	324,737	5,006,019	4,855,727
Loans and advances	-	-	8,653,870	-
Other assets	-	-	425,670	-
	336,931	**324,737**	**14,136,406**	**4,906,574**

The Group does not encumber any of the collateral received or any of its debt securities issued.

For the financial years ended 31 December 2024 and 31 December 2023, the Bank has an outstanding liability with regards to significant claims associated with encumbered assets.

The Group and the Bank undertake the following:

i. Pledging of debt securities in favour of the Depositor Compensation Scheme.

ii. Pledging of debt securities which are covered by the TBMA/ISMA Global Repurchase Master Agreement

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. It arises in all areas of the Group's activities and is managed by a variety of different techniques as detailed below.

The objective of the Group is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with the Bank's status as a leading Bank in providing financial products and services.

The market risk appetite is articulated in the Treasury Management Policy. It is defined as the quantum and composition of market risk that the Bank is currently exposed to and the direction in which the Bank desires to manage this risk. Market risk is managed through limits set in the Treasury Management Policy. The Policy is reviewed by Treasury department in co-ordination with Risk Management department and is approved by the Asset and Liability Management Committee (ALCO) and the Board of Directors.

39.4.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk arising from financial assets and liabilities with fixed interest rates and to cash flow interest rate risk arising from financial assets and liabilities with floating interest rates. The Group is not directly exposed to interest rate risk on investment in equity instruments. The Group uses interest rate swaps to hedge the interest rate risk of certain financial instruments.

The analysis of interest rate risk has evolved from assessing the sensitivity of the treasury portfolio, using a modified duration method, to a more comprehensive methodology. The latter approach covers all interest sensitive assets and liabilities, as well as off-balance sheet items; this effectively widens the analysis and enables the stressing of various movements in the yield curve. The tables below depict the movement of stressed yield curves and the changes in the Report Equity and Net Interest Income to such movement. For further information related to the measurement of interest rate risk can be found in the Pillar 3 Disclosures Report as included in the Bank's website.

	Bps	Direction
Parallel Shock Up	200	Up
Parallel Shock Down	200	Down
Short Rates Up	250	Up
Short Rates Down	250	Down
Steepener	250	Short Rates Down
	100	Long Rates Up
Flattener	250	Short Rates Up
	100	Long Rates Down

The below table applies both the Group and the Bank.

	Parallel Shock Up € millions	Parallel Shock Down € millions	Short Rates Up € millions	Short Rates Down € millions	Steepener € millions	Flattener € millions
Sensitivity of reported equity to interest rate movements						
2024						
At 31 December	23	(10)	45	(48)	(37)	44
Average for the year	52	(44)	48	(51)	(26)	37
Most favourable for the year	69	(10)	52	(46)	(20)	44
Least favourable for the year	23	(67)	44	(55)	(37)	31
2023						
At 31 December	131	(137)	70	(73)	(10)	34
Average for the year	214	(232)	98	(103)	1	37
Most favourable for the year	263	(137)	114	(73)	8	38
Least favourable for the year	131	(289)	70	(120)	(10)	34

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Market risk (continued)

39.4.1 Interest rate risk (continued)

	Parallel Shock Up € millions	Parallel Shock Down € millions
Sensitivity of projected net interest income to interest rate movements		
2024		
At 31 December	36	(36)
Average for the year	40	(41)
Most favourable for the year	50	(36)
Least favourable for the year	36	(50)
2023		
At 31 December	58	(59)
Average for the year	78	(79)
Most favourable for the year	96	(59)
Least favourable for the year	58	(97)

Interest rate repricing gap

The table below summarises the Group's exposure to interest rate risk. Included in the table are Group assets and liabilities, including derivative financial instruments which are principally used to reduce exposure to interest rate risk, categorised by repricing date.

The Group's assets and liabilities are set to reprice as follows:

	Up to 1 Month €000	3 months or less but over 1 month €000	1 year or less but over 3 months €000	Over 1 year €000	Others €000	Total €000
Assets						
Balances with Central Bank of Malta, treasury bills and cash	1,021,097	64,774	-	-	-	**1,085,871**
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	-	1,056	355	9	-	**1,420**
- Equity and other non-fixed income instruments	-	-	-	-	50,052	**50,052**
- Loans and advances	50,677	-	-	-	-	**50,677**
- Derivative financial instruments	1,739	1,550	-	-	782	**4,071**
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	-	-	-	80,541	-	**80,541**
- Amortised cost	67,938	84,118	597,714	5,501,487	-	**6,251,257**
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	4,898	**4,898**
Loans and advances to banks	130,501	14,492	-	-	183,554	**328,547**
Loans and advances to customers	5,397,923	455,556	187,143	805,680	-	**6,846,302**
Investments in equity-accounted investees	-	-	-	-	117,160	**117,160**
Other assets	-	-	-	-	278,303	**278,303**
Total 2024	**6,669,875**	**621,546**	**785,212**	**6,387,717**	**634,749**	**15,099,099**
Total 2023	7,405,557	729,727	828,547	4,980,523	562,594	14,506,948

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Market risk (continued)

39.4.1 Interest rate risk (continued)

	Up to 1 Month €000	3 months or less but over 1 month €000	1 year or less but over 3 months €000	Over 1 year €000	Others €000	Total €000
Liabilities and Equity						
Financial liabilities at fair value through profit or loss	1,649	1,326	614	611	-	**4,200**
Amounts owed to banks	-	-	-	-	9,150	**9,150**
Amounts owed to customers	12,691,323	15,069	61,762	18,633	17,128	**12,803,915**
Other liabilities	-	-	-	-	260,053	**260,053**
Debt securities in issue	-	-	-	350,846	-	**350,846**
Subordinated liabilities	-	-	-	263,136	-	**263,136**
Equity holders of the Bank	-	-	-	-	1,407,799	**1,407,799**
Total 2024	**12,692,972**	**16,395**	**62,376**	**633,226**	**1,694,130**	**15,099,099**
Total 2023	12,007,584	176,279	208,446	547,853	1,566,786	14,506,948
Interest rate swaps - 2024	**(8,650)**	**(22,649)**	**(76,171)**	**107,470**	**-**	
Interest rate swaps - 2023	(12,715)	(27,099)	(78,605)	118,419	-	
Gap - 2024	**(6,031,747)**	**582,502**	**646,665**	**5,861,961**	**-**	
Gap - 2023	(4,614,742)	526,349	541,496	4,551,089	-	
Cumulative Gap - 2024	**(6,031,747)**	**(5,449,245)**	**(4,802,580)**	**1,059,381**	**-**	
Cumulative Gap - 2023	(4,614,742)	(4,088,393)	(3,546,897)	1,004,192	-	

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for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Market risk (continued)

39.4.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Board of Directors sets limits on the level of exposure by currency and in total, which levels are monitored daily.

