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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

QUARTERLY FINANCIAL OVERVIEW
January to March – Financial Year 2024

SUMMARY

Bank of Valletta Group delivered a strong performance for 1Q2024, with profit before tax rising by 36.8% over 1Q2023 to reach €63.7 million. These results reflected the Group's continued efforts to sustainably grow its commercial and retail loan portfolios, as well as its efforts to deploy excess liquidity in high quality treasury assets.

The Group's operating income of €117.4 million, reflected a growth of 22.9% compared to 1Q2023. This was driven by increased returns both from an interest and non-interest income perspective. Over this period, the enhanced focus on cost management resulted in a Cost to Income ratio to continue trending downwards, standing at 41.8% in 1Q2024. This was a result of the Group's persistence towards a higher focus on operating costs including occupancy, regulatory and professional fees. These developments returned a robust financial performance reflecting a 20.4% pre-tax Return on Average Equity which is a 4pp improvement over that recorded in 1Q2023.

On the balance sheet side, a gross Loan-to-deposit ratio of 53.4% and strong sanctioning levels of business and retail loans, continue to well-position the Group for further growth and deliver its 2024 targets. The €47.0 million reduction in the deposit base during 1Q2024 align with expectations. Nevertheless, the Group retained high levels of liquidity with Liquidity Coverage ratio (LCR) of 345% at the end of 1Q2024 (regulatory threshold of 100%).

Whilst an increase in impairment of €6.6 million was registered during the quarter, it is noted that this was very much concentrated on a small number of entities which were assisted during periods of financial turnaround. The Group remains fully committed to the asset quality and overall health of its loan book with the Non-performing Exposures ratio (NPE) stable at around 3.1%. The coverage ratio on the non-performing assets has also been strengthened during the quarter increasing to 44.4% from the 43.9% of FY23 year-end position.

The positive results achieved over 1Q2024 allows the Group to continue operating a robust capital position with the Common Equity Tier 1 (CET1) closing at 21.5%[1] and Capital Adequacy Ratio (CAR) at 24.6%[1], which are well above regulatory thresholds and average positions of peer banks as well as comparable to other significant financial institutions.

The operating performance of the Group's revenue pillars was satisfactory and well in line with established targets. The Commercial Banking pillar retained the momentum on all fronts with sustained balance sheet growth, strong sanctioning activity across a good number of economic sectors and positive budget variances on net fee and commission income. During the quarter a total amount of €58 million of green loans were originated by the Business, equivalent to nearly 9% of total sanctioned facilities, reflecting the Bank's drive towards green lending. Market share (residents) figures are also encouraging with the percentage closing in on the 49% mark.

[1] The 1Q2024 capital ratios are exclusive of 1Q2024 profits. Retained earnings are added to the capital ratio computations upon publication of the interim and annual results.

On the Retail Banking pillar, home loans and personal lending continued to achieve high levels of disbursements, leading to a satisfactory balance sheet expansion.

As part of its digital journey, over the month of February 2024, the Group launched a new website which aims to offer a seamless customer experience across all devices, including mobile phones, laptops and tablets. Through this new website, the Bank is ensuring that its customers have an enhanced digital experience, empowering users to interact digitally with the Bank from anywhere. High volumes of online traffic were achieved during the first weeks since its launch.

SHORT-TERM OUTLOOK

The European Central Bank (ECB) has maintained the rate on its Deposit Facility fixed at 4% since September 2023, contributing positively to BOV's interest income. The Bank expects that sometime in 2024, the ECB may consider appropriate to start reducing the current level of monetary policy restriction, although the timing and pace of the possible rate cuts remain uncertain, owing to the fluidity in international conditions. In preparation of a falling interest rate scenario, BOV has been proactively restructuring its balance sheet, through the redeployment of treasury funds into longer term assets, and a productive expansion in good-quality credit. The Bank's exposure to cyclical fluctuations in rates has thus been reduced and this should generate a more stable positive performance over time. The amount of change in the Bank's interest income from a 1% movement in interest rate is currently at €29.8 million which is materially lower than the €52.4 million of FY2021. This has been achieved as a result of the fact that the percentage amount of the Bank's interest-bearing assets (to total assets) which have an overnight repricing period have reduced from 38.5% of December 2021 to 20.8% in December 2023.

The Bank's assessment is that Malta's current and near-term economic environment has remained benign, supporting BOV's positive expectations vis-à-vis further growth in its loans, and the preservation of asset quality. Inflationary pressures continued to ease and further moderation is anticipated. The labour market remained strong, in terms of ongoing job creation and a historically low unemployment rate. The number of inbound tourists during the first two months of 2024 was higher than in 2023, which itself has been a record year for Malta. The property market remained resilient, with 1Q2024 statistics showing that the number and value of final deeds involving households, as well as promise of sale agreements, higher than last year.

