Bank of Valletta
Office of the Company Secretary
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BOV500

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

The Board of Directors of Bank of Valletta p.l.c. (the Group) has today, 26 March 2025, approved the Annual Report & Financial Statements for Financial Year ended 31 December 2024. The Board resolved that these audited financial statements be submitted for the approval of the shareholders at the forthcoming Annual General Meeting (AGM) being held at the Grand Master Suite, Hilton Malta, St Julian's on Thursday 29 May 2025 at 10.00 a.m.

Executive Summary

- **Profit Before Tax:** Profit before tax for FY2024 amounted to €302.4 million, up from €251.6 million in 2023, reflecting a 10.1% increase in operating revenues and contained cost growth;
- **Dividend:** The Board of Directors will be recommending a final gross dividend of **€0.1314** per share, bringing the total dividend for FY2024 to **€0.2238** per share, up by 92.5% from the 2023 level; This equates to a distribution of **€76.7 million** from H2 profits, (**€49.9 million** net). Combined with the interim distribution, the total gross dividend payout amounts to **€130.7 million (€84.9 million net)**.
- **Bonus Issue:** The Board will also recommend a bonus share issue of one (1) share for every ten (10) shares held, subject to regulatory approval;
- **Share Buy-Back:** The Board will be proposing a share-buyback initiative to increase the liquidity of the Bank's equity instrument in the market, without cancelling shares, subject to regulatory approval;
- **Bond Issue:** The Board will also be considering a further issuance of Bonds (Tranche 2) out of the €250 million Euro Medium Term Bond (EMTB) programme approved in Q4 2024;

- **Balance Sheet Growth:** The Bank's balance sheet expanded to €15 billion (67.1% of GDP, and 107% that of all other domestically-oriented institutions taken together), while credit grew by €700 million during the year, with the Bank's interest rates remaining among the lowest in the euro area.
- **Financial Outlook:** Expectations for FY2025 point to a profit before tax in a range between €200 million and €250 million, with distributions being set subject to a maximum amount of 50%.

Review for the Year

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

	Gross Dividend	Net Dividend	Gross Dividend Per Share	Net Dividend Per Share
	€ m	€ m	€	
FY 2024	130.7	84.9	0.2238	0.1455
FY 2023	67.8	44.1	0.1162	0.0755
Change in €	62.9	40.8	0.1076	0.0700
Change in %	92.5%			

Shareholders on the Bank's share register at the Central Securities Depository of the Malta Stock Exchange, as at 29 April 2025, will receive notice of the Annual General Meeting together with the Financial Statements for the financial period ended 31 December 2024.

The final cash dividend, if approved at the Annual General Meeting, will be paid on the 12 June 2025 to the shareholders on the Bank's share register at the Central Securities Depository of the Malta Stock Exchange on 29 April 2025.

Bonus Issue

The Board of Directors further resolved to recommend at the forthcoming Annual General Meeting for approval, a bonus share issue of one (1) share for every ten (10) shares held. More information will be provided to the market in due course. The bonus issue will be funded by a capitalisation of reserves amounting to €58,384,927. This will result in the issue of an additional 58,384,927 shares and thereby increasing the issued Share Capital from the current 583,849,270 shares to 642,234,197 shares of €1.00 each fully paid up, resulting in a paid-up capital of €642,234,197.

This is subject to regulatory approval.

Supporting the Liquidity of the Bank through a share buy-back (non-cancellable) programme.

The Bank commissioned an external independent study to assess options, and the feasibility of initiatives intended to optimise shareholder value. The Bank has determined that it will prioritise actions to support the liquidity of the Bank's equity on the Malta Stock Exchange through a share buy-back programme. This would be subject to necessary approvals from shareholders. For the time being, these actions will not involve any cancellation of shares.

This is subject to regulatory approval.