The following table summarises the Group's exposure to foreign currency exchange rate risk at the reporting date. Included in the table are the Group's assets and liabilities at carrying amounts, analysed into relevant currency groupings.

The Group	EUR	USD	GBP	AUD	Other Currencies	Total
31 December 2024	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Assets						
Balances with Central Bank of Malta						
treasury bills and cash	1,083,117	896	991	88	779	1,085,871
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments income instruments	1,420	-	-	-	-	1,420
- Equity and other non-fixed income instruments	18,929	31,123	-	-	-	50,052
- Loans and advances	50,677	-	-	-	-	50,677
- Derivative financial instruments	4,071	-	-	-	-	4,071
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	13,467	64,445	2,629	-	-	80,541
- Amortised Cost	6,189,962	12,386	29,085	19,824	-	6,251,257
- Equity and other non-fixed income instruments						
- measured at FVOCI	4,898	-	-	-	-	4,898
Loans and advances to banks	52,960	84,359	53,864	7,448	129,916	328,547
Loans and advances to customers	6,819,355	9,761	17,186	-	-	6,846,302
Other assets	395,581	98	(217)	1	-	395,463
	14,634,437	**203,068**	**103,538**	**27,361**	**130,695**	**15,099,099**
Liabilities and Equity						
Derivative liabilities held for risk management	4,200	-	-	-	-	4,200
Amounts owed to banks	6,604	946	344	17	1,239	9,150
Amounts owed to customers	12,329,985	203,427	117,868	27,143	125,492	12,803,915
Other liabilities	242,399	858	(2,582)	(307)	1,297	241,665
Provision	18,388	-	-	-	-	18,388
Debt securities in issue	350,846	-	-	-	-	350,846
Subordinated liabilities	263,136	-	-	-	-	263,136
Equity	1,388,648	19,131	20	-	-	1,407,799
	14,604,206	**224,362**	**115,650**	**26,853**	**128,028**	**15,099,099**
Net on balance sheet financial position		(21,294)	(12,112)	508	2,667	
Notional amount of derivative instruments		9,478	14,559	-	(2,436)	
Net open position		(11,816)	2,447	508	231	

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39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Market risk (continued)

39.4.2 Currency risk (continued)

The Group	**EUR**	**USD**	**GBP**	**AUD**	**Other Currencies**	**Total**
31 December 2023	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Assets						
Balances with Central Bank of Malta						
treasury bills and cash	2,348,610	2,097	1,173	721	716	2,353,317
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	42	-	-	-	-	42
- Equity and other non-fixed income instruments	18,098	22,486	-	-	-	40,584
- Loans and advances	65,305	-	-	-	-	65,305
- Derivative financial instruments	7,922	-	-	-	-	7,922
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	13,418	62,533	-	-	-	75,951
- Amortised cost	4,994,855	152,120	99,701	20,282	-	5,266,958
- Equity and other non-fixed income instruments						
- measured at FVOCI	10,553	-	-	-	-	10,553
Loans and advances to banks	21,876	31,759	24,108	2,548	116,016	196,307
Loans and advances to customers	6,053,087	60,285	1,217	-	-	6,114,589
Other assets	375,949	(740)	190	-	21	375,420
	13,909,715	**330,540**	**126,389**	**23,551**	**116,753**	**14,506,948**
Liabilities and Equity						
Derivative liabilities held for risk management	4,154	-	-	-	-	4,154
Amounts owed to banks	283,782	30,082	715	26	1,046	315,651
Amounts owed to customers	11,646,851	201,393	148,779	35,426	119,767	12,152,216
Other liabilities	233,525	2,265	(2,405)	344	(37)	233,692
Provision	20,166	-	-	-	-	20,166
Debt securities in issue	350,099	-	-	-	-	350,099
Subordinated liabilities	163,237	-	-	-	-	163,237
Equity	1,250,159	17,560	14	-	-	1,267,733
	13,951,973	**251,300**	**147,103**	**35,796**	**120,776**	**14,506,948**
Net on balance sheet financial position		79,240	(20,714)	(12,245)	(4,023)	
Notional amount of derivative instruments		(97,964)	24,541	12,087	395	
Net open position		(18,724)	3,827	(158)	(3,628)	

Currency risk, commonly referred to as exchange-rate risk, arises from the change in price of one currency in relation to another where a possibility of losing money due to unfavourable moves in exchange rates can arise. The following table shows how a 1% change in the exchange rate of the Group's main three foreign currencies would impact the institution. The sensitivity analysis performed shows that the impact on the balance sheet is minimal. No other currency other than the domestic currency, exceeded the 5% aggregate amount of liabilities to the total liabilities, thus only the euro-denominated currency is considered significant. In fact, 96.5% of total liabilities are euro-denominated and in principle, BOV does not finance its assets in a currency different from that in which the assets are denominated.

Currency Risk Sensitivity Analysis impact on Net Open position

2024	**USD**	**GBP**	**AUD**	**Total**
	€000	**€000**	**€000**	**€000**
+1% change in foreign exchange	117	(24)	(5)	88
-1% change in foreign exchange	(119)	25	5	(89)

2023	**USD**	**GBP**	**AUD**	**Total**
	€000	**€000**	**€000**	**€000**
+1% change in foreign exchange	185	(38)	(2)	149
-1% change in foreign exchange	(189)	39	2	(152)

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Market risk (continued)

39.4.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity price risks arising from the holding of equity instruments classified either as FVOCI or at fair value through profit or loss.

The carrying amounts of financial instruments at the reporting date which could potentially subject the Group to equity price risk are disclosed in the notes to the financial statements.

This risk is monitored and managed by the Risk management function of the Bank, as disclosed in more detail above.

