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BOV/457

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Bank of Valletta p.l.c. pursuant to the Capital Markets Rules, issued by the Malta Financial Services Authority:

Quote

During a meeting held on Thursday 27 July 2023, the Board of Directors of Bank of Valletta p.l.c. approved the attached Group and Bank condensed Half Yearly Financial Statements for the six-month financial period commencing 1 January 2023 to 30 June 2023. These financial statements have been reviewed by KPMG Malta in accordance with ISRE 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. Profit before tax for the six months amounts to €105.1 million (June 2022: Loss before tax of €72.1 million restated following IFRS17 implementation by the Group Insurance Associates).

The Half Yearly Statements and the financial commentary for the period ended 30 June 2023, are available for view and download on the Bank's website under the Investor Relations section and are also attached herewith:

https://www.bov.com/documents/bov-half-yearly-2023

Unquote

Dr. Ruth Spiteri Longhurst B.A., LL.D.
Company Secretary

27 July 2023

Bank of Valletta p.l.c.

Half Yearly Report

1 January 2023 to 30 June 2023

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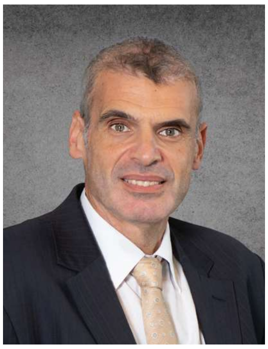
Chairman's Statement



Gordon Cordina

I am pleased to present to our shareholders the Financial Statements for the first half of 2023. Bank of Valletta Group has registered a pre-tax profit of €105.1 million, compared to a pre-tax loss of €72.1 million (restated), during the first half of last year (includes €102.7 million in net settlement of the Deiulemar litigation). Compared to end 2022, the Bank's lending has grown by more than 4%, while the CET1 ratio has increased from 21.8% to 23.2% (including profits, subject to regulatory approval). The positive performance registered during this period reflects the activities of the Bank to optimise its performance within the opportunities created by the higher interest rate environment.

With the goal of curbing euro area inflation, the ECB has raised its interest rates by a total of 250 basis points during the second half of 2022, and by a further 150 basis points during the first six months of 2023. Looking ahead, further increases are possible, as euro area inflation is proving rather persistent. A normalisation of interest rates is to be expected in the medium term, as the long period of exceptionally accommodative monetary policy has effectively come to an end.

"Bank of Valletta Group has registered a pre-tax profit of €105.1 million"

In this context, the Bank is pursuing opportunities for investment to ensure sustainable returns in the medium to long term from its treasury activities and loan portfolio. Towards this end, the Bank is redeploying part of its holdings of excess liquidity at the Central Bank of Malta, even though these are rendering an attractive return for the time being. These operations are undertaken in a manner which preserves the strength of the Bank's capital position and risk exposures, and which continues to sustain healthy liquidity, cognisant of BOV's systemic importance.

Despite the economic headwinds from abroad, the domestic economic environment has remained generally benign. The Bank's economic outlook since the beginning of the year has largely remained unchanged. The suite of published economic forecasts indicate that Malta's real GDP growth in 2023 is expected to be in the region of 4% and stabilise close to this rate thereafter. This rate of growth is slower than in 2021 and 2022, but this is normal since in these years the economy was rebounding from the 2020 pandemic shock. Meanwhile, the unemployment rate is expected to remain stable at historic low levels, around 3% over the forecast horizon, suggesting that the labour market is likely to remain tight.

The present main concern relates to inflation. In 2022, the overall price shock experienced by households and business in Malta has been significant but still less severe than in other European countries. This followed the Government's decision to provide subsidies to cushion the impact such as on utility bills, fuel, and basic food items. However, as a very open economy, imported inflation still fed its way into domestic prices, and this was compounded with high inflation in services. It is important that authorities avoid additional inflationary pressures through overly expansionary fiscal policy. This also cognisant of the fact that when fiscal rules will again be reintroduced in the euro area, there may be less leeway on policy initiatives. Likewise, it is important for businesses and employees to engage in constructive dialogue to avoid a wage-price spiral which would be harmful to the country's international competitiveness.

Against this economic background, the Bank maintained its base rate unchanged, continuing to offer mortgages and most business loans at attractive rates despite the rate hikes by the ECB. BOV's financial performance for the first half of 2023 indicates the validity of its stance on deposits and loans. Borrowing clients were shielded from sudden rate changes, allowing the household and corporate loan portfolio to expand compared to end 2022. This avoided potential financial stresses at a time when the country faces a high inflation environment. In any case, BOV commits itself that should circumstances warrant any changes, these will be gradual and communicated in a timely manner. As Malta's largest bank, BOV is conscious that its actions have a material impact on the economy and is a key enabler of the country's economic prospects. In this respect, the Bank aims to minimise shocks in the economy, which is a key service for a very small open economy.

On a similar note, ESG is another area where the Bank has been making progress. Over the next years, ESG considerations will increasingly shape the way in which BOV conducts its business. This will be inculcated in the Bank's strategy for the 2024 – 2026 period. The Bank is moving ahead with initiatives to reduce the carbon footprint of its operations. Furthermore, it is exploring ways how to embed further green priorities in its pricing structures vis-à-vis both household and corporate loans, and generally across its product suite and activities. In any case, engagement with stakeholders will be prioritised to ensure that the transition to new realities will be a win-win for all.

Finally, I thank our Shareholders for their continued support, as well as the Executive Team and staff for their valuable work and commitment to support the Bank's performance and to become more customer centric.

The Bank's financial performance during the first half of 2023 is a tangible sign that the outlook for BOV is bright. These satisfactory results augur well for the year and play an important consideration in the Board's approach to the management of the Bank's capital.

Gordon Cordina
Chairman
27 July 2023

“The Bank's financial performance during the first half of 2023 is a tangible sign that the outlook for BOV is bright”

Chief Executive Officer's Message

Kenneth Farrugia

"In the first half of 2023 Bank of Valletta has continued to strengthen its position as a leading financial institution in Malta"

In the first half of 2023 Bank of Valletta has continued to strengthen its position as a leading financial institution in Malta as we delivered solid financial performance. The Bank is also progressing in our commitment to delivering customer-centricity excellence and innovation in an ever-evolving industry landscape.

Positive financial results of €105.1 million in profit before tax, have been driven by more than 50% growth in operating revenues versus same period last year as the Bank is positively exposed to rising interest rates in the Eurozone, supported by consistent growth in our lending book and solid returns from treasury investments. Total costs increased by mid-single digit as efficiency measures to control operating cost growth are under way, coupled with paced implementation of our strategic initiatives. This financial performance benefited further from profits in our insurance associates, although estimated credit losses resulted in a charge.

Throughout the first half of 2023, we remained steadfast in our efforts to enhance the overall banking experience for our valued customers. We are investing significantly in business process re-engineering, technology and digital infrastructure to provide you with seamless and convenient banking services. Our digital platforms are undergoing substantial improvements to offer enhanced security, efficiency, and a wide range of digital banking solutions. We understand the importance of convenience in today's fast-paced world, and we are dedicated to meeting your banking needs efficiently and effectively.