Unsecured Subordinated Debt

Moreover, following the successful issue of €100 million unsecured subordinated debt (Tranche 1) in November of last year, the Board of Directors will be considering and, if deemed appropriate, approving an issuance of Bonds (Tranche 2) out of the Euro Medium Term Bond (EMTB) programme of up to €250 million, whose Base Prospectus was approved by the regulator in October 2024. The Bonds will be issued to the general public in Malta by the second quarter of this year and the same Bonds will be admitted to the official list of the MSE. The objective is to continue enhancing the Bank's capital base in satisfaction of its MREL requirements in support of the Bank's forecasted balance sheet growth in the coming years. The Bank is currently finalizing the Final Terms and shall make these available closer to the intended issuing date and following the attainment of any necessary regulatory approvals.

Highlights for the Financial Year 2024

In 2024, BOV Group delivered a robust financial performance, achieving a profit before tax of €302.4 million, up from €251.6 million in 2023. This positive outcome was driven by a strategic focus on both revenue and cost management, with operating income rising by 10.1% year-on-year, whilst total costs (inc. strategy) increased by 2.7%, which is lower than the inflation rate for the year. Consequently, the cost-to-income ratio improved by 3.2 percentage points to 44.6% over the year, this being the third consecutive year where a decrease was registered.

Key performance indicators were satisfactory with pre-tax return on average equity at a level of 22.6% (2023: 21.1%). The ECB rate cuts had a contained impact on this year's financial performance due to a dynamic balance sheet optimisation approach undertaken during the last years leading to strong growth being achieved in Net Interest Income which also positively impacted Net Fee Commission Income insofar as lending related fees are concerned. Effective risk management, along with stronger debt collection efforts, led to impairment reversals and reduced the non-performing loans ratio to 2.7%.

During the period under consideration, the balance sheet of the Group grew by €592 million, with total assets exceeding €15 billion by the end of the year. This was achieved on the strength of an increased deposit base where a €652 million uplift was registered, driven both by non-personal and personal deposits. This funding was productively deployed in long-term interest-bearing assets with the credit portfolio increasing by more than €700 million and the investments portfolio up by €983 million. The increase of 11.2% in the gross credit portfolio balances for the year is more than 2 percentage points higher when compared to the growth that had been achieved in FY 2023. This shows the Bank's commitment towards the local economy where business economic sectors were supported in their investment and working capital needs, whilst retail customers enjoyed good lending products on both home lending and personal needs. Interest rates on all lending products remained among the lowest in the euro area. As a result of such movements, the Loan-to-Deposit ratio increased by nearly 3% by end of year increasing to 54.5%. The Bank maintained a very comfortable liquidity position with the LCR and NSFR ratio being well above the regulatory thresholds at 369% and 196% respectively.

The financial year under review marked the first year of the Bank's three-year strategic cycle 24-26 which is driven by ambitious targets to continue improving its customers' service experience, strengthen the digital proposition and continue to be a catalyst of economic and sustained growth within the national economy.

These results underscore the Bank's steadfast commitment to excellence and innovation. One of the most significant accomplishments was the launch of the €100 million 5% unsecured subordinated bond which was materially oversubscribed within the first days of its launch. This overwhelming response from the market is a testament to the trust and confidence that the public places in Bank of Valletta. Moreover, the efforts to restore profitability, strengthen capital and ensure security for our stakeholders were recognized by Standard & Poor's Global Ratings, who raised the credit rating of the Bank to BBB. This upgrade highlights the robustness of our financial strategies and our dedication to maintaining a secure and profitable institution.

Financial Performance of the Group

The below table provides a snapshot of the Group and Bank's financial performance during the period.