39.5 Transferred financial assets that are not derecognised in their entirety

	The Group and the Bank	
	2024	2023
	€000	€000
Debt securities classified as amortised cost	-	296,700
Amounts owed to banks	-	281,687

These transactions are covered by the TBMA/ISMA Global Repurchase Master Agreement ("the Agreement") and involve the sale of financial assets with a simultaneous agreement to repurchase them at a pre-determined price at a future date. The securities sold comprise investment securities. The counterparty's liability is included in amounts owed to banks. The Group and the Bank continue to recognise the transferred assets since all the risks and rewards of the assets will be substantially retained in a manner that does not result in the transferred assets being derecognised for accounting purposes.

Each party to a transaction is subject to the events of default listed in the Agreement. In the event that any of the events of default is/are triggered, transactions are immediately terminated. Consequently, performance of the respective obligations of the parties with respect to the delivery of securities, the payment of the repurchase prices for any equivalent securities and the repayment of any cash margin shall become due and payable.

At the end of 2024, the Group and the Bank did not have any repurchase agreements with the counterparties.

39.6 Fair value of financial instruments

The Group's accounting policy for determining the fair value of financial instruments is described in note 1.19 and 1.24 to these Financial Statements.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3 inputs are unobservable inputs for the asset or liability. 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 instruments' 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.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group and the Bank determine when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

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39. FINANCIAL RISK MANAGEMENT (continued)

39.6 Fair value of financial instruments (continued)

39.6.1 Bases of valuing financial assets and liabilities measured at fair value

	Fair value measurement			
	Level 1	**Level 2**	**Level 3**	**Total**
	€000	**€000**	**€000**	**€000**
The Group				
At 31 December 2024				
Assets				
Financial assets at fair value through profit or loss				
- debt and other fixed income instruments	1,408	5	7	1,420
- equity and other non-fixed income instruments	274	44,409	5,369	50,052
- loans and advances	-	50,677	-	50,677
- derivative financial instruments	-	4,071	-	4,071
Investments				
Debt and other fixed income instruments				
- FVOCI	2,702	77,839	-	80,541
Equity and other non-fixed income instruments				
- FVOCI	4,898	-	-	4,898
	9,282	**177,001**	**5,376**	**191,659**
Liabilities				
Financial liabilities at fair value through profit or loss	-	4,200	-	4,200
	-	**4,200**	**-**	**4,200**

	Fair value measurement			
	Level 1	**Level 2**	**Level 3**	**Total**
	€000	**€000**	**€000**	**€000**
The Group				
At 31 December 2023				
Assets				
Financial assets at fair value through profit or loss				
- debt and other fixed income instruments	15	19	8	42
- equity and other non-fixed income instruments	705	33,818	6,061	40,584
- loans and advances	-	65,305	-	65,305
- derivative financial instruments	-	7,922	-	7,922
Investments				
Debt and other fixed income instruments				
- FVOCI	-	13,418	62,533	75,951
Equity and other non-fixed income instruments				
- FVOCI	1,813	8,740	-	10,553
	2,533	**129,222**	**68,602**	**200,357**
Liabilities				
Financial liabilities at fair value through profit or loss	-	4,154	-	4,154
	-	**4,154**	**-**	**4,154**

During the current year, there was sufficient information available to measure the fair value of these financial assets using quoted prices in the active market and observable market inputs. Therefore, these financial assets, with a carrying amount of €4.1 million and €64.4 million were transferred from Level 2 to Level 1 and Level 3 to Level 2 respectively of the fair value hierarchy. During the same period, no material change in fair value hierarchy was made in financial assets classified at fair value through profit or loss.

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39. FINANCIAL RISK MANAGEMENT (continued)

39.6 Fair value of financial instruments (continued)

39.6.2 Equity instruments designated as at FVOCI

The fair value of equity instruments designated at FVOCI and the dividend income recognised is detailed below.

	Fair value 2024 €000	Dividend income recognised 2024 €000	Fair value 2023 €000	Dividend income recognised 2023 €000
Local Other	3,425	33	8,097	378
Foreign Other	506	-	1,376	-
Local Banks	33	1	40	7
Local Public	934	62	1,040	62
	4,898	**96**	**10,553**	**447**

39.6.3 Control Framework

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk taker and that they are appropriately performed and reviewed by competent personnel. To this end, the determination of fair values is a process which is performed by Financial Markets and Investments and reviewed by Finance. Finance establishes the accounting policies and, in conjunction with Financial Markets and Investments, it establishes the procedures governing valuation, and is responsible for ensuring that they comply with all relevant accounting standards. The valuation techniques and procedures applied are subject to a process of due diligence, which process was duly approved by the Board and the Audit Committee and documented accordingly.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to valuation techniques, independent price determination or validation is utilised, to the extent practicable. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Bank sources alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable. The factors which are mainly considered are the following:

- the extent to which prices may be expected to represent genuine traded or tradable prices;
- the degree of similarity between financial instruments;
- the degree of consistency between different sources;
- the process followed by the pricing provider to derive the data;
- the elapsed time between the date to which the market data relates and the end of the reporting period; and
- the manner in which the data was sourced.

In determining the fair values for financial instruments measured at fair value the credit risk adjustment for the counterparty, the Bank or both, as the case may be, is deemed to be immaterial and hence no adjustment to the fair value of financial instruments at fair value through profit or loss was effected.

The Group calculates the credit risk adjustment by applying the probability of default of the counterparty to the expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. The calculation is performed over the life of the potential exposure.

Financial instruments at fair value through profit or loss and financial assets which are held for investment purposes as FVOCI are carried at their fair value.

The Treasury Bills captioned with Balances with Central Bank of Malta and cash are held as FVOCI.

Financial instruments not measured at fair value:

i. Investments - Debt and other fixed income instruments held to collect

This category of asset is carried at amortised cost. Their fair value is disclosed separately in Note 39.6.4.

ii. Loans and advances to customers

Loans and advances to customers are the largest financial asset held by the Group and are reported net of allowances to reflect the estimated recoverable amounts. The carrying amount of loans and advances to customers is a reasonable approximation of fair value because these are re-priced to consider changes in both benchmark rate and credit spreads. Their fair value measurement is a Level 2 input.

