



BOV

Bank of Valletta

Pillar 3 Disclosures

30th September 2024

Issued by Bank of Valletta p.l.c., 58, Triq San Żakkarija, Il-Belt Valletta, VLT 1130 – Malta

Bank of Valletta p.l.c. is a public limited company regulated by the MFSA and is licensed to carry out the business of banking and investment services in terms of the Banking Act (Cap.371 of the Laws of Malta) and the Investment Services Act (Cap.370 of the Laws of Malta). Bank of Valletta p.l.c. is an enrolled tied insurance intermediary of MAPFRE MSV Life p.l.c. MAPFRE MSV Life is authorized by the MFSA to carry out long term business of insurance under the Insurance Business Act (Cap.403 of the Laws of Malta). Bank of Valletta p.l.c. is authorized to act as a trustee by the MFSA

Bank of Valletta at a Glance

Bank of Valletta plc. (hereinafter referred to as 'the Bank' or 'the Group') is one of the Malta's leading banks providing banking, financial, and investment services to private, business, and corporate clients within the domestic market. BOV is licensed to carry out its activity in terms of the Banking Act, 1994 (Chapter 371, Laws of Malta) and the Investment Services Act, 1994 (Chapter 370, Laws of Malta). BOV is headquartered in Santa Venera from where it manages a nationwide branch network and investment centres, servicing the banking needs of residents across Malta and Gozo.

The Bank is the parent institution of two fully owned subsidiary companies (BOV Asset Management Limited and BOV Fund Services Limited) and two equity-accounted investee companies (MAPFRE Middlesea plc and MAPFRE MSV Life plc.), which together comprise the Bank of Valletta Group. A detailed description of the Group is provided in the Annual Report and Financial Statements 2023.

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1 Introduction

The Basel III capital adequacy framework consists of three complementary pillars. Pillar 1 provides a framework for measuring minimum capital requirements for credit, market, and operational risks. Pillar 2 establishes a system of supervisory review aimed at improving banks' internal risk management and capital adequacy assessment in line with their risk profile. Pillar 3 is intended to enhance market discipline and requires banks to publish a range of disclosures aimed at providing further insight on the capital and liquidity structures including their adequacy and risk management practices.

The Pillar 3 Disclosures bearing reference date 30th September 2024 comprise both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with Part Eight of the Capital Requirements Regulation (CRR 2)¹ and the European Banking Authority's (EBA) Pillar 3 Disclosure Guidelines². Furthermore, the Pillar 3 Disclosures are compliant with the 'Reporting Framework' issued by the European Banking Authority.

This report provides an updated overview of the Group's capital adequacy, risk weighted assets, and liquidity, in accordance with EBA Pillar 3 Disclosure Guidelines² and EBA Pillar 3 Implementing Technical Standard³.

1.1 Statement of the Management Body

In line with Article 431 (3) CRR⁴ and CRR 2¹, the Bank has disclosed all information within the Pillar 3 Disclosures in accordance with the disclosure requirements, formal policies and internal processes, systems, and controls.

Furthermore, to ensure accuracy and assurance of the Pillar 3 Disclosures quality, the quantitative templates were subjected to quality assurance tests by the Quality Assurance on Risk Data Unit (QARDU) within the Risk Coordination and Quality Department. The Pillar 3 Disclosures are not subject to external audit.

Before publication, the Pillar 3 Disclosures were also approved by the Banks' relevant committees and the Board.

¹ Regulation (EU) 2019/876 of the European Parliament and of the Council of 20th May 2019 amending Regulation (EU) No 575/2013.

² EBA (June, 2017) EBA/GL/2016/11, version 2, *Final report - Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013*. [Link](#).

³ EBA (2021) EBA/ITS/2020/04 – Final Draft implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013. [Link](#).

⁴ Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26th June 2013.

2 Risk Measurement and Key Risk Metrics

The Group's risk measurement and reporting system is an integral part of the Group's risk management approach. The roles and responsibilities with respect to risk measurement include data collection, data reconciliation, and data quality verification and validation. BOV monitors the residual material risks through the set risk thresholds included in the risk appetite framework (RAF). In certain instances, a root cause analysis is carried out to identify the main cause of a breach.