Against this background, Bank of Valletta is committed to continue to sustain its performance over the coming quarters to as much as possible consolidate and improve upon the results delivered at this juncture. While the positive influence of high interest rates on liquid assets may be short-lived, the Bank is focusing on continued loan portfolio growth, effective cost management, and digitalization of products and processes to sustain its profitability and make the necessary investments towards the further greening of its operations and its balance sheet.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Net Interest Income (€m)	Net Fee & Commission Income (€m)	Profit Before Tax (€m)	ROAE	Cost to Income Ratio	Gross Loans to Deposit Ratio	CET1 Ratio
1Q2024	98.3	18.7	63.7	20.4%	41.8%	53.4%	21.5%
1Q2023	73.5	16.8	46.5	16.0%	48.2%	48.2%	21.2%
Change	**24.8**	**1.9**	**17.1**	**4.4%**	**-6.4%**	**5.2%**	**0.3%**
% Change	**33.7%**	**11.0%**	**36.8%**	**n/a**	**n/a**	**n/a**	**n/a**

Key financial metrics

- Net Interest Income remained the primary driving force for the Group with an amount of €98.3 million being registered for the quarter and equivalent to an increase of €24.8 million or 33.7% when compared to 1Q2023. This reflected additional expansion in both the customer lending and proprietary investment portfolios over the last 12 months, as well as from improved deposit rates achieved on cash balances.

- Net fee and commission income at €18.7 million was up by €1.9 million, or 11.0% when compared to the same period last year and mainly influenced by higher amounts being achieved on credit-related business.

- Operating costs excluding strategy at €46.8 million (1Q2023: €44.2 million) represents an increase of €2.6 million or 5.9% compared to the same period in 2023. The sustained growth in operating expenses during this period was in line with trends observed during previous quarters and mainly influenced by the Group's ongoing efforts to enhance talent, improve compensation and benefits, invest continuously in technology, and comply with regulations.

- Over the first quarter, the Bank remained focused on achieving the targets set in its strategy with notable progress being achieved during 1Q2024 on all key business areas as further explained in the Going Forward section further below. The spend for the quarter in this respect amounted to €2.3 million, which is half a million above the €1.8 million reported in 1Q2023.

- The total Cost to Income ratio for the first quarter amounted to 41.8% which is 6.3% lower than the 48.2% achieved in the same period in FY23.

- Net Expected Credit Losses ('ECL') for the 3 months to March 2024 amounted to a net charge of €6.6 million (1Q2023: €5.0 million net charge) which was influenced by business expansion on all credit portfolio segments as well as a slight deterioration in the asset quality ratios of the commercial book. The Bank's commitment to fortify coverage against high-risk non-performing exposures remains steadfast with the Stage 3 coverage ratio increasing by 52bps during the quarter to 44.4% (December 2023: 43.9%). The ratio of non-performing loans to the total credit portfolio remains steady at 3.1% in line with that reported at the end of 2023 (December 2023: 3.1%). The net value of non-performing debt written-off, after recoveries, is negligible for the quarter.

- The share of profit from insurance associates remained stable when compared to the comparative period at €1.9 million (1Q2023: €2.0 million).

GROUP FINANCIAL POSITION

The Group's total assets stood firm at €14.5 billion as at the end of March 2024, showing minimal change from the end of 2023 (December 2023: €14.5 billion). The Bank's balance sheet optimisation strategy related to the deployment of cash reserves into longer-term interest-bearing assets continued during the quarter with the main shifts being registered from balances with central bank to the credit and investments portfolios.

Cash and short-term funds amounted to €1.9 billion at the end of 1Q2024 compared to €2.4 billion in December 2023 with the allocation of funds being directed towards the investment, predominantly in treasury securities, where an increase of €261.9 million was registered followed by an increase of €182.8 million in the loan book.

The net loans and advances to customers amounted to €6.4 billion at the end of the first quarter (December 2023: €6.2 billion), resulting in the above noted net increase of €182.8 million or 3.0% and largely attributable to sustained growth on all segments related to the retail and commercial books. This led to a favourable increase in the Group's gross loan-to-deposits ratio from 51.7% in December 2023 to 53.4% as at the end of March 2024.

In line with the Group's proactive stance in balance sheet optimisation relating to interest rates, the proprietary investments portfolio grew by €261.9 million or 4.9% during 1Q2024 leading to a holding amount of €5.6 billion (38.6% of total assets) as at end of March 2024, compared to €5.4 billion (36.9% of total assets) in December 2023. The majority of assets are assessed at amortised cost, aligning with the Bank's core business strategy of retaining securities until maturity to generate interest income throughout the investment's lifespan. Such approach aims to reduce the interest rate volatility over the longer term and seeks to stabilise interest income.