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39. FINANCIAL RISK MANAGEMENT (continued)

39.6 Fair value of financial instruments (continued)

39.6.3 Control Framework (continued)

iii. Loans and advances to banks, balances with Central Bank

The majority of these assets reprice or mature in less than 1 year. Hence their fair value is not deemed to differ materially from their carrying amount at the respective reporting dates.

iv. Amounts owed to banks and customers

These liabilities are carried at amortised cost. The majority of these liabilities reprice or mature in less than 1 year. Hence their fair value is not deemed to differ materially from their carrying amount at the respective reporting dates. Their fair value measurement is a Level 2 input.

v. Senior non-preferred liabilities

These liabilities are carried at amortised cost. Their fair value is disclosed separately in Note 39.6.4.

vi. Subordinated liabilities

These liabilities are carried at amortised cost. Their fair value is disclosed separately in Note 39.6.4.

vii. Other financial liabilities

The fair value of other financial liabilities is not deemed to differ materially from their carrying amount at the respective reporting dates.

39.6.4 Bases of valuing financial assets and liabilities not measured at fair value

The following table provides an analysis of financial instruments that are not measured at fair value subsequent to initial recognition:

	Fair value measurement				
	Level 1 €000	Level 2 €000	Level 3 €000	Total €000	Carrying Amount €000
At 31 December 2024					
Financial assets					
Investments					
Debt and other fixed income instruments					
-Amortised	3,761,542	2,414,844	-	6,176,386	6,251,257
Financial liabilities					
Debt securities in issue	384,545	-	-	384,545	350,846
Subordinated liabilities	259,405	-	-	259,405	263,136
	643,950	-	-	643,950	613,982

	Fair value measurement				
	Level 1 €000	Level 2 €000	Level 3 €000	Total €000	Carrying Amount €000
At 31 December 2023					
Financial assets					
Investments					
Debt and other fixed income instruments					
-Amortised	3,028,291	2,076,181	-	5,104,472	5,266,958
Financial liabilities					
Debt securities in issue	379,750	-	-	379,750	350,099
Subordinated liabilities	146,656	-	-	146,656	163,237
	526,406	-	-	526,406	513,336

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39. FINANCIAL RISK MANAGEMENT (continued)

39.6 Fair value of financial instruments (continued)

39.6.4 Bases of valuing financial assets and liabilities not measured at fair value (continued)

The reconciliation of Level 3 fair value measurements of financial instruments is disclosed below:

	2024		2023	
	FVTPL	FVOCI	FVTPL	FVOCI
	Equity and other non-fixed income instruments	Debt and other fixed income instruments	Equity and other non-fixed income instruments	Debt and other fixed income instruments
	€000	€000	€000	€000
Opening balance	6,061	62,533	6,819	66,284
Total gains or losses				
- in profit or loss	(685)	-	(560)	-
- in other comprehensive income	-	1,912	-	(3,751)
Purchases	-	-	-	-
Sales	-	-	(198)	-
Transfers	-	(64,445)	-	-
Closing balance	5,376	-	6,061	62,533

The instruments classified within Level 3 comprise:

- an externally managed fund: the Bank has determined that the reported net asset value of the fund represents its fair value at the end of the reporting period;
- shares in a global payments technology company; the shares held in the technology company are valued using the intrinsic value of the conversion shares less a discount for liquidity and litigation risk; and

Unobservable inputs used in measuring fair value

The following table sets out information about significant unobservable inputs used at 31 December 2024 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of financial instruments	Fair value as at 31 December 2024 €000	Valuation technique	Significant unobservable input		Fair value measurement sensitivity to unobservable input
FVTPL Equity (unlisted fund)	3,202 (2023: 2,651)	Based on reported NAV	Reported share of net assets representing the fair value at year-end		Significant increase in NAV would result in a higher fair value.
FVTPL Equity	2,174 (2023: 3,410)	Price-based adjusted with a discount	Discount for liquidity and litigation risk	50% (2023: 50%)	Significant increase in discount would result in a lower fair value.

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39. FINANCIAL RISK MANAGEMENT (continued)

39.7 Capital risk management

The Group's capital management approach ensures a sufficient level of capitalisation to manage the risk exposures whilst supporting business growth and providing adequate returns to the shareholders. Risk capital management does not in any way substitute risk mitigation measures. It is vital that the structure of limits and thresholds, as stipulated in the Bank's Risk Appetite Framework, should be able to prevent concentrations of risk from building up in such a way as to compromise a significant proportion of the Group's capital resources.

On 1 January 2014, the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulations (CRR) came into effect, constituting the European implementation of the Basel capital and liquidity agreement of 2010. The Group has made the necessary changes in order to ensure that it is compliant with the Pillar I capital requirements set by the CRR and its subsequent revisions. Meanwhile, the Bank is undergoing final preparations to be in a position to implement the new capital requirement regulations in its entirety, as enshrined in the Capital Requirements Regulation 3, due to come into force in 2025. Other material risks are also allocated capital as part of the Internal Capital Adequacy Process (ICAAP) embedded in the Pillar II process. This process helps to measure with greater risk sensitivity the amount of regulatory capital which the Group requires to cover risks assumed in the course of its business, including risks not covered in Pillar I. The Board is set to submit the latest ICAAP capital document to the JST in March 2025, with 2024 as a reference year.

Capital management is under the direct control of the Asset and Liability Committee (ALCO). During the financial period, ALCO has monitored the adequacy of the Group's capital and gave strategic direction on the most efficient use of capital.

During 2024, the Bank issued a Tier 2 issuance of €99.8 million (net of the cost of the new bond). There were no reported breaches in respect of the externally imposed capital requirements. The Group uses the Standardised Approach for credit risk, the Basic Indicator Approach for operational risk and the Standardised Approach with respect to the Group's foreign exchange risk in line with CRR requirements.

The following table shows the components and basis of calculation of the Group's and the Bank's own funds.