The risk measurement system supports regulatory reporting and external disclosures, as well as internal management reporting. Internal reporting highlights the Group's risk profile position as well as providing insight on material risks specific to the Group and/or business divisions. The following table provides a summary of the Group's key metrics and overview of the risk-weighted exposure amounts.

Table 1: EU KM1- Key Metrics

<i>€ millions except where indicated</i>		a	b	c	d	e
		30 September 2024	30 June 2024	31 March 2024	31 December 2023	30 September 2023
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	1,180.72	1,183.29	1,122.56	1,128.13	1,048.41
2	Tier 1 capital	1,180.72	1,183.29	1,122.56	1,128.13	1,048.41
3	Total capital	1,343.43	1,346.53	1,285.27	1,291.37	1,211.13
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	5,241.99	5,306.18	5,204.37	4,978.92	4,793.58
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	22.52%	22.30%	21.57%	22.66%	21.87%
6	Tier 1 ratio (%)	22.52%	22.30%	21.57%	22.66%	21.87%
7	Total capital ratio (%)	25.63%	25.38%	24.70%	25.94%	25.27%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.75%	2.75%	2.75%	2.75%	2.75%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.55%	1.55%	1.55%	1.55%	1.55%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.06%	2.06%	2.06%	2.06%	2.06%
EU 7d	Total SREP own funds requirements (%)	10.75%	10.75%	10.75%	10.75%	10.75%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.02%	0.03%	0.02%	0.02%	0.02%
EU 9a	Systemic risk buffer (%)	0.27%	0.26%	0.26%	0.18%	0.18%
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer	2.00%	2.00%	2.00%	2.00%	2.00%
11	Combined buffer requirement (%)	4.79%	4.79%	4.78%	4.69%	4.69%
EU 11a	Overall capital requirements (%)	15.54%	15.54%	15.53%	15.44%	15.44%
12	CET1 available after meeting the total SREP own funds requirements (%)	14.46%	14.24%	13.51%	14.60%	13.81%
Leverage ratio						
13	Total exposure measure	14,827.65	14,768.37	14,860.47	14,799.01	14,663.64
14	Leverage ratio (%)	7.96%	8.01%	7.55%	7.62%	7.15%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	5,671.59	5,663.39	5,870.70	6,034.09	6,185.13
EU 16a	Cash outflows - Total weighted value	2,177.15	2,144.78	2,138.64	2,128.16	2,171.24
EU 16b	Cash inflows - Total weighted value	595.23	635.70	689.55	739.93	761.34
16	Total net cash outflows (adjusted value)	1,581.92	1,509.08	1,449.08	1,388.22	1,409.90
17	Liquidity coverage ratio (%)	359.18%	378.73%	409.24%	436.81%	441.01%
Net Stable Funding Ratio						
18	Total available stable funding	11,832.95	11,787.62	11,586.36	11,628.84	11,519.85
19	Total required stable funding	6,252.11	6,434.63	6,437.48	6,284.89	6,082.90
20	NSFR ratio (%)	189.26%	183.19%	179.98%	185.03%	189.38%

The Bank maintains a strong capital position and can meet all the capital requirements. This is reflected in the total capital, Tier 1 capital, and Common Equity Tier 1 (CET1) capital movements. The Net Stable Funding Ratio (NSFR) increased by 6.07% due to a decrease of €182.52 million in the total Required Stable Funding (RSF) emanating mainly due to a significant decrease in non-HQLA securities and exchange traded equities with a residual maturity of one year or more. The latter was partially off set by an increase in loans to non-financial customers other than central banks, and another increase in other loans to non-financial customers other than central banks, both mainly with a residual maturity of one year or more. An increase of €45.33 million in the total Available Stable Funding (ASF) was experienced. This emanated mainly from a rise in liabilities provided by non-financial corporate customers, liabilities provided by public sector entities of a Member State or a third country, and other retail deposits. Nevertheless, the NSFR remains at a very tenable level of 189.26%, comfortably above the 100% regulatory minimum level.

3 Overview of the Risk Weighted Exposure Amounts (RWEA)

In accordance with Article 438(c) to (f) of the CRR⁴, Table EU OV1 provides an overview of the total RWA, and the capital requirement for credit risk, as well as capital required for operational risk, foreign exchange risk, credit valuation adjustment risk, and securitization related to the Malta Development Bank COVID-19 Assist Scheme.