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Customer deposits experienced a marginal decrease of €47.0 million during the three months in focus equivalent to 0.4%, transitioning from €12.2 billion at the end of 2023 to €12.1 billion with the main decrease being registered on non-personal related customers.

The Group's liquidity remains well above the minimum regulatory requirements, with the LCR ratio at the end of this first quarter being 345%, down from the 362% outstanding as at December 2023.

Total Group Equity stood at €1.3 billion, an increase of €41.2 million compared to December 2023 position. The Group's capital ratios remained strong and above regulatory requirements, with the CET 1 and total capital ratios as at March 2024 of 21.49%[1] (December 2023: 22.66%) and 24.61%[1] (December 2023: 25.94%), respectively. The net asset value per share at the end of 1Q2024 stood at €2.2 per share.

STRATEGY IMPLEMENTATION

Bank of Valletta has developed an ambitious strategy for 2024-2026. The strategy aims to enhance various aspects of our operations, including people, risk management, in alignment with our business ambitions through our personal and private banking as well as our corporate business areas. Our priority is to improve customer relations, digitise our internal operations, further strengthen our governance and risk management control framework and continue investing in our highly valued team members at Bank of Valletta.

Over the quarter, we have also successfully taken forward our change management program particularly in bolstering regulatory compliance, refining internal processes, launching new products, and enriching our customer experience. A brief summary follows:

i. **People:** Employees Employees are the backbone of the organisation, and their welfare is paramount to the Bank's success. The Bank is undertaking several initiatives to enhance employee satisfaction and productivity. These include a broader range of training programs, employee wellness initiatives, flexible work arrangements, competitive compensation packages and a more inclusive and diverse work environment. The Bank is committed to maintaining open and transparent communication with its employees about its strategic direction. This helps employees with the Bank's goals and fosters a sense of ownership and pride in their work.

ii. **Customers:** The Bank's focus on customer service experience remains unwavering and is continually working on enhancing its customer service delivery, product offering with a keen emphasis on personalisation, responsiveness, and convenience. The Bank is also making significant improvements to its retail network, with an aim to expand its reach, enhance its service delivery, and offer its customers a seamless banking experience. To achieve this, we are focusing on enhancing our customer relationship management systems and the introduction of a new digital channel to provide our clients with a seamless and personalised experience and broadening the ease of access to the Bank's products and services. Our ability to adjust to evolving market trends and consumer preferences is something we value highly. It reinforces our optimism about maintaining a significant role in the financial sector.

iii. **Operations:** The strategy remains firmly anchored on business process re-engineering, a critical move designed to enhance operational efficiency, reduce costs, and improve the Bank's financial performance. The Bank has been making significant strides in streamlining its processes, eliminating redundancies, and automating routine tasks, allowing its teams to focus on more strategic, value-adding activities. Recognising the increasing role of technology in shaping the future of banking, the Bank has been making considerable improvements to its digitisation efforts.

iv. **Governance and Risk Management:** In line with our commitment to uphold the highest standards of corporate governance, the Bank continues to make significant investments in ensuring full compliance with its regulatory obligations. The Bank has worked closely with regulatory bodies and established robust systems and processes to meet and exceed its compliance requirements.

[1] The 1Q2024 capital ratios are exclusive of 1Q2024 profits. Retained earnings are added to the capital ratio computations upon publication of the interim and annual results.

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Within the context of the afore-mentioned developments, the Bank remains committed to our Environmental, Social and Governance goals. The Bank understands that its role as a bank extends beyond providing financial services – the Bank has a responsibility towards society and the environment. We have consciously integrated ESG considerations into our business decisions and working towards creating a more sustainable, inclusive, and responsible banking model. During the first quarter of 2024, BOV Group has reaffirmed its commitment to sustainable and diligent banking practices, while actively supporting clients in their journey towards sustainability, responding to the increasing demand for ESG products. Through the efforts of the Remuneration Policy Working Group, BOV successfully integrated Climate & Environmental targets into the variable remuneration component for top management personnel, aligning with its dedication to the Paris Agreement's objective of limiting global warming to 1.5°C. Concurrently, BOV continued its decarbonisation journey, focusing on refurbishing offices and branches to enhance energy efficiency.

In preparation for the Corporate Sustainability Reporting Directive (CSRD), effective as from financial year 2024, we have embarked on a double materiality assessment, engaging with key external stakeholders to outline material risk areas and ensure robust reporting practices aligned with global standards.