At 31 December 2024	The Group €000	The Bank €000
Own funds		
Tier 1		
-Paid up capital instruments	583,849	583,849
-Share premium	49,277	49,277
-Retained earnings*	611,453	610,200
-Accumulated other comprehensive income	607	495
-Other reserves	61,713	61,713
-Funds for general banking risk	6,727	6,727
-Deductions:		
Prudential Valuation fair valued assets and liabilities	(390)	(350)
Other intangible assets	(32,740)	(32,740)
Depositor Compensation Scheme	(27,660)	(27,660)
Regulatory coverage on non-performing exposures	(18,376)	(18,376)
Total Tier 1 Capital	1,234,460	1,233,135
*Retained earnings include current period's profit which is subject to regulatory approval.		
Tier 2		
-Capital instruments and subordinated loans	263,136	263,136
Total Tier 2 Capital	263,136	263,136
Total Own Funds	1,497,596	1,496,271

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.7 Capital risk management (continued)

	The Group	The Bank
At 31 December 2023	**€000**	**€000**
Own funds		
Tier 1		
-Paid up capital instruments	583,849	583,849
-Share premium	49,277	49,277
-Retained earnings*	507,795	506,551
-Accumulated other comprehensive income	4,069	3,957
-Other reserves	55,560	55,560
-Funds for general banking risk	3,378	3,378
-Deductions:		
Prudential Valuation fair valued assets and liabilities	(326)	(295)
Other intangible assets	(37,862)	(37,862)
Depositor Compensation Scheme	(26,523)	(26,523)
Regulatory coverage on non-performing exposures	(11,088)	(11,088)
Total Tier 1 Capital	1,128,129	1,126,804
*Retained earnings include current period's profit which is subject to regulatory approval.		
Tier 2		
-Capital instruments and subordinated loans	163,237	163,237
Total Tier 2 Capital	163,237	163,237
Total Own Funds	1,291,366	1,290,041

Further information on the Group's capital adequacy ratios may be found in the Pillar 3 Disclosures Report - section 4.2, table CC1. The report will be available on the Bank's website.

39.8 Offsetting financial assets and financial liabilities

The disclosures set out in the following table include financial assets and financial liabilities that:

- are offset in the Group's statement of financial position; or
- are subject to an enforceable master netting arrangement that covers similar financial instruments irrespective of whether they are offset in the statement of financial position.

The derivative financial assets with a positive carrying amount and the derivative financial liabilities with a negative carrying amount are set-off to the extent that there are liabilities and if not, they are presented separately in the Statement of Financial Position.

These instruments are subject to the ISDA Master Agreement. The ISDA Master Agreement provides, amongst others, for the netting of termination values for purposes of determining a single lump-sum termination amount upon the insolvency of a counterparty. By virtue of the Set-off and Netting on Insolvency Act, 2003 (Chapter 459, Laws of Malta), the close-out netting provisions contained in the ISDA Master Agreement are valid and enforceable under Maltese law. The cleared interest rate swaps assets and liabilities which include related financial collateral, are offset on the Statement of Financial Position given the right of set-off both in the normal course of business and in the event of default, insolvency, and bankruptcy. The remaining derivatives do not meet the criteria for offsetting in the Statement of Financial Position given the set-off provisions under the ISDA Master Agreement enforceable only where there is an event of default, credit event upon merger or any termination event has been declared.

The Bank also has in place credit support annexes "CSAs" with a number of its financial counterparties for purposes of the collateralisation of exposures between the Bank and its counterparties. The CSA is a schedule to the ISDA Master Agreement. By virtue of such CSAs, a party to a derivative that has an exposure to its counterpart, will post collateral to its counterpart to cover such exposure by way of an outright title transfer of such collateral. All CSAs that the Bank has in place are of a two-way nature.

In the case of non-financial counterparties, the Bank enters into pledging collateral arrangements with the counterparties, in favour of the Bank. Such pledging agreements are of a one-way nature, in favour of the Bank.

Notes to the financial statements

for the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT (continued)

39.8 Offsetting financial assets and financial liabilities (continued)

	The Group	
	2024	**2023**
	€000	**€000**
Derivative financial assets		
Gross amounts of recognised financial assets	5,801	10,795
Gross amounts of recognised financial liabilities set off in the statement of financial position	(1,730)	(2,873)
Net amounts of financial assets presented in the statement of financial position	4,071	7,922
Related amounts not set off in the statement of financial position:		
Financial instruments	(1,077)	(2,387)
Financial collateral received	2,818	(4,306)
Net amount	5,812	1,229

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

Derivative financial liabilities		
Gross amounts of recognised financial liabilities	4,820	5,893
Gross amounts of recognised financial assets set off in the statement of financial position	(620)	(1,739)
Net amounts of financial liabilities presented in the statement of financial position	4,200	4,154
Related amounts not set off in the statement of financial position:		
Financial instruments	(1,077)	(2,387)
Financial collateral pledged	-	(1,391)
Net amount	3,123	376

A number of financial assets and financial liabilities are being offset and it is the intention to settle net, since they relate to the same counterparties and have the same maturities.

40. ASSETS HELD FOR REALISATION

The assets held for realisation mainly comprise immovable properties that were held as collateral for outstanding loans, which properties were taken into the possession of the Bank following defaults by the counterparty. The Bank's policy is to dispose of such assets within a reasonable timeframe from the date of classification, unless events or circumstances which are beyond the Bank's control extend the period to complete the sale.

41. TRUST ACTIVITIES

The Group acts as trustee and provides trust activities that result in the holding and placing of assets on behalf of third parties. Trust assets are not assets of the Group and therefore they are not included in its Statement of Financial Position.

Income derived from trust assets is excluded from revenue. Fees arising from the rendering of trustee services are recognised in the Group's profit or loss.

At 31 December 2024, the total assets held by the Group on behalf of its customers amounted to €7.5 million (2023: €8.9 million).

Notes to the financial statements

for the year ended 31 December 2024

42. REGULATORY COMPENSATION SCHEMES

As at 31 December 2024 and 2023, no balances with Central Bank of Malta have been pledged in favour of the Depositor Compensation Scheme.

In accordance with the provisions of the Investor Compensation Scheme Regulations, 2003, issued under the Investment Services Act, 1994, licence holders are required to transfer a variable contribution to an Investor Compensation Scheme Reserve and place the equivalent amount with a bank, pledged in favour of the Scheme. Alternatively, licence holders can elect to pay the amount of variable contribution directly to the Scheme.

Bank of Valletta p.l.c. has elected to pay the amount of the variable contribution directly to the Scheme.

Regulatory contributions amounting to €2.9 million (2023: €7.4 million), included with administrative expenses, reflect the Group's annual obligations arising from the recent EU Directives on Deposit Guarantee Scheme and Single Resolution Fund.

43. EVENTS SUBSEQUENT TO THE FINANCIAL REPORTING DATE

There are no events subsequent to the financial reporting date to report other than that reported in Note 12 relating to the proposed dividend and the bonus issue.

44. REGISTERED OFFICE

The registered and principal office of the Bank is 58, Triq San Żakkarija, il-Belt Valletta, VLT 1130, Malta.

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Independent Auditors' Report

To the Shareholders of Bank of Valletta p.l.c.