Table EU OV1 shows that the total Risk Weighted Exposure Amount (RWEA) as at end September 2024 decreased by €64.19 million when compared to June 2024. This decline is mostly due to a decrease of €55.44 million in credit risk (excluding counterparty credit risk), mainly related to 'Institutions', 'Retail', and 'Exposures in default'. This was partially offset by an increase in RWEAs related to exposures 'Secured by mortgages on immovable property', exposures related to 'Corporates' and 'Items associated with particular high risk'. Further decreases of €5.19 million in 'Position, foreign exchange and commodities risks', €2.72 million related to 'Counterparty credit risk', and €0.84 million in 'Securitisation exposures in the non-trading book' have also contributed to the decrease in the total RWEA.

No capital is allocated for market risk as the Bank does not operate a trading book. Moreover, there is no Pillar 1 capital allocated for settlement risk, commodities risk, position risk, and large exposures. The exposure value is equal to the total on-balance sheet amount and off-balance sheet amount net of value adjustments, together with provisions and post credit conversion factor (CCF).

Table 2: EU OV1 - Overview of risk weighted exposure amounts

€ millions	a		b	c
	Risk weighted exposure amounts (RWEAs)		30 June 2024	Total own funds requirements
	30 September 2024	30 September 2024		
1	Credit risk (excluding CCR)	4,588.95	4,644.40	367.12
2	<i>Of which the standardised approach</i>	4,588.95	4,644.40	367.12
3	<i>Of which the Foundation IRB (F-IRB) approach</i>	-	-	-
4	<i>Of which: slotting approach</i>	-	-	-
EU 4a	<i>Of which: equities under the simple riskweighted approach</i>	-	-	-
5	<i>Of which the Advanced IRB (A-IRB) approach</i>	-	-	-
6	Counterparty credit risk - CCR	29.70	32.43	2.38
7	<i>Of which the standardised approach</i>	-	-	-
8	<i>Of which internal model method (IMM)</i>	-	-	-
EU 8a	<i>Of which exposures to a CCP</i>	0.09	0.09	0.01
EU 8b	<i>Of which credit valuation adjustment - CVA</i>	8.36	9.12	0.67
9	<i>Of which other CCR</i>	21.25	23.21	1.70
10	<i>Not applicable</i>			
11	<i>Not applicable</i>			
12	<i>Not applicable</i>			
13	<i>Not applicable</i>			
14	<i>Not applicable</i>			
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	7.32	8.16	0.59
17	<i>Of which SEC-IRBA approach</i>	-	-	-
18	<i>Of which SEC-ERBA (including IAA)</i>	-	-	-
19	<i>Of which SEC-SA approach</i>	7.32	8.16	0.59
EU 19a	<i>Of which 1250%</i>	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	3.27	8.46	0.26
21	<i>Of which the standardised approach</i>	3.27	8.46	0.26
22	<i>Of which IMA</i>	-	-	-
EU 22a	<i>Large exposures</i>	-	-	-
23	Operational risk	612.74	612.74	49.02
EU 23a	<i>Of which basic indicator approach</i>	612.74	612.74	49.02
EU 23b	<i>Of which standardised approach</i>	-	-	-
EU 23c	<i>Of which advanced measurement approach</i>	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	267.49	266.27	21.40
25	<i>Not applicable</i>			
26	<i>Not applicable</i>			
27	<i>Not applicable</i>			
28	<i>Not applicable</i>			
29	Total	5,241.99	5,306.18	419.36

4 Liquidity Risk

During 2017, the EBA issued a set of guidelines (EBA/GL/2017/01) which aim to harmonize the disclosures in line with the CRR⁴ Article 435(1) in relation to liquidity risk. Additional disclosures relating to liquidity risk are provided in the Notes to the Annual Report and Financial Statements 2023 Note 39.3.