	Net Interest Income	Net fee & Commission income	Profit before tax	Return on Average Equity (pre-tax)	Cost to Income Ratio	Gross Loans to Deposit Ratio	CET 1 Ratio
	€ m	€ m	€ m				
FY 2024	385.9	81.4	302.4	22.6%	44.6%	54.5%	22.3%
FY 2023	352.0	78.0	251.6	21.1%	47.8%	51.7%	22.7%
Change in €	+33.9	+3.4	+50.8				
Change in %	+9.6%	+4.3%	+20.2%	+1.5%	-3.2%	+2.8%	-0.4%

- **Profit Before Tax (PBT):** PBT of €302.4 million for the year representing a 20.2% increase when compared to the €251.6 million registered in FY 2023. Improvements in profitability were registered in all segments of the Bank including commercial and retail banking leading to an improved return on average equity ratio (pre-tax) of 22.6% which is above the comparative number by 1.5%.

- **Earnings Per Share (EPS):** EPS for 2024 amounted to €0.342 compared with €0.288 in 2023.

- **Operating Performance:** The operating performance of the Group's main revenue pillars being Commercial, Retail and Treasury continued to perform strongly with positive variances being achieved for the year in all three segments. The total operating income for 2024 amounted to €485.8 million, entailing a 10.1% increase from the previous year. This growth was driven by the expansion of loan portfolios, improved net fee and commission income, and a sustained effort to continue investing in high quality investment financial instruments.

- **Net Interest Income (NII):** NII for the year was €385.9 million, an increase of 9.6%, from the previous year. The Bank expanded its lending activities and proprietary investments over the past year and benefited from improved deposit rates on cash reserves. Interest expenses remained similar to the prior year, influenced mainly by the MREL bond. Whilst the overall net interest margin started to go down in line with the cuts announced by the ECB over the year, the gradient of the interest rate decline on the overall interest-bearing assets was much lower than the ECB rate cuts as a result of the balance sheet optimisation strategy, where short term balances were invested in longer term instruments.

- **Net Fee and Commission Income (NFCI):** NFCI in 2024 rose to €81.4 million, up by 4.3% from 2023. This boost was largely driven by growth in credit-related and trade finance activities, alongside notable upswings in card and investment-related fee income. NFCI continues to be a vital revenue stream for the Bank, ensuring a well-balanced and sustainable source of operating profit.

- **Costs:** Total Costs for the year amounted to €216.7 million which is 2.8% above the previous year. Personnel costs remained the primary cost driver, where the Bank continues to invest in talent followed by technology-related expenses where the Bank continues to invest as part of its strategic drive for digitalisation. The Bank has set out a cost management framework, encompassing a procurement excellence methodology, to ensure that cost levels are optimised over the medium to longer term both on the operational front, and also on human resources, where a capacity planning exercise is currently underway.

  Despite the inflationary pressures, the majority of cost categories were reduced year-on-year with reductions being achieved on the regulatory cost front, namely the Depositor Compensation Scheme and Single Resolution Fund costs, but also from occupancy related costs where the Bank's Property and Economic, Social and Governance ('ESG') strategies are having an impact. This effort resulted in the overall Cost-to-Income ratio going down sharply from 47.8% in 2023 to 44.6% in 2024.

- **Strategy Costs:** During 2024, the Bank continued to invest in its strategic initiatives, with a particular focus on technological advancements. The spend for the year in this respect amounted to circa €13.8 million (2023: €11.0 million).

- **Expected Credit Losses:** The movement on Expected Credit Losses ('ECL') for the year amounted to a net release of €23.8 million (2023: €10.5 million net release) which was influenced by an improvement in both the non-performing and under-performing ratios as well as strengthened collateral position on a number of key non-performing assets. The Group's commitment to improve the quality of the portfolio resulted in the non-performing loans ratio to close at 2.68% (December 2023: 3.06%). The net value of non-performing debt written off for the period (after recoveries) was negligible, also being reflective of the positive impact being derived from last year's non-performing loans ('NPL') sale where legacy NPLs were disposed of and the average vintage period of such portfolio reduced materially. ECL coverage for credit-impaired assets slightly fell to 42.7% from last year's 43.9% mainly the result of improved collateral profile on Stage 3 assets. Additionally, the amount of legacy non-performing loans (NPLs) continued to decline with the outstanding balance carrying a very high ECL coverage.