1 Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Valletta p.l.c. (the "Bank" or the "Company") and of the Group of which the Company is the parent, which comprise the statements of financial position as at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

(a) give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2024, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and

(b) have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") and the Banking Act, 1994 (Chapter 371, Laws of Malta) (the "Banking Act") and, additionally, specifically in relation to those of the Group, with the requirements of Article 4 of Regulation (EC) 1606/2002 on the application of international accounting standards (the "Regulation").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (APA),(Chapter 281, Laws of Malta), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditors’ Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year (as communicated to the audit committee), and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter, together with our response by way of the audit procedures we performed to address that matter in our audit, and key observations arising with respect to such risks of material misstatement.

Measurement of impairment allowances on loans and advances to customers at amortised cost, including off-balance sheet elements of those exposures and related disclosures.

Accounting policy notes 1.4.3 to the financial statements and notes 8, 17, 33, 34 and 39.2 for further disclosures.

Expected credit loss allowance on 'Loans and advances to customers at amortised cost' (Bank and Group: €6.8 billion) amounted to €87.3 million. Expected credit loss provision on 'Financial guarantees contracts and loan commitments' (Bank and Group: €3.4 billion) amounted to €16.4 million.

The calculation of the expected credit loss ('ECL') involves significant judgement and estimates. Of all the Group's financial instruments, the most significant impact in terms of complexities around the measurement of the ECL and of the materiality of the resultant allowances was in relation to the loans and advances to customers' portfolio (and the related off-balance sheet elements namely financial guarantees contract and loan commitments). In that regard, our key areas of audit risk in the Group's calculation of the ECL were the following:

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Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Key audit matters (continued)

- Model estimations - Inherently judgmental modelling is used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD") and Exposures at Default ("EAD"). In particular, the PD models are the key drivers of the Group's ECL calculation and are therefore the most significant judgmental element of the Group's ECL modelling approach.

- Economic Scenarios - Significant management judgement is applied in determining the selection of (i) forward looking macroeconomic scenarios, (ii) the associated scenario probabilities and (iii) the material economic variables which drive the scenarios and the related weightings.

- Identification of a significant increase in credit risk ('SICR') is also a key area of judgement within the Group's ECL calculation as the application of the SICR criteria determines whether a twelve month or lifetime provision is recorded.

- Individually assessed stage 3 exposures may be materially misstated if individual impairments are not appropriately identified and estimated. The calculation of expected credit losses on stage 3 exposures includes a range of estimates of future cash flows and valuation of collateral, which are inherently uncertain and judgmental. Management judgement is also involved in post-model adjustments on stage 3 exposures.

The disclosures regarding the application of IFRS 9 are important in the context of explaining the key judgements made, as referred to in this key audit matter, and inputs used to generate the IFRS 9 ECL results.

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Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Key audit matters (continued)

Our response

As part of our procedures:

- We tested the design and implementation as well as the operating effectiveness of relevant manual and automated controls (that is, Information Technology based). More specifically, the following controls were tested:

  — the Group's review and approval of loan credit ratings;
  — the Group's review control over the completeness and accuracy of loan exposures' inputs, data and assumptions keyed into the ECL model;
  — the Group's review control over model validation and monitoring;
  — management's review control over ECL movements, calculation and authorization of post model adjustments and management overlays; and
  — testing the design and operating effectiveness of the key controls over past due days calculations and automated credit rating calculation.

- We involved our own financial risk modelling specialists in evaluating the appropriateness of the Group's IFRS 9 impairment methodologies (including the SICR criteria used) as disclosed in Note 39.2.1.2, 39.2.1.2.5 and 39.2.1.2.6. We inspected model code for the calculation of certain components of the ECL model to assess its consistency with the Group's approved methodology. We used our experience of the Group to assess the PD and LGD models and related assumptions. On a sample basis, we assessed the reasonableness of the model predictions by comparing them against actual results. We made enquiries of the Group as to the reasons for any significant variations identified and assessed the reasonableness of the explanations provided, against the specialists' expectations on the direction and extent of variations identified.

- We involved our own economics specialist to assist in assessing:

  — the appropriateness of the methodology for determining the macroeconomic scenarios used and the reasonableness of the probability weightings applied to them;
  — the appropriateness of the stage determination criteria based on the ECL methodology;

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Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Key audit matters (continued)

- — the reasonableness of the key macroeconomic variables (as set out in note 39.2.1.2.5 to the financial statements) as well as the accuracy of macroeconomic data feeding the ECL model.

- In evaluating the Group's credit grading process, we assessed the Internal Credit Rating System model. We have also performed credit reviews on a selection of corporate exposures selected qualitatively based on risk, including a sample of stage 3 loans and advances to customers. In performing those credit reviews, we:

  — considered relevant internal information available used in the Group's assessment and any relevant external data in relation to those exposures;
  — evaluated whether those exposures were graded in line with the Group's credit policy; and
  — determined whether a SICR was appropriately identified.

  In addition, for the selected stage 3 corporate exposures, we independently re-performed the impairment calculation to assess the reasonableness of the Bank's related ECL.

- On a sample of loans and advances to customers, we:

  — performed testing over key data elements (EAD, PD and LGD) impacting the ECL calculations to assess the accuracy of information used; and
  — re-performed model calculations for accuracy for all stages.

- We assessed the post model adjustments, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source data.

- We assessed whether the disclosures in relation to IFRS 9 adequately explain the key judgements made and significant inputs used in the recognition of expected credit losses as at the end of the financial reporting period.

We have no key observations to report, specific to this matter.

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Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Other information

The directors are responsible for the other information. The other information comprises the;

- Contents and General Information;
- Chairman's Statement;
- CEO's Commentary;
- Board of Directors and Group Company Secretary;
- Executive Committee;
- Corporate Social Responsibility;
- Directors' Report;
- Corporate Governance Statement of Compliance;
- Remuneration Report;
- ESG Risk Management and Disclosures;
- The Group's five year summary; and
- Group's Financial Highlights in US dollars.

but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, other than in the case of the directors' report on which we report separately below in our 'Opinion on the Directors' Report', we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act and the Banking Act, and, additionally, specifically in relation to those of the Group, with the requirements of Article 4 of the Regulation. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and/or the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

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Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Auditors' responsibilities for the audit of the financial statements (continued)

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority, as well as legal correspondence. As with fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

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Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Auditors' responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

2 Opinion on the Directors' Report

The directors are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act and other applicable legal requirements, and is to include a statement that the Company is a going concern with supporting assumptions or qualifications as necessary, as required by Rule 5.62 of the Capital Markets Rules issued by the Malta Financial Services Authority (the "Capital Market Rules").