Liquidity risk is the risk that a bank is unable to meet its current or future payment obligations as they fall due, and/or to replace at reasonable cost, when funds are withdrawn, even when this occurs unexpectedly. *Funding liquidity risk* arises when a bank is not able to efficiently meet various cash flow and collateral needs without affecting its daily operations and/or financial position. In contrast, *market liquidity risk* arises when a bank is not able to easily offset or eliminate positions at the market price because of inadequate market depth and/or market disruption. The Bank has always taken the management of liquidity risk very seriously; to this end, the objective of the Bank's liquidity risk management actions is to ensure that both foreseeable and unpredicted funding commitments can be met when due and at a reasonable cost.

Since the implementation of the European regulatory Liquidity Coverage Ratio (LCR) requirement, the Bank has consistently exhibited levels well above the 100% minimum requirement. As at end of September 2024, the Bank was well positioned with an LCR of 371.54% (June 2024, 356.93%).

The absolute quarterly increase of 14.61% in the LCR (relative increase of 4.09%) is mainly attributable to several elements. On the part of 'Outflows', the main drivers were the increases in unsecured outflows from derivatives and unsecured non-operational deposits, along with a decrease in outflows from unsecured committed facilities. All these items contributed to a 7.33% increase in 'Outflows' when compared to the previous quarter. Moreover, 'Inflows' exhibited a relative increase of 21.05% when compared to the previous quarter end. This upturn is mainly attributed to a rise in inflows from derivatives, monies due from non-financial customers and monies due from securities maturing within 30 days.

Such movements resulted in an increase of 2.36% in the 'Net Liquidity Outflows' (LCR denominator). This together with a boost of around 6.55% in the 'Liquidity Buffer' (LCR numerator), resulted in the abovementioned LCR increase when compared to the previous quarter. The increase in the 'Liquidity Buffer' resulted mainly due to an increase in the central government assets. Nevertheless, the LCR reading as at the end September 2024 of 371.54% continued to exhibit a very robust level of more than three-and-a-half times the regulatory minimum attesting to BOV's resilient liquidity risk profile.

Table EU LIQ1 disclosed below provides quantitative LCR information which complements CRR⁴ Sub-article 435 (1) (f). No other factors other than those specified in the template are included in the LCR calculation.

Table 3: EU LIQ1 - Quantitative information of LCR

€ millions		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	30 September 2024	30 June 2024	31 March 2024	31 December 2023	30 September 2024	30 June 2024	31 March 2024	31 December 2023
EU 1b	Number of data points used in the calculation of averages	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					5,671.59	5,663.39	5,870.70	6,034.09
	CASH - OUTFLOWS								
2	retail deposits and deposits from small business customers, of which:	9,035.24	8,983.18	8,967.70	8,968.73	592.63	590.36	590.92	592.84
3	Stable deposits	6,293.86	6,244.49	6,207.02	6,172.33	314.69	312.22	310.35	308.62
4	Less stable deposits	2,741.39	2,738.69	2,760.68	2,796.41	277.94	278.14	280.57	284.22
5	Unsecured wholesale funding	2,966.07	2,954.56	2,974.03	2,961.69	1,279.19	1,285.55	1,299.97	1,303.99
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	2,965.58	2,954.23	2,973.77	2,961.59	1,278.71	1,285.22	1,299.70	1,303.88
8	Unsecured debt	0.48	0.33	0.27	0.10	0.48	0.33	0.27	0.10
9	Secured wholesale funding	-	-	-	-	8.95	6.13	3.16	2.32
10	Additional requirements	2,574.57	2,417.11	2,273.04	2,114.71	232.18	195.96	182.63	168.58
11	Outflows related to derivative exposures and other collateral requirements	28.94	1.23	1.18	1.24	28.94	1.23	1.18	1.24
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	2,545.63	2,415.87	2,271.85	2,113.47	203.24	194.72	181.44	167.34
14	Other contractual funding obligations	60.79	63.09	57.79	56.32	57.62	60.23	55.47	54.04
15	Other contingent funding obligations	131.35	131.06	129.89	128.03	6.57	6.55	6.49	6.40
16	TOTAL CASH OUTFLOWS					2,177.15	2,144.78	2,138.64	2,128.16
	CASH - INFLOWS								
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	764.08	819.98	853.41	873.00	496.25	558.89	595.47	616.83
19	Other cash inflows	98.98	76.80	94.09	123.10	98.98	76.80	94.09	123.10
	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19a						-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	863.06	896.78	947.50	996.10	595.23	635.70	689.55	739.93
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	863.06	896.78	947.50	996.10	595.23	635.70	689.55	739.93
	TOTAL ADJUSTED VALUE								
21	LIQUIDITY BUFFER					5,671.59	5,663.39	5,870.70	6,034.09
22	TOTAL NET CASH OUTFLOWS					1,581.92	1,509.08	1,449.08	1,388.22
23	LIQUIDITY COVERAGE RATIO					359.18%	378.73%	409.24%	436.81%