- **Profits from Associates:** The Group's share of profit from insurance associates for the year amounted to €9.5 million (2023: €11.0 million), with the previous year's result being highly influenced by the introduction of new accounting standard IFRS17.

Financial Position of the Group

- **Total Assets:** The Group's total assets increased by 4.1% to €15.1 billion by the end of 2024. Significant changes were observed between balance sheet items, particularly as funds held with the central bank were reallocated to investments and lending, aiming to optimise long-term returns. As at the 31 December 2024, customer deposits reached €12.8 billion, up by 5.4%.

- **Cash Balance and Short-Term Assets**: These decreased by €1.3 billion during 2024 to end the year at €1.1 billion, as liquid assets were redirected to the Treasury portfolio and Credit. The Group's liquidity remains well-above the minimum regulatory requirements with the LCR ratio at year being 369%, up from 362% as the end of 2023.

- **Deposits:** By the end of 2024, customer deposits stood at €12.8 billion, up by €651.7 million on 2023. Personal customer deposits rose by €219 million, whereas corporate deposits were up by €433 million.

- **Loans and Advances:** The net loans and advances to customers amounted to €6.9 billion at the end of 2024 (2023: €6.2 billion). This resulted from sustained business across all segments including business loans, home loans and personal loans, whilst also maintaining a strong focus on credit quality.

- **Capital Issuance:** During the fourth quarter of 2024, the Bank received regulatory approval for a Medium-Term Bond Programme worth up to €250 million. This issuance supports the Bank's strategic plan, vision for the medium and long term, and its commitment to sustainable growth. The first tranche consisted of €100 million in 5% unsecured subordinated bonds maturing between 2029 and 2034. This move is part of the Bank's strategy to strengthen its position as Malta's Bank of Choice and to reinforce its MREL and capital base.

- **Group Equity:** Total Group Equity stood at €1.4 billion, an increase of €140.1 million compared to the December 2023 position. The net asset value per share as at 31 December 2024 stood at €2.41 per share (December 2023: €2.17 per share).

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

Refer to Appendix for summarised financial key metrics for the year

Delivering Shareholder Value

The Bank's focus to deliver shareholder value is driven by a multi-faced strategic approach. The delivery of strong financial results was achieved as a result of the launch of various sustainable strategic growth-led initiatives ensuring in the process prudent capital management as the overarching principle driving shareholder value.

Our strategy to continue investing in the delivery of innovative products and services and providing ease of access to our customers through our omnichannel initiatives will be a critical enabler as we also strive to simplify our processes that will induce operational efficiency and deliver a better customer service experience. In the process, we continue investing in our controls framework to manage the various risks inherent in our business and operational model and at the same time ensuring that we continue to develop the skills of our people and provide them with the required systems and tools to support our customers.

Dividends

On the basis of the strong financial performance that we have delivered during this year, and having given careful consideration to the four key tenets of the Bank's dividend policy, it is being proposed that a gross dividend of €76.7 million is distributed out of H2 profits amounting to €49.9 million on a net basis. This is equivalent to €0.1314 gross per share and 0.0854 net per share. The Board of Directors will thereby, at the forthcoming Annual General Meeting, be recommending a final gross dividend (for the full year) of €0.2238 per share amounting to €130.7 million (net dividend of €0.1455 per share). The total net dividend payable by the Bank for the year amounting to €84.9 million represents a dividend payout ratio of 42.6% when taken as a percentage of Profit After Tax.

Strategy update

As mentioned earlier, various wide-ranging initiatives are being taken forward to support the achievement of our key strategic goals carried in our Strategic Plan for FY2024-FY2026 across our four strategic quadrants - Customers, Operations, Governance as well as People.