Moreover, we have made significant progress in our efforts to foster sustainability and responsible banking practices. We believe that sustainable development is crucial for the long-term prosperity of our community and the preservation of our environment. As such, we have implemented initiatives to promote responsible lending, environmental sustainability, and social impact. By aligning our business practices with sustainable principles, we aim to create a positive impact on society while maintaining strong financial performance.

Looking ahead, we remain committed to our core values of trust, integrity, and innovation. While we sustain our commitment to keep interest rates on home and personal loans at very competitive levels, over the next six months, through our insurance associate and fund management subsidiary, we will be launching a number of products that will provide our depositors with consistent income streams in the short to medium term. Besides, we will continue to adapt to the changing needs of our customers, embrace emerging technologies, and explore new opportunities to deliver exceptional banking experiences. Our ongoing investment in talent development, robust risk management practices, and operational resilience will ensure that Bank of Valletta remains a stable and reliable partner for your financial needs.

I would like to express my sincere gratitude to all our customers and suppliers for their trust and continued support. We value your partnership and are committed to going above and beyond to exceed your expectations. Together, we will navigate the challenges and seize the opportunities that lie ahead. Thank you for choosing Bank of Valletta as your preferred banking partner. We look forward to serving you in the second half of 2023 and beyond.

Finally, I would also like to thank all our staff. Your efforts to elevate the Bank to another level are truly appreciated and your ever continued engagement to the cause is the foundation of our success. These results would have never been possible without your dedication and commitment.

Kenneth Farrugia
Chief Executive Officer
27 July 2023

Interim Directors' Report

For the six months ended 30 June 2023

GROUP FINANCIAL PERFORMANCE

Bank of Valletta Group reported robust financial performance during the first half of 2023 with a profit before tax of €105.1 million compared to the €72.1 million loss before tax, as restated, in the comparative period. Group profit has been restated by €4.6 million in profits from associates, reversing the €3.7 million loss published in June 2022, following the implementation of IFRS 17 by the Group's associated companies, which accounting standard introduced a different methodology for the valuation of insurance contracts. The performance of the Group in 2022 was impacted by the out-of-court settlement of the Deiulemar case. Excluding the effect of this settlement, the result for the comparative period was a profit before tax of €30.6 million, as restated.

The positive results in the first half of 2023 were led by a solid underlying operating profit driven by a significant improvement in the Group's operating revenues of €202.5 million, which have grown by €71.2 million or 54% compared with 1H 2022 (1H 2022: €131.3 million):

- Net Interest Income remains the leading driver with €159.9 million (1H 2022: €87.2 million), an increase of €72.7 million or 83% versus the same period in 2022, reflecting consistent growth in customer lending and proprietary investment portfolios. During the past 6 months, interest income continued to benefit from the upward repricing of interest rates, mainly due to Euribor-denominated loans to business customers and treasury assets. Higher interest revenues resulted from a larger investment book as the Bank continued to deploy liquidity to better returns in the securities markets. In contrast to the comparative period, positive returns were also registered on liquid assets invested short term in money markets. Higher interest expense was due to the half yearly cost on the 10% Callable Senior Non-Preferred Notes, issued by the Bank in 4Q 2022, required to meet regulatory requirements.

- Net Fee and Commissions, Exchange and other revenues stood at €42.7 million, down by €1.5 million or 3.3% (H1 2022: €44.1 million). Net commissions declined by €2.8 million, or 7.4% vis-à-vis the same period last year due to the removal of deposit-related fees on corporate customers and a persisting slowdown in investment-related commissions. Foreign exchange revenues increased compared to same period last year with increased margins compensating for the decrease in turnover.

Operating costs in the interim period amounted to €93.0 million (1H 2022: €87.7 million) up by €5.3 million or 6.0% compared to the same period in 2022. This was primarily driven by increases in employee compensation, attributable to the Group's focus to invest in human capital and new talent, coupled with competitive market developments in compensation levels which includes inflationary pressures. The continuous investment in technology and the delivery of digital channels further contributed to higher costs. These rises were partially offset by lower contributions to the Depositor Compensation Scheme due to lower levels in customer deposits and a change in legislation during the second half of 2022.

Net Expected Credit Losses, ('ECL') for the period to June 2023 amounted to €4.6 million net charge (1H 2022: €9.0 million net charge).

- The outcome of the ECL model was a net charge of €0.2 million. There was a net release of €4.9 million on the credit portfolio which was attributable to various movements within the portfolio, namely settlements and changes in collateral, partly offset by increased charges on exposures with increased credit risk and growth in the loan book. Furthermore, a €5.1 million charge was recorded on the investment securities' portfolio which wholly emanated on a specific syndicated loan after a shift to stage 3.

- The focus on long outstanding non-performing exposures continues with a charge, further to that resulting from the ECL model, of €2.3 million. This additional charge continues to build a robust coverage against this high-risk class of exposures.

- During first half of the year, a total of €5.7 million was charged in respect of write offs of credit-impaired assets, partly offset, by €3.6 million in recoveries of past debt.

As at June 2023, the ECL coverage for credit impaired assets stood at 48.3% (December 2022: 53.8%) while the ratio of non-performing to the total portfolio stood at 3.96% (December 2022: 3.5%)

Following the implementation from last December, of the new internal credit grading, ('ICRS'), for the business loan portfolio, the Bank continued with the same path for the retail portfolio. As at June 2023, the Bank is now fully operational with the new internal credit rating system for the entire lending portfolio. This new model enables differentiation between different credit profiles as from the origination of credit exposures, avoiding concentration in a few grades. The ICRS model was fully integrated with the ECL model which has now been enhanced to cater for further triggers indicating significant increases in credit risk.

The delivery on our strategic actions continued at pace and the Bank invested a further €4.1 million in 1H 2023 (1H 2022: €4.9 million).

The share of profit from insurance associates for the first half of 2023 stood at a profit of €4.3 million in line with the newly applied IFRS 17 and IFRS 9 standards implemented by the associates (1H 2022: €0.9 million restated). Given that the associates have applied these standards retrospectively, the Group has been impacted indirectly with such changes through its equity accounting of these associates.

Interim Directors' Report (continued)

For the six months ended 30 June 2023

Financial position

Total assets for the Group have decreased by €207.7 million and stood at €14.3 billion as at mid-2023, lower by 1.4% compared to the year ended 2022 (December 2022 restated: €14.5 billion). Customer deposits balance declined by 2.7% in the past six months, with circa 1% growth experienced in retail whilst corporate deposits decreased by 10%. The funding of the Bank remains mainly through customer deposits with circa 70% driven by retail deposits.

The Bank's liquidity ratio as at 1H 2023, stood at 480%, up from 426% as at December 2022, significantly above the minimum regulatory requirement. Sustainable management of excess liquidity was maintained during the first half of 2023 with cash and short-term assets decreasing by €540.1 million or 15.9% in the first half of 2023. The Group continued to support both the business and personal communities with their lending requirements resulting in a net growth in the loan book of €243.4 million. As markets remain positive new investment opportunities were availed of, with the treasury portfolio increasing by €155.6 million or 3.4%. The vast majority are measured at amortised cost reflecting the Bank's primary business model to hold securities until maturity with a view to collecting interest revenues over the life of the investment.

Net loans and advances to customers as at 30 June 2023 reached €5.8 billion (December 2022: €5.6 billion), a net increase of more than €240 million during the interim period, an increase of 4.4% since December 2022. This growth was fuelled mostly by corporate loans although the retail lending portfolio also increased, albeit at a slower rate. These developments led to a favourable increase in the Group's gross loans to deposits ratio from 46.0% in December 2022 to 49.2%.