We are required to consider whether the information given in the directors' report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

Pursuant to article 179(3) of the Act, other than for the non-financial information that is exclusively required to be disclosed by paragraph 8 of the Sixth Schedule of the Act with respect to the Bank, and paragraph 11 of the Sixth Schedule of the Act with respect to the Group (and on which we report separately below in our 'Report on Other Legal and Regulatory Requirements'), we are also required to:

- express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and

- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

Pursuant to Capital Markets Rule 5.62 of the Capital Markets rule, we are required to review the directors' statement in relation to going concern.

In such regards:

- in our opinion, the Directors' Report has been prepared in accordance with the applicable legal requirements;

- we have not identified material misstatements in the Directors' Report; and

- we have nothing to report in relation to the statement on going concern.

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Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

3 Report on Other Legal and Regulatory Requirements

Matters on which we are required to report by the Act, specific to public-interest entities

Pursuant to article 179B(1) of the Act, we report as under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

- we were first appointed as auditors by the shareholders on 19 June 2015, and subsequently reappointed at the Company's general meetings for each financial period thereafter. The period of total uninterrupted engagement is ten years;

- our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act); and

- we have not provided any of the prohibited services as set out in the APA.

Matters on which we are required to report by the Act, specific to large undertakings which are public-interest entities and public-interest entities which are parent undertakings of a large group that (individually and on a consolidated basis, respectively) exceed the criterion of an average number of five hundred employees during the financial year

Pursuant to article 179(3) of the Act, we report as under matters not already reported upon in our 'Opinion on the Directors' Report:

The Directors' Report contains the information required by paragraph 8 of the Sixth Schedule, with respect to the Bank and paragraph 11 of the Sixth Schedule with respect to the Group.

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Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Matters on which we are required to report by the Banking Act and exception by the Act

Pursuant to article 31(3)(a), (b) and (c) of the Banking Act, in our opinion:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

- proper books of account have been kept by the Bank so far as appears from our examination thereof; and

- the Bank's financial statements are in agreement with the books of account.

Furthermore, we have nothing to report in respect of the above matters, where the Act requires us to report to you by exception pursuant to articles 179(10) and 179(11).

Pursuant to article 31(3)(d) of the Banking Act, in our opinion and to the best of our knowledge and belief and, on the basis of the explanations given to us, the financial statements give the information required by law in force in the manner so required.

Report on compliance of the Annual Report with the requirements of the Commission Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC (the "European Single Electronic Format Regulatory Technical Standard" or "ESEF Regulation"), by reference to Capital Markets Rule 5.55.6 issued by the Malta Financial Services Authority

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act, 1979 (Chapter 281, Laws of Malta), the Accountancy Profession (European Single Electronic Format) Assurance Directive, on the Group's Annual Report for the year ended 31 December 2024, prepared in a single electronic reporting format.

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Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Responsibilities of the directors for compliance with the requirements of the ESEF Regulation

As required by Capital Markets Rule 5.56A, the directors are responsible for the preparation of the Annual Report in XHTML format, including the relevant mark-ups, in accordance with the requirements of the ESEF Regulation.

In addition, the directors are responsible for such internal control as they determine is necessary to enable the preparation of the Annual Report that is in compliance with the requirements of the ESEF Regulation.

Auditors' responsibilities to report on compliance with the requirements of the ESEF Regulation

Our responsibility is to obtain reasonable assurance about whether the Annual Report in XHTML format, including the relevant mark-ups, comply in all material respects with the ESEF Regulation based on the evidence we have obtained. As part of our work, we obtain an understanding of the Company's controls relevant to the preparation of the Annual Report in compliance with the said requirements, but not for the purpose of expressing an opinion on the effectiveness of the controls in place.

In discharging that responsibility, we:

- obtain an understanding of the entity's financial reporting process, including the preparation of the Annual Report, in accordance with the requirements of the ESEF Regulation;

- perform validations to determine whether the Annual Report has been prepared in accordance with the requirements of the technical specifications of the ESEF Regulation; and

- examine the information in the Annual Report to determine whether all the required mark-ups therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Conclusion

In our opinion, the Annual Report for the year ended 31 December 2024 has been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation, by reference to Capital Markets Rule 5.55.6.

The Principal authorised to sign on behalf of KPMG on the audit resulting in this independent auditors' report is Claude Ellul.

KPMG
Registered Auditors,
92
Marina Street,
Pietà PTA 9044,
Malta

26 March 2025

The Group's five-year summary

extracted from the respective audited financial statements

A. STATEMENTS OF PROFIT OR LOSS

For the financials years

	2024	2023	2022	2021	2020
	12 months to December 2024	12 months to December 2023	12 months to December 2022 restated	12 months to December 2021	12 months to December 2020
	€000	€000	€000	€000	€000
Interest and similar income	437,174	401,402	220,210	194,813	190,282
Interest expense	(51,257)	(49,403)	(18,311)	(38,503)	(43,476)
Net interest income	385,917	351,999	201,899	156,310	146,806
Other operating income	99,839	89,003	91,458	86,598	84,809
Other operating charges	(216,688)	(210,900)	(192,616)	(195,603)	(170,382)
Net impairment reversal/(charge)	23,831	10,481	49,075	18,856	(65,136)
Net litigation settlement (charge)/reversal	-	-	(102,958)	-	8,584
Share of results of equity-accounted investees, net of tax	9,466	11,030	2,217	14,498	10,520
Profit before tax	302,365	251,613	49,075	80,659	15,201
Income tax expense	(102,766)	(83,677)	(17,547)	(24,468)	(1,399)
Profit for the year	199,599	167,936	31,528	56,191	13,802
Attributable to:					
Equity holders of the Bank	199,599	167,936	31,528	56,191	13,802
	199,599	167,936	31,528	56,191	13,802
Earnings per share	34.2c	28.8c	5.4c	9.6c	2.4c

Only 2022 amounts have been restated in line with the the adoption of IFRS 17 and IFRS 9 by the associates.

