Bank of Valletta p.l.c.

Half Yearly Report

1 January 2024 to 30 June 2024

BOV

Bank of Valletta

CONTENTS

Chairman's Statement

Dr Gordon Cordina

I am pleased to present to our shareholders the Financial Statements for the first half of 2024. Bank of Valletta Group's financial performance was again very good, particularly in the context of a weak international economic scenario clouded with uncertainty. Such results build on the resilience of the Maltese economy to the adverse effects created by the ongoing geo-political tensions and high inflationary period, as well as demonstrate the strength of our balance sheet and business model.

The Group registered a pre-tax return on average equity (ROAE) of 22.8% (1H2023: 18.3%). BOV's profitability continued to benefit from the environment of high international interest rates and our decision to maintain interest rates unchanged for most clients while maintaining a very strong capital base. In June 2024, the Group's Common Equity Tier 1 Capital (CET1) ratio stood at 22.3% (December 2023: 22.7%).

Customer lending continued to grow, facilitated by BOV's decision to limit the pass-through of the interest rate hikes implemented by the European Central Bank (ECB) over the period July 2022 to September 2023, which totaled 450 basis points. Indeed, statistics indicate that mortgage rates offered by banks in Malta during May were the lowest in the euro area, while corporate rates were the third lowest. Other factors supporting the pipeline of new credit include Malta's robust labour market characterised by high employment growth and low unemployment; a resilient property sector which continued to experience stable year-on-year growth rates in residential prices, combined with further expansion in the rental market; and buoyant tourism activity which is likely to lead to a new record year in terms of arrivals in 2024.

Furthermore, the Bank continued to expand its bond portfolio with the aim to lock in returns over the longer term, thereby achieving greater stability over the interest rate cycle.

> *"Bank of Valletta Group registered a pre-tax average return on equity of 22.8%."*

In terms of funding, movements in customer deposits were contained, despite the Bank had stopped offering term deposit accounts back in 2022. Indeed, the Bank continues to benefit from the advantage of being the largest entity with the full suite of financial services in Malta.

The highlight during the period under review has been the ECB's decision in June to reduce official interest rates by 25 basis points, thus moving to a different phase of its monetary policy cycle. BOV shares current market expectations and anticipates another one or two similar rate cuts by the end of 2024, and further easing during 2025. The declining path is unlikely to be linear, with periods where interest rates could stabilise before easing further.

The normalisation of interest rate conditions is not expected to reverse in full, the rapid and vigorous tightening implemented in 2022 and 2023. In the medium term, interest rates are likely to remain higher than in pre-pandemic years, when they were exceptionally low and even negative for some time, a factor which had impacted BOV rather negatively in the past. This interest rate outlook has shaped the baseline guiding BOV's active balance sheet management over the past months, with the objective to render the bottom line less sensitive to falling interest rates.

"The Bank's financial performance during the first half of 2024 reinforces our aspirations to be the leader and innovator in the financial sector."

We estimate that at present, for every 100 basis point reduction in the Deposit Facility Rate of the ECB, BOV's revenues could decline by €20.8 million, a figure which is easily manageable, and will thus not dent our long-term profitability.

Another important development observed during the first half of 2024 has been the easing of inflationary pressures abroad and in Malta. This should preserve confidence among the Bank's clients, stimulating further demand for our products, while supporting the quality of our loan portfolio. The outlook points towards further cooling in the coming months as inflation is expected to converge closer to the 2% ECB medium-term target. This projection signals that the inflation shock has practically abated, in the absence of a wage-price spiral. In the case of Malta, this is further conditional on unchanged stance by the Maltese government in relation to the energy subsidies in place.

Notwithstanding the weakness in economic activity abroad, the Maltese economy continued to register elevated growth rates. During the first quarter of 2024, real GDP grew by 4.6%, the highest across the euro area. The latest suite of economic forecasts for Malta continue to indicate growth above 4% for 2024, broadly in line with the long-term average, with slight moderation in subsequent years.

In turn, the unemployment rate is forecast to remain stable at historic low levels, around 3%, suggesting that the labour market is likely to remain tight. The broad consensus among independent forecasters about Malta's benign economic outlook, notably for real GDP growth, inflation, and unemployment, contributes to BOV's assessment that in the short to medium term the risk of sudden stop in Malta's economic momentum remains low. Nonetheless, BOV remains vigilant, cognisant of the fact that for a very small open economy, idiosyncratic shocks might quickly materialise and propagate.

BOV wants to make further inroads in leading Malta's financial sector towards placing Environmental, Social and Governance (ESG) considerations at the heart of operations, which is a key element within our 2024-2026 strategy. We started factoring in ESG elements in our lending, treasury activities, and our own operations. BOV's modus operandi is engagement with stakeholders, to highlight the importance of ESG and necessary behavioural changes, and pricing incentives to boost the attractiveness of ESG for businesses and households alike. The Bank has in place specific Key Performance Indicators (KPIs) for ESG, to ensure full and continuous focus on this important objective.