No significant changes in the credit rating analysis of bond portfolio were recorded during the year. Therefore, credit quality of bond portfolio remained broadly the same, with 91% of the portfolio with a rating of A- or higher.

Total Group Equity increased to €1,182.6 million, up by €70.2 million on the December 2022 position, as restated. Group equity as at end 2022 has been restated, against the Investment in equity-accounted investees, to reflect the new value of investment following IFRS 17 implementation. The Group's capital ratios remained strong and above regulatory requirements, with the CET 1 and total capital ratios as at June 2023 of 23.16% (December 2022: 21.79%) and 26.68% (December 2022: 25.39%), respectively. The 2023 capital ratios are inclusive of 1H 2023 profits, the inclusion of which is subject to regulatory approval.

Strategy BOV 2023 – Update

Our focus has been driving operational efficiency, ensuring regulatory compliance, embracing digitisation, enhancing customer service experience, and improving our retail network. These efforts aim to position our Bank for sustained growth, profitability, and customer satisfaction.

- **Business Process Re-engineering ('BPR') Initiatives:** We are undertaking comprehensive BPR initiatives to streamline our internal processes, improve efficiency, and enhance productivity. Through process mapping and optimisation, we have identified areas for improvement and implemented targeted changes. These initiatives have reduced turnaround times, enhanced operational effectiveness, and cost savings. We continue to monitor and refine our processes to ensure ongoing efficiency gains.

- **Compliance with Regulatory Obligations**: Adhering to regulatory obligations is of paramount importance to us. We have invested significant resources to strengthen our compliance framework and ensure adherence to all applicable regulations and guidelines. Our dedicated compliance team continuously monitors regulatory developments and updates our policies and procedures accordingly. We maintain robust internal controls and undergo regular audits to ensure compliance at all levels.

- **Improvements to Digitisation:** Recognising the increasing importance of digitisation in the banking industry, we have made significant strides in this area. We seek to invest in cutting-edge technology and digital infrastructure to enhance our digital capabilities. Our online banking platform is being upgraded to provide customers with a seamless and secure banking experience. We are also exploring introducing innovative digital products and services to cater to the evolving needs of our tech-savvy customers.

- **Focus on Customer Service Experience**: Delivering exceptional customer service remains our top priority. We have implemented various initiatives to improve the overall customer experience. This includes enhancing our customer support channels, providing personalised services, and implementing customer feedback mechanisms. We have also established a dedicated customer service training program for our employees to ensure consistent and high-quality service delivery across all touchpoints.

Interim Directors' Report (continued)

For the six months ended 30 June 2023

- **Improvements to the Retail Network:** Our retail network plays a crucial role in serving our customers and expanding our reach. We have comprehensively reviewed our branch network to optimise its efficiency and effectiveness. This has involved identifying underperforming branches, consolidating specific locations, and investing in modernising our branch infrastructure. These improvements will provide a more streamlined and customer-centric retail network, enabling us to better serve our customers' banking needs.

We remain dedicated to our strategic objectives and are confident that these efforts will contribute to our long-term success and the satisfaction of our valued customers.

Environmental, Social and Governance ('ESG') update

Bank of Valletta remains committed to adhere to the legal and moral obligations related to ESG factors. As part of BOV's commitment towards the reduction in carbon emission, the Bank has established a Decarbonisation Working Group ('DWG'). The aim of this working group is to set emission reduction goals, develop strategies for energy efficiency, promote the notion of an environmental programme, as well as engaging with stakeholders to ensure continuous improvement and awareness. The DWG focus are on scope 1, 2 and 3 of the greenhouse gas ('GHG') Protocol categories. It is made up of officials from an array of departments including Facilities, Human Resources, Operations and Procurement together with Technology. The group is working towards providing a detailed account of the Bank's decarbonisation initiatives for these main areas within BOV, which are foreseen to have potential to re-adjust its processes and procedures whilst introducing new initiatives aiming to contribute to less GHG emissions emitted by the Bank.

Moreover, during the first half of 2023, BOV continued its commitment towards sustainable finance. In aid of combating climate change, the Bank strengthened its approach to finance eligible green investments by households and businesses. To improve the take up of energy loan products offered in collaboration with the European Investment Fund ('EIF'), the interest rate and interest rate subsidy for the energy loans had been amended. The interest rate of loans sanctioned by December 2023, will be offset by an interest rate subsidy for a period of 10 years. Additionally, BOV aims to finance buildings with satisfactory energy performance standards that fit the European climate ambition. Consequently, the Bank introduced the collection of the Energy Performance Certification ('EPC') as a mandatory requirement for the retail and business lending secured by property. BOV's approach is in line with the current EPC legislation requirements. Also, BOV enhanced the climate and environmental ('C&E') analysis practices in the corporate credit underwriting framework and has defined the procedure for corporate client questionnaires which will be launched during the second half of the current year, whilst including the credit underwriting process in the Bank's corporate credit lending policy.

In terms of social sustainability, the Bank believes in the right to adequate and affordable housing which is also a core principle of the 2030 Agenda for Sustainable Development (UN SDGs). In this light, the Bank has joined the Ministry for Social and Affordable Accommodation and the Housing Authority in offering a Scheme to assist individuals who despite being eligible for a home loan do not have the necessary liquidity to pay the required 10% down payment on the signing of the promise of sale. Whilst the Bank's customer will be paying this personal loan, the Housing Authority will be financing the interest incurred on this loan during the whole team. Furthermore, the Bank and the Housing Authority have signed an agreement that gives the Bank's customers the opportunity to benefit from the authority's New Hope Guarantee Scheme which will make it easier for aspiring homeowners to acquire their primary residence by offering life cover that may have been difficult to obtain due to a disability, medical condition, or medical history. Following these agreements, the Bank reiterated its commitment and dedication towards the ESG principles not just from a C&E perspective but also from a social dimension.

Finally, in line with the Bank's active role in enhancing financial literacy, BOV launched a series of investor education sessions across its retail network, which kicked off in May 2023. These sessions were aimed at the small investor and are intended to equip those interested with basic financial skills and the basics of the world of investors.

Closing statement

In conclusion, the Board is confident that together we can achieve notable accomplishments and overcome challenges as they arise. We would like to express our heartfelt appreciation to our dedicated employees, devoted customers and esteemed shareholders who have been fundamental elements in our successes. As we look ahead, let's embrace and capitalise on prospects that lie before us and aspire towards even greater achievements whilst staying true to our core values.

Interim Directors' Report (continued)

For the six months ended 30 June 2023

STATEMENT OF RESPONSIBILITY BY THE DIRECTORS PURSUANT TO THE CAPITAL MARKETS RULES ISSUED BY THE MFSA

We, the undersigned, confirm that to the best of our knowledge the condensed interim financial statements as at 30 June 2023 have been prepared, in all material respect, in accordance with International Financial Reporting Standards as adopted by the EU applicable to IAS 34 Interim Financial Reporting and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and its subsidiaries.