During this year we have already taken forward a number of initiatives. These include the reorganisation and modernisation of the Bank's personal banking network, which has in turn improved the customer experience. We have also enhanced our customers' ease of access to the Bank as a result of the extension of our operating hours in select branches. During this year we have also taken forward and registered significant progress that will lead to the reorganisation of the Bank's business channels during FY 2025. Our digital initiatives have also been taken forward through the establishment of foundational organisational structures and which will see us strengthen our digitalisation readiness in the years ahead of us which in turn will strengthen the Bank's competitive advantage.

Moreover, the strategy focuses on strengthening governance, risk management controls and security protocols aiming to protect both the bank and its customers.

BOV is also strongly committed to continue investing in the community. The setting up of the BOV Foundation endorses the long-term commitment of the Bank to support the vulnerable members of society, promote sustainability, preserve our cultural heritage, and invest in educational endeavours.

The Bank's Strategy also includes a significant investment in the development and the wellbeing of our human capital. This year saw the delivery of various leadership training programs as well as work-life balance measures which were positively received by our employees.

Forward Looking Guidance

The Bank remains committed to providing the highest level of visibility of its operations through disclosures to the market, as permissible by law. In this respect, the Bank is releasing the following forward-looking statements, which reflect its longer-term strategic view and ambitions. These statements are a testament to our commitment to the local economy, customers, and shareholders, with the overarching statements being the following:

1. **Sustaining the Economy:** The Bank aims to continue acting as a market leader in sustaining the economy through the provision of high-quality lending to both its Commercial and Retail Customers, consistent with its ESG commitments.
2. **Digitalisation:** The Bank aims to continue its ambitious program to digitalise its processes, providing a broader and improved service offering to its customers across its channels.
3. **Revenue Diversification:** Our focus on strengthening the Bank's net fee and commission income through existing lines of business and new areas of business remains a high priority for the Bank, which is supported in an important manner through the partnership with MAPFRE.
4. **Dynamic Balance Sheet Management:** The Bank aims to continue taking a proactive approach towards balance sheet optimization, including the rebalancing of capital structure, with a view to optimizing returns and profitability over the longer term.
5. **Risk Management:** The Bank aims to ensure that risk and compliance culture is embedded in its business and operational model to ensure full adherence to regulatory requirements, while striving to continue strengthening the quality of its portfolio of assets.
6. **Shareholder Expectations:** The Bank will continue keeping its shareholders' interests at the forefront, balancing the requirements of long-term growth, while distributing sustained

and sustainable dividends when possible, and at the same time contributing to market liquidity of its listed instruments.

7. **Corporate Social Responsibility:** The Bank will remain a model corporate citizen, supporting the vulnerable, promoting cohesiveness in society, and contributing to safeguard Malta's heritage for future generations.

Financial Outlook

It is the Bank's expectation that good financial results will be sustained during the upcoming three years with the ROAE (before tax) remaining above the 15% mark during this period under consideration. The Group aims to continue growing its balance sheet, with the main focus centred around good quality commercial and retail lending, as well as the strengthening of non-interest income through new products as well as new areas of business. FY 2025 will bring about an environment of declining interest rates which would undoubtedly have an impact on the Bank's interest income for facilities pegged to international benchmark rates. FY 2025 will also be the year where the Bank rolls out major technological investments which will bring about a rise in costs, which are ultimately required for the longer-term benefits of the institution and our key stakeholders.

These factors will see the Bank's Profit Before Tax moving to a range of between €200 million and €250 million for FY 2025 with improvements expected in the following two years, with the ultimate actual figures being very much dependent on the evolution of economic and competitor landscapes as well as the impact of the geo-political climate. This means that the NAV per share is expected to be in the range between €2.28 and €2.32 per share by the end of FY 2025, on the premise that the 1:10 Bonus Issue being proposed is approved during the AGM and subject to regulatory approval. The distributions out of FY 2025 profits after tax are expected to be set subject to a maximum amount of 50%. This is consistent with the commitment to provide shareholders with sustained and stable returns.