The Group's five-year summary

extracted from the respective audited financial statements (continued)

B. STATEMENTS OF FINANCIAL POSITION

	2024	2023	2022 restated	2021	2020
	€000	€000	€000	€000	€000
ASSETS					
Balances with Central Bank of Malta, treasury bills and cash	1,085,871	2,353,317	3,389,261	4,626,066	3,798,449
Financial assets at fair value through profit or loss and Investments	6,442,916	5,467,315	4,713,427	3,707,655	3,447,912
Loans and advances to banks	328,547	196,307	394,546	452,469	479,409
Loans and advances to customers at amortised cost	6,846,302	6,114,589	5,560,076	5,097,598	4,741,443
Investments in equity-accounted investees	117,160	110,098	100,206	145,501	111,999
Property and equipment and intangible assets	198,836	188,814	188,738	186,696	188,312
Current tax	-	-	20,706	28,640	26,759
Deferred tax	29,032	34,025	67,898	84,563	91,259
Assets held for realisation	11,870	11,979	12,138	11,740	9,958
Other assets	18,786	12,746	7,227	5,423	5,251
Prepayments	19,779	17,758	18,521	12,091	10,020
Total Assets	**15,099,099**	**14,506,948**	**14,472,744**	**14,358,442**	**12,910,771**
LIABILITIES					
Derivative liabilities held for risk management	4,200	4,154	6,702	17,642	28,406
Amounts owed to banks	9,150	315,651	77,074	560,117	88,031
Amounts owed to customers	12,803,915	12,152,216	12,547,911	12,176,854	11,272,289
Current tax	8,173	28,079	-	-	-
Deferred tax	8,119	7,435	7,054	6,717	6,186
Other liabilities	225,373	198,178	191,552	203,141	161,617
Provisions	18,388	20,166	16,518	104,449	113,880
Debt securities in issue	350,846	350,099	350,260	-	-
Subordinated liabilities	263,136	163,237	163,237	163,237	163,237
Total Liabilities	**13,691,300**	**13,239,215**	**13,360,308**	**13,232,157**	**11,833,646**
EQUITY					
Called up share capital	583,849	583,849	583,849	583,849	583,849
Share premium account	49,277	49,277	49,277	49,277	49,277
Revaluation reserve	62,319	59,628	57,212	58,438	55,477
Retained earnings	712,354	574,979	422,098	434,721	388,522
Total Equity	**1,407,799**	**1,267,733**	**1,112,436**	**1,126,285**	**1,077,125**
Total Liabilities and Equity	**15,099,099**	**14,506,948**	**14,472,744**	**14,358,442**	**12,910,771**
MEMORANDUM ITEMS					
Contingent liabilities	414,181	394,414	374,109	351,362	285,775
Commitments	3,000,258	2,315,962	1,918,119	1,898,310	1,811,954

Only 2022 amounts have been restated in line with the the adoption of IFRS 17 and IFRS 9 by the associates.

The Group's five-year summary

extracted from the respective audited financial statements (continued)

C. STATEMENTS OF CASH FLOWS

	2024	2023	2022 restated	2021	2020
	€000	€000	€000	€000	€000
Net cash (used in)/from operating activities	(64,837)	(562,111)	(561,373)	1,157,101	295,040
Cash flows from investing activities					
Dividends received	2,971	3,878	2,387	2,443	219
Interest received from investing securities	100,850	50,073	30,940	36,575	40,332
Injection of capital in associate (note 18)	-	-	-	(20,000)	-
Proceeds from sale of equity instruments	-	-	-	-	562
Net outflow on investment securities	(952,613)	(781,815)	(1,024,416)	(289,103)	(259,471)
Purchase of property and equipment	(23,259)	(17,583)	(16,567)	(11,849)	(15,724)
Proceeds from sale of equity instruments	111	7,897	-	-	-
Net cash used in investing activities	**(871,940)**	**(737,550)**	**(1,007,656)**	**(281,934)**	**(234,082)**
Cash flows from financing activities					
Interest paid on debt securities and subordinated liabilities	(5,781)	(5,781)	(5,781)	(5,776)	(6,457)
Proceeds from issue of senior non-preferred notes and Euro Medium Term Bond	100,000	-	350,000	-	-
Outflows from issue of unsecured subordinated bonds and senior non-preferred notes	(35,907)	(35,830)	(2,274)	-	-
Repayment of debt securities	-	-	-	-	(70,993)
Payment of lease liabilities	(1,413)	(1,763)	(1,739)	(1,919)	(1,704)
Dividends paid to equity holders	(61,631)	(17,533)	(10,019)	-	-
Net cash (used in)/from financing activities	(4,732)	(60,907)	330,187	(7,695)	(79,154)
(Decrease)/increase in cash and cash equivalents	**(941,509)**	**(1,360,568)**	**(1,238,842)**	**867,472**	**(18,196)**

D. PERFORMANCE EXPRESSED IN RELATION TO AVERAGE TOTAL ASSETS AND AVERAGE CAPITAL EMPLOYED

	2024	2023	2022 restated	2021	2020
	%	%	%	%	%
Operating income to total assets	3.3	3.0	2.0	1.8	1.8
Operating expenses to total assets	1.5	1.5	1.3	1.4	1.4
Profit before tax to total assets	2.0	1.7	0.3	0.6	0.1
Profit before tax to capital employed	22.6	21.1	4.4	7.3	1.4
Profit attributable to equity holders to total assets	1.3	1.2	0.2	0.4	0.1
Profit attributable to equity holders to capital employed	14.9	14.1	2.8	5.1	1.3

Only 2022 amounts have been restated in line with the the adoption of IFRS 17 and IFRS 9 by the associates.

Group Financial Highlights in US dollars

31 December 2024

The following figures were converted from Euro to US Dollars using the rate of exchange ruling on 31 December 2024. The rate used was €1 = US$ 1.0407. This does not reflect the effect of the change in the rate of exchange since 31 December 2023 which was €1 = US$ 1.1077.

	2024 US$000	2023 US$000
Net income attributable to equity holders of the Bank	207,723	186,023
Net income per share	36.0c	32.0c
Gross dividend paid	98,676	29,879
Net dividend paid	64,139	19,421
Gross dividend per share	16.9c	5.1c
Total assets	15,713,632	16,069,346
Liquid funds	1,130,066	2,606,769
Investments and financial assets at fair value through profit or loss	6,705,143	6,056,145
Advances	7,466,865	6,990,579
Investments in equity-accounted investees	121,928	121,956
Share capital	607,612	646,730
Capital reserves	116,138	120,634
Retained earnings	741,347	636,904