Approved by the Board of Directors and authorised for issue on 27 July 2023 and signed on its behalf by:

Dr Gordon Cordina
Chairman

Mr Kenneth Farrugia
CEO & Executive Director

Statements of Profit or Loss

For the six months ended 30 June 2023

	The Group		The Bank	
	Jun-23	Jun-22 restated[1]	Jun-23	Jun-22
	€000	€000	€000	€000
Interest and similar income:				
• on loans and advances, balances with Central Bank of Malta and treasury bills	154,216	93,000	154,216	93,000
• on debt and other fixed income instruments	28,962	11,514	28,962	11,514
Interest expense	(23,314)	(17,300)	(23,314)	(17,300)
Net interest income	**159,864**	**87,214**	**159,864**	**87,214**
Fee and commission income	41,418	42,867	37,284	38,277
Fee and commission expense	(6,948)	(5,647)	(6,948)	(5,647)
Net fee and commission income	**34,470**	**37,220**	**30,336**	**32,630**
Dividend income	151	145	7,213	8,891
Net trading income	8,179	6,884	8,164	6,877
Net (loss)/gain on investment securities and hedging instruments	(125)	(120)	(125)	(120)
Operating income	**202,539**	**131,343**	**205,452**	**135,492**
Employee compensation and benefits	(55,868)	(45,834)	(54,548)	(44,625)
General administrative expenses	(31,169)	(37,018)	(30,210)	(36,201)
Amortisation of intangible assets	(6,433)	(5,675)	(6,383)	(5,675)
Depreciation	(3,644)	(4,078)	(3,621)	(4,048)
Net impairment charge	(4,551)	(8,969)	(4,551)	(8,969)
Operating profit before litigation settlement charge	**100,874**	**29,769**	**106,139**	**35,974**
Net Litigation settlement charge	-	(102,701)	-	(102,701)
Operating income/(loss)	**100,874**	**(72,932)**	**106,139**	**(66,727)**
Share of results of equity-accounted investees, net of tax	4,269	856	-	-
Profit/(loss) before tax	**105,143**	**(72,076)**	**106,139**	**(66,727)**
Income tax (expense)/credit	(36,158)	25,518	(37,946)	23,772
Profit/(loss) for the period	**68,985**	**(46,558)**	**68,193**	**(42,955)**
Earnings per share	**11.8c**	**(8.0c)**	**11.7c**	**(7.4c)**

[1] See Note 2.2

Statements of Profit or Loss and other comprehensive income

For the six months ended 30 June 2023

	The Group		The Bank	
	Jun-23	Jun-22 restated[1]	Jun-23	Jun-22
	€000	€000	€000	€000
Profit/(loss) for the period	68,985	(46,558)	68,193	(42,955)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Debt investments at FVOCI				
• change in fair value	543	(5,171)	543	(5,171)
tax thereon	(190)	1,810	(190)	1,810
	353	(3,361)	353	(3,361)
Items that will not be reclassified to profit or loss:				
Equity investments at FVOCI				
• change in fair value	889	(2,112)	889	(2,112)
tax thereon	(311)	739	(311)	739
	578	(1,373)	578	(1,373)
Property revaluation	84	-	84	-
tax thereon and effect of changes in property tax rates	(8)	-	(8)	-
	76	-	76	-
Remeasurement of actuarial losses on defined benefit plans	298	821	298	821
tax thereon	(104)	(287)	(104)	(287)
	194	534	194	534
Other comprehensive income for the period, net of tax	1,201	(4,200)	1,201	(4,200)
Total comprehensive income for the period	**70,186**	**(50,758)**	**69,394**	**(47,155)**

[1] See Note 2.2

Statements of Financial Position

As at 30 June 2023

	The Group			The Bank	
	30-Jun-23	31-Dec-22 Restated[1]	1-Jan-22 Restated[1]	30-Jun-23	31-Dec-22
ASSETS	€000	€000	€000	€000	€000
Balances with Central Bank of Malta, treasury bills and cash	2,849,162	3,389,261	4,626,066	2,849,162	3,389,261
Financial assets at fair value through profit or loss	131,999	146,363	138,986	131,845	146,211
Investments	4,722,681	4,567,064	3,568,669	4,722,681	4,567,064
Loans and advances to banks	384,791	394,546	452,469	384,791	394,546
Loans and advances to customers at amortised cost	5,803,485	5,560,076	5,097,598	5,803,485	5,560,076
Investments in equity-accounted investees	103,335	100,206	99,735	72,870	72,870
Investments in subsidiary companies	-	-	-	6,230	6,230
Intangible assets	52,585	56,047	56,074	52,424	55,836
Property and equipment	131,682	132,691	130,622	131,619	132,605
Current tax	-	20,706	28,640	-	21,017
Deferred tax	44,611	67,898	84,563	44,530	67,872
Assets held for realisation	12,171	12,138	11,740	12,171	12,138
Other assets	9,569	7,227	5,423	11,964	7,227
Prepayments	18,960	18,521	12,091	17,450	16,112
Total Assets	**14,265,031**	**14,472,744**	**14,312,676**	**14,241,222**	**14,449,065**
LIABILITIES					
Derivative liabilities held for risk management	9,824	4,535	5,485	9,824	4,535
Amounts owed to banks	116,961	77,074	560,117	116,961	77,074
Amounts owed to customers	12,203,022	12,547,911	12,176,854	12,208,531	12,554,584
Current tax	2,582	-	-	4,522	-
Deferred tax	7,054	7,054	6,717	7,054	7,054
Other liabilities	194,359	191,552	203,141	193,977	191,284
Provisions	17,848	16,518	104,449	17,698	16,368
Derivatives designated for hedge accounting	-	2,167	12,157	-	2,167
Debt securities in issue	367,522	350,260	-	367,522	350,260
Subordinated liabilities	163,237	163,237	163,237	163,237	163,237
Total Liabilities	**13,082,409**	**13,360,308**	**13,232,157**	**13,089,326**	**13,366,563**
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 reserves	58,219	57,212	58,438	58,107	57,100
Retained earnings	491,277	422,098	388,955	460,663	392,276
Total Equity	1,182,622	1,112,436	1,080,519	1,151,896	1,082,502
Total Liabilities and Equity	**14,265,031**	**14,472,744**	**14,312,676**	**14,241,222**	**14,449,065**
MEMORANDUM ITEMS					
Contingent liabilities	**382,371**	**374,109**	**351,362**	**382,371**	**374,109**
Commitments	**2,104,173**	**1,918,119**	**1,898,310**	**2,104,109**	**1,918,118**

Banking Rule 09 requires banks in Malta to hold additional reserves for general banking risks against non-performing loans. The appropriation to the "Reserve for General Banking Risks" shall be effected from the profits for the year. As at the reporting date this reserve amounts to €3.9 million.