The Bank's liquidity buffer as of 30th September 2024, quoted at post-haircut values, may be segmented into the following High Quality Liquidity Assets (HQLA) classes:

- Level 1 assets (98.97%), mainly composed of central government assets (66.75%), withdrawable central bank reserves (20.65%), followed by multilateral development bank and international organizations' assets (11.54%).
- Level 2A assets (0.60%), mainly composed of regional government or public sector entity assets with a 20% risk weight (53.71%), and
- Level 2B assets (0.43%), composed of corporate debt securities Credit Quality Step 2 or 3.

With regards to derivative exposures, most outflows and other collateral requirements shown in 'Outflows related to derivative exposures and other collateral requirements' (line item 11). The latter which amounted to €28.94 million are in relation to derivative contractual cash outflows that are offset by derivative cash inflows shown in 'Other cash inflows' (line item 19) ultimately amounting to €98.98 million. Furthermore, the Bank has no potential collateral calls.

The LCR is also assessed by currency. Since no other currency other than the domestic currency exceeds the 5.00% aggregate amount of liabilities to total liabilities, only the euro denominated LCR was calculated. In fact, 96.25% of total liabilities are euro denominated. In principle, BOV does not finance its assets in a currency different from that in which the assets are denominated.

The top 10 Bank's deposit groups (including groups of connected depositors) comprised 5.81% of total customer deposits whilst the top 20 depositors amounted to 8.02% of total customer deposits. The large, diversified, and relatively stable customer deposit base avoids reliance on wholesale funding from financial customers. In fact, all the other customers individually do not exceed more than circa 0.19% each of the total customer deposit base. An analysis of concentration by product type demonstrates that retail deposits accounted for 72.34% (of which 71.52% are retail on-demand deposits and 0.81% are retail term deposits) of total funding, followed by unsecured wholesale funding amounting to 27.52% (of which 21.23% are deposits from non-financial customers, 4.20% consist of Minimum Requirement for own funds and Eligible Liabilities (MREL) Bonds and MREL Tier 2 Bonds, and 2.08% are deposits from financial customers) and 0.15% worth of secured wholesale funding. The weighted average residual maturity for retail term accounts not withdrawable within a 30-day time horizon, approximates 12 months.

5 Appendices

5.1 List of Abbreviations

ASF	Available Stable Funding	LCR	Liquidity Coverage Ratio
BOV	Bank of Valletta (as Group)	MFSA	Malta Financial Services Authority
CCF	Credit Conversion Factor	MREL	Minimum Requirement for own funds and Eligible Liabilities
CCR	Counterparty Credit Risk	NSFR	Net Stable Funding Ratio
CET	Common Equity Tier	QARDU	Quality Assurance on Risk Data Unit
COVID-19	Coronavirus	RAF	Risk Appetite Framework
CRR	Capital Requirements Regulation	RSF	Required Stable Funding
EBA	European Banking Authority	RWA	Risk Weighted Exposure Amounts
EU	European Union	RWEA	Risk Weighted Exposure Amount
HQLA	High Quality Liquidity Assets		

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5.3 Qualitative Disclosures

	Pillar 3 Disclosures Location
<hr/> EU LIQB: Qualitative information on LCR, which complements template EU LIQ1 <hr/>	<hr/> Section 4 <hr/>

5.4 Non-Applicable Disclosures

	Reason
EU CR8: RWEA flow statements of credit risk exposures under the IRB approach	The Bank does not utilize the IRB approach.
EU CCR7: RWEA flow statements of CCR exposures under the IMM	The Bank does not utilize the IMM approach.
EU MR2-B: RWA flow statements of market risk exposures under the IMA	The Bank does not utilize the IMA approach.
EU ILAC - Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	BOV is not a G-SII or an entity being part of a G-SII.

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