On a final note, the Bank's focused strategy and commitment to operational excellence, customer satisfaction, and responsible banking will steer us towards sustained growth and success.

Notes

The financial information on which this Quarterly Financial Overview is based, is extracted from unaudited accounts of the Group which are prepared in accordance with the Group's accounting policies as described on pages 79 to 91 of 2023 ESEF Annual Report & Financial Statements.

Unquote

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

6 May 2024

Statements of profit or loss

For the three months ended 31 March 2024

	The Group		The Bank	
	Mar-24	Mar-23	Mar-24	Mar-23
	€000	€000	€000	€000
Interest and similar income:				
- on loans and advances	83,374	72,515	83,374	72,515
- on debt, other fixed income instruments and derivatives	28,769	12,207	28,769	12,207
Interest expense	(13,860)	(11,201)	(13,860)	(11,201)
Net interest income	**98,283**	**73,521**	**98,283**	**73,521**
Fee and commission income	22,336	20,087	20,291	18,078
Fee and commission expense	(3,627)	(3,239)	(3,627)	(3,239)
Net fee and commission income	**18,709**	**16,848**	**16,664**	**14,839**
Dividend income	63	-	4,563	5,500
Trading profits	456	5,220	432	5,230
Net loss on investment securities and hedging instruments	(95)	(65)	(95)	(65)
Operating income	**117,416**	**95,524**	**119,847**	**99,025**
Employee compensation and benefits	(29,369)	(24,919)	(28,752)	(24,304)
General administrative expenses	(14,959)	(15,974)	(14,534)	(15,529)
Amortisation of intangible assets	(3,021)	(3,282)	(2,996)	(3,257)
Depreciation	(1,771)	(1,822)	(1,761)	(1,810)
Net impairment charge	(6,551)	(5,032)	(6,551)	(5,032)
Operating profit	**61,745**	**44,495**	**65,253**	**49,093**
Share of results of equity-accounted investees, net of tax	1,917	2,026	-	-
Profit before tax	**63,662**	**46,521**	**65,253**	**49,093**
Income tax expense	(21,454)	(16,242)	(22,675)	(17,849)
Profit for the period	**42,208**	**30,279**	**42,578**	**31,244**
Earnings per share	**7.2c**	**5.2c**	**7.3c**	**5.4c**

Statements of Financial Position

as at 31 March 2024

	The Group		The Bank	
	Mar-24	Dec-23	Mar-24	Dec-23
	€000	€000	€000	€000
ASSETS				
Balances with Central Bank of Malta, treasury bills and cash	1,894,686	2,353,317	1,894,686	2,353,317
Financial assets at fair value through profit or loss	103,582	113,853	103,290	113,562
Investments	4,631,576	4,366,633	4,631,576	4,366,633
Pledged investments	983,831	986,829	983,831	986,829
Loans and advances to banks	250,182	196,307	250,182	196,307
Loans and advances to customers at amortised cost	6,301,713	6,114,589	6,301,713	6,114,589
Investments in equity-accounted investees	112,026	110,098	72,870	72,870
Investments in subsidiary companies	-	-	6,230	6,230
Intangible assets	52,677	54,642	52,591	54,531
Property and equipment	135,619	134,172	135,580	134,125
Deferred tax	33,953	34,025	33,865	33,937
Assets held for realisation	11,921	11,979	11,921	11,979
Other assets	9,371	12,746	9,370	12,746
Prepayments	16,962	17,758	15,691	15,682
Total Assets	**14,538,099**	**14,506,948**	**14,503,396**	**14,473,337**
LIABILITIES				
Derivative liabilities held for risk management	4,925	4,154	4,926	4,154
Amounts owed to banks	297,543	315,651	297,542	315,651
Amounts owed to customers	12,105,232	12,152,216	12,109,073	12,157,044
Current tax	53,994	28,079	54,388	28,912
Deferred tax	7,435	7,435	7,435	7,435
Other liabilities	210,644	198,178	210,094	197,651
Provisions	27,717	20,166	27,567	20,016
Debt securities in issue	358,977	350,099	358,977	350,099
Subordinated liabilities	162,713	163,237	162,713	163,237
Total Liabilities	**13,229,180**	**13,239,215**	**13,232,715**	**13,244,199**
EQUITY				
Called up share capital	583,849	583,849	583,849	583,849
Share premium account	49,277	49,277	49,277	49,277
Revaluation reserves	58,734	59,628	58,622	59,516
Retained earnings	617,059	574,979	578,933	536,496
Total Equity	**1,308,919**	**1,267,733**	**1,270,681**	**1,229,138**
Total Liabilities and Equity	**14,538,099**	**14,506,948**	**14,503,396**	**14,473,337**