These condensed interim financial statements were approved by the Board of Directors and authorised for issue on 27 July 2023 and signed on its behalf by:

[1] See Note 2.2

Dr Gordon Cordina
Chairman

Mr Kenneth Farrugia
CEO & Executive Director

Statements of Changes in Equity

For the six months ended 30 June 2023

	Called up Share Capital	Share Premium Account	Revaluation Reserves	Retained Earnings	Total Equity
	€000	**€000**	**€000**	**€000**	**€000**
The Group					
At 1 January 2022 as previously reported	583,849	49,277	58,438	434,721	1,126,285
Adjustment on initial application of IFRS 17 by equity accounted investees, net of tax	-	-	-	(45,766)	(45,766)
Restated balance as at 1 January 2022	**583,849**	**49,277**	**58,438**	**388,955**	**1,080,519**
Loss for the period (restated)	-	-	-	(46,558)	**(46,558)**
Other comprehensive income					
Debt investments at FVOCI					
• change in fair value, net of tax	-	-	(3,361)	-	**(3,361)**
Equity investments at FVOCI					
• change in fair value, net of tax	-	-	(1,373)	-	**(1,373)**
Remeasurement of actuarial losses on defined benefit plans, net of tax	-	-	-	534	**534**
Total other comprehensive income (restated)	**-**	**-**	**(4,734)**	**534**	**(4,200)**
Total comprehensive income for the period (restated)	**-**	**-**	**(4,734)**	**(46,024)**	**(50,758)**
Restated balance as at 30 June 2022	**583,849**	**49,277**	**53,704**	**342,931**	**1,029,761**
At 1 January 2023	**583,849**	**49,277**	**57,212**	**422,098**	**1,112,436**
Profit for the period	-	-	-	68,985	**68,985**
Other comprehensive income					
Debt investments at FVOCI					
• change in fair value, net of tax	-	-	353	-	**353**
Equity investments at FVOCI					
• change in fair value, net of tax	-	-	578	-	**578**
Property revaluation, net of tax	-	-	76	-	**76**
Remeasurement of actuarial losses on defined benefit plans, net of tax	-	-	-	194	**194**
Total other comprehensive income	-	-	1,007	194	**1,201**
Total comprehensive income for the period	**-**	**-**	**1,007**	**69,179**	**70,186**
At 30 June 2023	**583,849**	**49,277**	**58,219**	**491,277**	**1,182,622**

Statements of Changes in Equity (continued)

For the six months ended 30 June 2023

	Called up Share Capital	Share Premium Account	Revaluation Reserves	Retained Earnings	Total Equity
	€000	€000	€000	€000	€000
The Bank					
At 1 January 2022	**583,849**	**49,277**	**58,326**	**358,254**	**1,049,706**
Loss for the period	-	-	-	(42,955)	**(42,955)**
Other comprehensive income					
Debt investments at FVOCI					
• change in fair value, net of tax	-	-	(3,361)	-	**(3,361)**
Equity investments at FVOCI					
• change in fair value, net of tax	-	-	(1,373)	-	**(1,373)**
Remeasurement of actuarial losses on defined benefit plans, net of tax	-	-	-	534	**534**
Total other comprehensive income	-	-	(4,734)	534	**(4,200)**
Total comprehensive income for the period	**-**	**-**	**(4,734)**	**(42,421)**	**(47,155)**
At 30 June 2022	**583,849**	**49,277**	**53,592**	**315,833**	**1,002,551**
At 1 January 2023	**583,849**	**49,277**	**57,100**	**392,276**	**1,082,502**
Profit for the period	-	-	-	68,193	**68,193**
Other comprehensive income					
Debt investments at FVOCI					
• change in fair value, net of tax	-	-	353	-	**353**
Equity investments at FVOCI					
• change in fair value net of tax	-	-	578	-	**578**
Property revaluation, net of tax	-	-	76	-	**76**
Remeasurement of actuarial losses on defined benefit plans, net of tax	-	-	-	194	**194**
Total other comprehensive income	-	-	1,007	194	**1,201**
Total comprehensive income for the period	**-**	**-**	**1,007**	**68,387**	**69,394**
At 30 June 2023	**583,849**	**49,277**	**58,107**	**460,663**	**1,151,896**

Statements of Cash Flows

For the six months ended 30 June 2023

	The Group		The Bank	
	Jun-23	**Jun-22**	**Jun-23**	**Jun-22**
	€000	**€000**	**€000**	**€000**
Cash flows from operating activities				
Interest and commission receipts	202,779	133,264	198,630	128,659
Interest, commission and compensation payments	(10,704)	(19,994)	(10,704)	(20,054)
Payments to employees and suppliers	(86,864)	(79,534)	(86,115)	(76,848)
Operating profit before changes in operating assets and liabilities	105,211	33,736	101,811	31,757
(Increase)/decrease in operating assets:				
Loans and advances	(240,093)	(214,224)	(240,093)	(214,224)
Reserve deposit with Central Bank of Malta	2,940	(6,031)	2,940	(6,031)
Fair value through profit or loss financial assets	9,254	(4,497)	9,254	(4,367)
Fair value through profit or loss equity instruments	196	(290)	198	-
Treasury bills with original maturity of more than 3 months	2,964	(138,452)	2,964	(138,452)
Other assets	(2,136)	(626)	(4,475)	(2,670)
(Decrease)/increase in operating liabilities:				
Amounts owed to banks and customers	(348,859)	206,713	(350,023)	203,658
Other liabilities	5,597	(175,372)	6,060	(175,525)
Net cash used in operating activities before tax	(464,926)	(299,043)	(471,364)	(305,854)
Net tax received	9,867	4,248	10,330	4,112
Net cash used in operating activities	(455,059)	(294,795)	(461,034)	(301,742)
Cash flows from investing activities				
Dividends received	1,239	1,951	7,213	8,891
Interest received from amortised and other fixed income instruments	22,578	26,197	22,578	26,197
Purchase of debt instruments	(544,638)	(409,461)	(544,638)	(409,461)
Proceeds from sale or maturity of debt instruments	391,787	335,873	391,787	335,873
Purchase of property and equipment and intangible assets	(5,353)	(6,671)	(5,353)	(6,691)
Net cash used in investing activities	(134,387)	(52,111)	(128,413)	(45,191)

Statements of Cash Flows (continued)
For the six months ended 30 June 2023

	The Group		The Bank	
	Jun-23	**Jun-22**	**Jun-23**	**Jun-22**
	€000	**€000**	**€000**	**€000**
Cash flows from financing activities				
Outflows from issue of senior non-preferred notes	(267)	-	(267)	-
Interest paid on Long Term Borrowings	(2,891)	(2,892)	(2,891)	(2,892)
Payment of Lease Liability	(906)	(951)	(905)	(924)
Dividends paid to equity holders	-	(10,019)	-	(10,019)
Net cash used in financing activities	(4,064)	(13,862)	(4,063)	(13,835)
Net change in cash and cash equivalents	**(593,510)**	**(360,768)**	**(593,510)**	**(360,768)**
Effect of exchange rate changes on cash and cash equivalents	(149)	(161)	(149)	(161)
Net change in cash and cash equivalents after effect of exchange rate changes	(593,361)	(360,607)	(593,361)	(360,607)
Net change in cash and cash equivalents	(593,510)	(360,768)	(593,510)	(360,768)
Cash and cash equivalents at 1 January	3,579,302	4,818,144	3,579,302	4,818,144
Cash and cash equivalents at 30 June	**2,985,792**	**4,457,376**	**2,985,792**	**4,457,376**

Notes to the Condensed Half Yearly financial Statements

For the six months ended 30 June 2023

1. Reporting entity

Bank of Valletta p.l.c. ('the Bank') is a credit institution incorporated and domiciled in Malta with its registered address at 58, Triq San Żakkarija, Il-Belt Valletta. The condensed interim financial statements of the Bank for the six months ended 30 June 2023 include the Bank, subsidiaries and equity-accounted investees (together referred to as the 'the Group').