The Bank aims to continue operating with high capital and liquidity buffers for the period under consideration. It is also the expectation, however, that the Bank will continue to adopt a very proactive balance sheet management approach with the aim of optimising income and profitability levels. This would be reinforced by additional long term debt issuances to support the requirement for additional risk weighted assets brought about by its growth strategy.

Our goals and forecasts are based on our current perspective of the local / global economic landscape and market-related elements, including market-implied interest rates (as of mid-March 2025), customer behaviour and activity levels.

Concluding remarks

Coinciding with our 50th anniversary, the Bank has delivered a robust financial performance thanks to its transformation initiatives that have solidified its critical role in supporting our personal and business customers with their banking and financial services requirements and in turn the wider Maltese economy.

BOV remains steadfast in its commitment to sustainability and social responsibility, by promoting green lending, supporting sustainable investments, and positively influencing communities to migrate to a green economy.

Moving into FY 2025, the Bank is well positioned to build on these achievements and advance its strategic plan through a range of initiatives that we will continue to implement over the next years.

The ESEF Annual Report & Financial Statements for the year ended 31 December 2024, along with the Directors' Declaration, are accessible on the Malta Stock Exchange website at:

https://borzamalta.com.mt

We will continue with our ambition to drive innovation, sustainability, and growth, ensuring a prosperous future for all our stakeholders.

Unquote

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

26 March 2025

Appendix – Summarised Key Financial Information for the Year

	The Group		The Bank	
	2024	2023	2024	2023
	€000	€000	€000	€000
Net Interest Income	385,917	351,999	385,886	351,999
Net Fee & Commission Income	81,379	78,047	72,298	69,855
Operating Income	485,756	441,002	484,343	439,861
Operating Expenses	216,688	210,900	212,170	206,242
Impairment reversal	23,831	10,481	23,831	10,481
Profit before Tax	302,365	251,613	296,004	244,100
ROAE (pre-tax)	22.6%	21.1%	22.8%	21.1%
Loan & Advances to Customers at amortised cost	6,846,302	6,114,589	6,846,302	6,114,589
Investments	6,560,076	5,577,413	6,520,474	5,546,124
Other Assets	1,692,721	2,814,946	1,690,416	2,812,624
Amounts Owed to Customers	12,803,915	12,152,216	12,807,957	12,157,044
Other Liabilities	887,385	1,086,999	887,108	1,087,155
Equity	1,407,799	1,267,733	1,362,127	1,229,138
LTD Ratio	54.5%	51.7%	54.5%	51.7%
CET 1 Ratio	22.3%	22.7%	22.3%	22.7%

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DIRECTORS' DECLARATION ON ESEF ANNUAL REPORT

We, Gordon Cordina, Kenneth Farrugia and Deborah Schembri in our capacity as Directors of Bank of Valletta p.l.c. (Company Registration number: C2833) hereby certify:

i. That the Annual Report for the year ended 31 December 2024 has been approved by the Board of Directors of the Company and is hereby being made available to the public.

ii. That the Annual Report has been prepared in terms of the applicable rules and regulations, including the Commission Delegated Regulation on the European Single Electronic Format ("ESEF")[1] and the Capital Markets Rules[2].

iii. That the Audit Report on the ESEF Annual Report is an exact copy of the original signed by the auditor and that no alterations have been made to the audited elements of the Annual Report including the annual financial statements.

iv. That the Annual Report shall serve as the official document for the purposes of the Capital Markets Rules and, where the issuer is registered in Malta, the Companies Act (Chapter 386 of the Laws of Malta).

Gordon Cordina
Chairman

Kenneth Farrugia
Director/Chief Executive Officer

Deborah Schembri
Director

[1] Commission Delegated Regulation 2019/815 on the European Single Electronic Format, as may be further amended from time to time.
[2] Capital Markets Rules as issued by the Malta Financial Services Authority (MFSA).