The ESEF Annual Report and Financial Statements of the Group as at and for the year ended 31 December 2022 can be viewed on the Malta Stock Exchange website (the official appointed mechanism) at https://borzamalta.com.mt/, can be provided upon request from the Bank's registered office or are available for viewing on its website at www.bov.com.

2. Basis of preparation

The published figures have been prepared in accordance with IAS 34 ***Interim Financial Reporting***, as adopted by the EU. The condensed half yearly financial statements have been extracted from Bank of Valletta's unaudited management accounts for the six months ended 30 June 2023 and have been reviewed in accordance with ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. The half yearly results are being published in terms of Chapter 5 of the Capital Markets Rules of the Malta Financial Services Authority.

These condensed half yearly financial statements should be read in conjunction with the Bank's audited financial statements for the year ended 31 December 2022. The significant accounting policies used in the preparation of these condensed half yearly financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 December 2022 and are described in Note 1 of the said financial statements. New standards which came into effect as of 1 January 2023 are mentioned in note 2.1 below.

The amounts recognised in the financial statements are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of financial statements. Any changes to the judgements as at 31 December 2022 made by management in applying the Group'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, if any.

As required by IAS 34 ***Interim Financial Reporting***, these condensed half yearly financial statements include the comparative statements of financial position information as of 31 December 2022, and the comparative statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the period ended 30 June 2022. The comparative period is being restated in view of the changes in accounting policies impacting the associate companies. Consequently, the Group is presenting a third statement of financial position as of 1 January 2022 restated. Refer to Note 2.1 and 2.2 for more detail.

Related party transactions with other components of the BOV Group covering the period from 1 January to 30 June 2023 have not materially affected the performance for the period under review.

2.1 Adoption of new standards / amendments

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

(i.) IFRS 17 ***Insurance Contracts including Amendments*** to IFRS 17
(ii.) Amendments to IFRS 17 ***Insurance Contracts***: Initial Application of IFRS 17 and IFRS 9 - Comparative information.
(iii.) Amendments to IAS 12 ***Income Taxes***: Deferred tax related to Assets and Liabilities arising from a Single Transaction.
(iv.) Amendments to IAS 1 ***Presentation of Financial Statements*** and IFRS Practice Statement 2: Disclosure of Accounting policies.
(v.) Amendments to IAS 8 ***Accounting policies, Changes in Accounting Estimates and Errors***: Definition of Accounting Estimates

The above amendments did not have a significant impact on the Group and the Bank's financial statements except for the impact of the application of the IFRS 17 standard by the associates of which an assessment is provided in note 2.2 below.

Notes to the Condensed Half Yearly financial Statements (continued)
For the six months ended 30 June 2023

2. Basis of preparation (continued)

2.2 The adoption of IFRS 17 and IFRS 9 by the associate companies

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.

2.2.1 Nature of the change in accounting policies impacting the associates

IFRS 17 introduced a different methodology for the valuation of insurance contracts compared to IFRS 4. As such, the nature of the changes in the associates accounting policies relates to the identification of contracts in the scope of IFRS 17, the level of aggregation, contract boundaries, measurement, presentation, and disclosure. Total Equity for the associates on transition date saw a reduction with the major impact emanating from the de-recognition of value in-force business.

The Value of in-force business under IFRS4 represented the net present value of future cash flows expected from contracts in force at the respective year-end, with movement in value recognised in other comprehensive income. Under IFRS 17, such an intangible asset is no longer recognisable, and instead recognises the Contractual Service Margin (CSM) released over time to reflect insurance contract services transferred to policyholders during the reporting period.

IFRS 9 has brought about changes to the classification, measurement, and recognition of financial instruments.

2.2.2 Transitional provisions

IFRS 17 must be applied retrospectively and consequently the associates have restated the opening Statement of financial position (i.e., at 1 January 2022) as well as the Statement of profit or loss for 2022 and Statement of financial position as at 31 December 2022.

2.2.3 Impact on BOV Group financial position and performance

In view of the changes reflected in the associates because of the initial application of IFRS 17 and IFRS 9, the Group has also reflected such changes within its Statement of Financial position, Statement of Profit or Loss and the Statement of Changes in Equity in line with IAS 8. The below tables present the adjustments based on unaudited figures as presented by the associates for restatement of the comparative information:

Investments in equity accounted investees	€000
Opening balance as at 1 January 2022 as previously stated	145,501
Adjustment on initial application of IFRS 17	(45,766)
Restated opening balance as at 1 January 2022	**99,735**
Restated share of results for the year ended 31 December 2022 of equity-accounted investees, net of tax	2,217
Dividend received	(1,746)
Restated closing balance as at 31 December 2022	**100,206**

Retained earnings*	€000
Opening balance as at 1 January 2022 as previously stated	434,721
Adjustment on initial application of IFRS 17	(45,766)
Restated opening balance as at 1 January 2022	**388,955**
Restated profit for the year ended 31 December 2022	31,528
Remeasurement of actuarial losses on defined benefit plans, net of tax	1,615
Restated closing balance as at 31 December 2022	**422,098**

*The movement in retained earnings for the period 1 January 2022 to 30 June 2022 is presented in the Group Statement of Changes in Equity. The restated earnings per share is presented in the Statement of Profit or Loss and Note 7.

Notes to the Condensed Half Yearly financial Statements (continued)

For the six months ended 30 June 2023

3. Segment information

	Retail Banking		Wealth Management		Business Banking		Treasury		Associates, Investments & Others		Total Reportable Segments	
	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22 restated[1]	Jun-23	Jun-22 restated[1]
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
The Group												
Operating income / (loss) for the six months	80,820	55,077	9,221	11,315	81,355	47,563	33,415	16,080	(2,272)	1,308	202,539	131,343
Profit / (loss) before taxation for the six months	24,013	(609)	(4,497)	(1,936)	61,009	20,391	21,006	13,160	3,612	(103,082)	105,143	(72,076)

	Retail Banking		Wealth Management		Business Banking		Treasury		Associates, Investments & Others		Total Reportable Segments	
	Jun-23	Dec-22	Jun-23	Dec-22	Jun-23	Dec-22	Jun-23	Dec-22	Jun-23	Dec-22 restated[1]	Jun-23	Dec-22 restated[1]
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Total Assets	3,072,640	2,963,748	775	1,613	2,853,737	2,711,809	7,997,683	8,409,882	340,196	385,692	14,265,031	14,472,744
Total Liabilities	8,387,593	8,405,729	5,717	1,719	3,972,940	4,289,969	293,049	250,321	423,110	412,570	13,082,409	13,360,308

4. Provisions and Contingencies

4.1 Provisions

The Bank considers the provisions recognised to be the best estimate of the amounts likely required to settle its claims.

In the first half of the comparative year, the Bank had settled the Deiulemar claim as disclosed in detail in Note 33 of the 2022 Financial Statements. As of 31 December 2022, the Bank's other litigation provisions amounting to €0.8 million has been released in the first half of 2023 with the claim resulting in no direct financial impact for the Group and Bank. No further litigation provisions were recorded as at 30 June 2023.

4.2 Contingent liabilities

In the 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 collaborate 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. The recognition of provisions and disclosure of contingent liabilities in relation to such matters involves critical accounting estimates and judgements and is determined in accordance with the relevant accounting policies. At each reporting date, the status of each significant loss contingency is reviewed to assess the potential financial exposure.

The Group and the Bank have assessed the amount of the estimated contingent liabilities as not significant to be disclosed both on an individual and on an aggregate class level.

4.3 Financial Guarantees and Loan Commitment Provisions

Refer to Note 8 for impact of expected credit losses on loan commitments and financial guarantee contracts during the six months to 30 June 2023.

[1] See Note 2.2

Notes to the Condensed Half Yearly financial Statements (continued)

For the six months ended 30 June 2023

5. Fair value measurement

5.1 Fair value hierarchy

Level 1 in the fair value hierarchy represents quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 in the fair value hierarchy represents inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 in the fair value hierarchy represents unobservable inputs.

5.2 Fair Value hierarchy of assets and liabilities measured at fair value

	Fair Value Measurement			
	Level 1	Level 2	Level 3	Total
Group	**€000**	**€000**	**€000**	**€000**
At 30 June 2023				
Assets				
Treasury Bills	-	34,793	-	34,793
Financial assets at fair value through profit or loss	-	-	-	-
- debt and other fixed income instruments	1,046	23	-	1,069
- equity and other non-fixed income instruments	539	32,009	7,213	39,761
- loans and advances	-	70,917	-	70,917
- derivative financial instruments*	-	20,252	-	20,252
Investments				
- debt and other fixed income instruments - FVOCI	15,928	-	63,753	79,681
- equity and other non-fixed income instruments - FVOCI	10,391	7,919	-	18,310
	27,904	**165,913**	**70,966**	**264,783**

*Derivative financial instruments are inclusive of €4.97 million which is set off against Amounts owed to banks in the Statement of Financial Position as these are subject to offsetting, enforceable master netting agreements.

Liabilities				
Financial liabilities at fair value through profit or loss				
- derivative financial instruments	-	9,824	-	9,824
Financial liabilities designated for hedge accounting				
- derivative financial instruments**	-	-	-	-
	-	**9,824**	**-**	**9,824**

**Derivative financial instruments designated for hedge accounting are inclusive of €1.47 million which is set off against Loans and advances to banks in the Statement of Financial Position as these are subject to offsetting, enforceable master netting agreements.

Notes to the Condensed Half Yearly financial Statements (continued)

For the six months ended 30 June 2023

5. **Fair value measurement (continued)**

5.2 Fair Value hierarchy of assets and liabilities measured at fair value (continued)

	Fair value measurement			
	Level 1	**Level 2**	**Level 3**	**Total**
	€000	**€000**	**€000**	**€000**
At 31 December 2022				
Assets				
Treasury Bills	-	238,028	-	238,028
Financial assets at fair value through profit or loss				
- debt and other fixed income instruments	1,055	17	-	1,072
- equity and other non-fixed income instruments	553	30,327	6,820	37,700
- loans and advances	-	78,725	-	78,725
- derivative financial instruments	-	28,866	-	28,866
Investments				
- debt and other fixed income instruments - FVOCI	15,926	-	66,284	82,210
- equity and other non-fixed income instruments - FVOCI	9,503	7,918	-	17,421
	27,037	**383,881**	**73,104**	**484,022**
Liabilities				
Financial liabilities at fair value through profit or loss				
- derivative financial instruments	-	4,535	-	4,535
Financial liabilities designated for hedge accounting				
- derivative financial instruments	-	2,167	-	2,167
	-	**6,702**	**-**	**6,702**

Notes to the Condensed Half Yearly financial Statements (continued)

For the six months ended 30 June 2023

5. **Fair value measurement (continued)**

5.2 Fair Value hierarchy of assets and liabilities measured at fair value (continued)

The following table provide an analysis of financial instruments that are not measured at fair value subsequent to initial recognition:

	Fair value measurement				
	Level 1	Level 2	Level 3	Total	Carrying Amount
	€000	€000	€000	€000	€000
At 30 June 2023					
Assets					
Investments at Amortised cost	4,101,482	178,273	-	4,279,755	4,624,690
Liabilities					
Financial liabilities					
Debt securities in issue	370,265	-	-	370,265	367,522
Subordinated liabilities	148,024	-	-	148,024	163,237
	518,289	-	-	518,289	530,759

	Fair value measurement				
	Level 1	Level 2	Level 3	Total	Carrying Amount
	€000	€000	€000	€000	€000
At 31 December 2022					
Assets					
Investments at Amortised cost	3,912,356	182,066	-	4,094,422	4,467,433
Liabilities					
Financial liabilities					
Debt securities in issue	358,120	-	-	358,120	350,260
Subordinated liabilities	139,181	-	-	139,181	163,237
	497,301	-	-	497,301	513,497

The following are all other financial instruments that are not measured at fair value subsequent to initial recognition and that are not included in the table above:

(i) 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 repriced to take into account changes in both benchmark rate and credit spreads. Their fair value measurement is a level 2 input.

(ii) Loans and advances to banks and 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.

(iii) Other financial assets

The fair value of other financial assets 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) 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.

The valuation techniques utilised in preparing these condensed interim financial statements were consistent with those applied in the preparation of financial statements for the year ended 31 December 2022.

Notes to the Condensed Half Yearly financial Statements (continued)

For the six months ended 30 June 2023

5. Fair value measurement (continued)

5.3 Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances of the Group's financial assets measured at fair value with a Level 3 input.

	Fair value through profit or loss		Fair value through other comprehensive income		
	Debt and other fixed income instruments	Equity and other non-fixed income instruments	Debt and other fixed income instruments	Equity and other non-fixed income instruments	Total
2023	**€000**	**€000**	**€000**	**€000**	**€000**
Opening balance 1 January 2023	-	6,820	66,284	-	73,104
Net change in fair value	-	393	(2,531)	-	(2,138)
Closing balance 30 June 2023	-	7,213	63,753	-	70,966

	Fair value through profit or loss		Fair value through other comprehensive income		
	Debt and other fixed income instruments	Equity and other non-fixed income instruments	Debt and other fixed income instruments	Equity and other non-fixed income instruments	Total
2022	**€000**	**€000**	**€000**	**€000**	**€000**
Opening balance 1 January 2022	-	9,889	73,488	-	83,377
Net change in fair value	-	(487)	(1,127)	-	(1,615)
Closing balance 30 June 2022	-	9,402	72,361	-	81,762

During the six months under review no change in levels was made in financial assets at fair value through profit or loss (June 2022: Nil) and financial assets classified as FVOCI (June 2022: Nil).

The movement in financial assets at fair value through profit or loss with a Level 3 input for the six-month period ended 30 June 2023 amounted to €0.39 million of realised/unrealised net gains compared to realised/unrealised net losses of €0.49 million in June 2022.

6. Investments in equity-accounted investees

Share of profit for the period amounted to €4.27 million compared to a share of profit of €0.86 million restated in the comparative period. Refer to Note 2.2 for further information related to the change in accounting standards applied by the associates.

7. Earnings per share

The earnings per share was calculated on profit attributable to shareholders of the Group €68,985,000 (June 2022: loss of €46,558,000 restated) and profit on the Bank €68,193,000 (June 2022: loss of €42,955,000) divided by 583,849,270 shares outstanding as at 30 June 2023. Reconciliation of the restated loss for the period ended 30 June 2022 is included in Note 2.2.

Notes to the Condensed Half Yearly financial Statements (continued)

For the six months ended 30 June 2023

8. Expected Credit Losses

8.1 Assumptions and judgements

ECL is sensitive to judgements and underlying assumptions particularly related to the forward-looking scenarios and their probability weighting. On an annual basis, the Group re-assesses the applicability of the key economic variables used by the model, which inputs impact the credit risk and thus the expected credit losses for each portfolio. Latest macro-economic variables that are found to be statistically significant for all portfolios are Inflation, GDP, and Unemployment. As per last calibration performed in Q4 2022, the PD model has also changed from the Vector Auto regressive, ('VAR') model, sourcing data from Trading Economics to be able to generate its own forecasts to the direct use of official publicly available forecasts. This ensures that the IFRS 9 model is always updated with the latest forecasts issued by the official authorities. 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 significantly differ to those projected.

The calibrated model still includes three scenarios (base/optimistic/pessimistic) whereby the baseline scenarios are mapped to the economic forecasts published quarterly by the Central Bank of Malta (CBM). Forecasts considered are those for GDP, inflation, and unemployment. For the optimistic/pessimistic scenarios, unemployment and inflation are derived through their direct or indirect relationship with the GDP growth rate, using the GDP fan chart published in the Budgetary Plan and the Update of Stability Program. The latter is released bi-annually by the Government of Malta:

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 Phillips Curve is used to derive the upside and downside scenarios for Inflation rate. The Phillips Curve prescribes a presumably stable economic relationship between the Inflation rate and Unemployment rate.

The table below demonstrates the preparation of the scenarios for a single year from the publications of the CBM and the Government of Malta as well as the calculation of the upside and downside scenarios.

2023	CBM Baseline	Adverse scenario Government fan chart - 70%	Optimistic scenario Government fan chart - 70%	Economic relationships
GDP	4.0	1.4	6.8	
Unemployment	3.0	3.4	2.5	(0.17) Okun's law parameter
Inflation	5.3	5.2	5.4	(0.28) Phillips curve parameter

8.2 Update on COVID-19 impacted portfolio

A review of the COVID impacted portfolio reveals that all COVID-19 related moratoria have now expired. Active moratoria, to the same customers who were covid-impacted, are now non-covid related.

The majority of facilities under the COVID impacted portfolio have now been repaying for a number of months according to the established schedule, following the expiry of the moratoria.

Notes to the Condensed Half Yearly financial Statements (continued)

For the six months ended 30 June 2023

8. Expected Credit Losses (continued)

8.3 Reconciliation of ECL and Gross Loan portfolio

The following tables explain the changes in the loss allowance between the beginning and the end of the 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 2023 (and associated ECL changes) are presented in "transfers to/(from)", whereas subsequent changes in the staging allocation of new assets originated during the period are presented in "new financial assets originated";
- Discount unwinding within the ECL model 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 reversals of allowances related to assets that were written off during the period.

Allowances on On-Balance Sheet Exposures	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
	€000	**€000**	**€000**	**€000**
Total allowances at 1 January 2023	**16,486**	**13,495**	**102,936**	**132,917**
Transfer to/(from):				
Stage 1	(1,298)	2,225	7,169	**8,096**
Stage 2	125	(1,988)	8,200	**6,337**
Stage 3	71	66	(1,462)	**(1,325)**
New financial assets originated*	2,443	96	1,293	**3,832**
Financial assets that have been derecognised	(527)	(397)	(6,420)	**(7,344)**
Write-offs	-	-	(3,878)	**(3,878)**
Changes to model assumptions and methodologies	(2,016)	147	-	**(1,869)**
Drawdowns/(repayments) from existing assets	(1,246)	13	(4,176)	**(5,409)**
Total allowances at 30 June 2023	**14,038**	**13,657**	**103,662**	**131,357**

Provisions on Off-Balance Sheet Exposures	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
	€000	**€000**	**€000**	**€000**
Total Provisions at 1 January 2023	**6,569**	**2,335**	**6,574**	**15,478**
Transfer to/(from):				
Stage 1	(915)	2,083	275	**1,443**
Stage 2	27	(484)	774	**317**
Stage 3	1	5	(1,003)	**(997)**
New financial assets originated*	4,216	273	1,393	**5,882**
Financial assets that have been derecognised	(375)	(100)	(1,299)	**(1,774)**
Changes to model assumptions and methodologies	(703)	11	-	**(692)**
Drawdowns/(repayments) from existing assets	(2,243)	(578)	703	**(2,118)**
Total Provisions at 30 June 2023	**6,577**	**3,545**	**7,417**	**17,539**

Notes to the Condensed Half Yearly financial Statements (continued)

For the six months ended 30 June 2023

8. Expected Credit Losses (continued)

8.3 Reconciliation of ECL and Gross Loan portfolio (continued)

The following table discloses changes in the gross carrying amount of the loan portfolio to help further explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

Carrying Amount	**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**
Transfer to/(from):				
Stage 1	(142,369)	114,181	33,213	**5,025**
Stage 2	55,867	(75,861)	15,697	**(4,297)**
Stage 3	2,472	3,063	(4,658)	**877**
New financial assets originated*	248,483	2,182	3,610	**254,275**
Financial assets that have been derecognised	(145,017)	(6,257)	(6,668)	**(157,942)**
Write-offs	-	-	(5,677)	**(5,677)**
Drawdowns/(repayments) from existing assets	165,792	(21,785)	(2,227)	**141,780**
Total Gross Carrying Amount at 30 June 2023	**5,183,504**	**584,660**	**237,595**	**6,005,759**
Less Allowances	(14,038)	(13,657)	(103,662)	**(131,357)**
Net Loans and Advances to customers	**5,169,466**	**571,003**	**133,933**	**5,874,402**

Carrying amount comprises loans and advances to customers at amortised cost and loans and advances to customers designated as fair value through profit or loss €70.9 million (December 2022: €78.7 million).

* Newly originated financial assets during the period comprises of:
Stage 2 - assets that have been originated to counterparties in stage 2 that are still subject to the Bank's cure/probation criteria,
Stage 3 - include €3.4 million of originated credit impaired assets which relate to new facilities granted to counterparties in default as part of the existing commitments.

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Independent Auditors' Report on review of condensed interim financial statements

To the Board of Directors of Bank of Valletta p.l.c

Introduction

We have reviewed the accompanying condensed interim financial statements of Bank of Valletta p.l.c. ("the Bank") and of the Group of which the Bank is the parent ("the Condensed Half Yearly Financial Statements") which comprise the condensed statements of financial position as at 30 June 2023, and the related condensed statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended and the notes to the condensed Half Yearly financial statements. Management is responsible for the preparation and presentation of the Condensed Interim Financial Statements in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. Our responsibility is to express a conclusion on these interim financial statements based on our review.

This report is made solely to the Board of Directors in accordance with the terms of our engagement and is released for publication in compliance with the requirements of Capital Markets Rules 5.75.4 issued by the Listing Authority. Our review has been undertaken so that we might state to the Board of Directors those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibilities to anyone other than the Board of Directors for our review work, for this report, or for the conclusion we have expressed.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Half Yearly Statements for the period ended 30 June 2023 are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU.

The Principal authorised to sign on behalf of KPMG on the review resulting in this independent auditors' report is Claude Ellul.

KPMG
Registered Auditors

27 July 2023

Bank of Valletta