As communicated to our shareholders at the last Annual General Meeting, the Bank will be undertaking a study to assess the feasibility of initiatives intended to optimise shareholder value, which are also in the best interests of the Bank, giving due consideration to regulatory and compliance requirements, optimal capital management, financial performance and capital market developments. The initiatives to be covered in this study, besides complementing the imperative to sustain a healthy cash dividend, include the possibility of a share buyback programme. The Bank has initiated the process leading to this study, which will be concluded by the end of October 2024.

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, while improving our digital maturity. The Bank's financial performance during the first half of 2024 reinforces our aspirations to be the leader and innovator in the financial sector and a catalyst for positive change.

Gordon Cordina
Chairman
29 July 2024

Chief Executive Officer's Message

Kenneth Farrugia

"During the first half of 2024, the Bank of Valletta Group maintained its strong financial standing"

During the first half of 2024, the Bank of Valletta Group maintained its strong financial standing, building on the excellent performance registered in 2023 and sustained in the first quarter of 2024. During the past six months we continued to register solid financial performance, strengthening our position as the Malta's leading Bank.

The positive performance registered in the first half of the year, with a profit before tax of €148.2 million, was characterised by a number of factors. Over this period, we have registered strong growth in our operating income, across our interest and non-interest income driven lines of business. We have also maintained a strong focus on our costs – with investment in strategic initiatives and employee benefits and salaries taking up the lion's share of the expense so far.

Insofar as our core credit financing business is concerned, we have continued to gain traction in both commercial and retail financing with the portfolio reaching €6.6 billion. It is pleasing to note the continued interest in the Bank's green financing solutions as we sustain our focus and efforts to embed ESG principles in our business model. On this front, the Bank is taking a leading role in the industry aiming to push the green agenda forward, reducing the country's carbon footprint and ultimately enabling the transition to a green economy. We have also remained highly active in managing our liquidity through the investment in interest bearing assets across the world's capital markets. These results continued to strengthen the Bank's balance sheet position, with liquidity and capital positions remaining well above regulatory requirements.

On the net fee and commission income side, the Bank has continued to register positive traction across a number of business areas to include, bancassurance, brokerage, investment funds, cards business and payments amongst others.

Reflecting on this performance, I cannot but reaffirm our unwavering commitment to continue strengthening the quality of our customer service experience across our service channels, to include our branches, investment centres, business centres as well as our customer service centre. We have continued to invest in our digital service offering through the deployment of modern service solutions, such as the recently introduced *SoftPOS*, and the Bank's new corporate website with progress continuing to be registered in our digital channels project. We will also shortly be initiating the process to modernise our ATM fleet across Malta and Gozo.

The Bank's performance registered so far is the result of the ambitious strategy that we are taking forward. This strategy is supported by various projects across key domains such as our valued employees and customers, the Bank's operational model, and equally important in our risk management framework. An important part of our transformation program is centred around our data management capabilities. Various initiatives are being taken forward to enable the Bank to improve its customer experience, continue to strengthen revenues, improve our risk management capabilities and comply with industry regulations all while looking for ways to reduce the cost of doing business.

Over the first six months of this year, we successfully completed thirteen strategic projects, spanning across employee wellness and development, regulatory requirements, and other initiatives aimed at streamlining back-office processes for improved efficiency and environmental impact. The strategy that we have set in motion is a strong statement of intent that is aimed to position Bank of Valletta as Malta's leading and go to Bank.

I would like to extend my heartfelt appreciation, to our loyal customers, our shareholders and other stakeholders for continuously placing their trust in Bank of Valletta and for supporting us in our efforts to exceed our customer's expectations, support the local economy, deliver sustained financial growth and continue in our mission to be positioned as the Bank of Choice in Malta. I would also like to thank the Bank's staff for rising-up to the occasion time and time again, taking on the challenges of a modern and fast-paced financial industry and being instrumental in the journey that is taking this Bank from good to great.

The results that we have registered so far would not have been possible without the hard work and commitment of our people, as we continue to strengthen our position as Employer of Choice in Malta.

Kenneth Farrugia
Chief Executive Officer
29 July 2024

Interim Directors' Report

For the six months ended 30 June 2024

FINANCIAL PERFORMANCE HIGHLIGHTS

In the first half of 2024, BOV group delivered a strong financial performance, achieving pre-tax profits of €148.2 million (1H2023: €105.1 million), representing an increase of 40.9%. The Bank's strong business fundamentals were supported by buoyant economic conditions during the period. The increase in profitability in the first half of 2024 resulted from strong growth in interest income, and to a lesser extent, from net fee and commission streams, underpinned by sustained efforts to improve cost effectiveness and efficiency.

In anticipation of monetary policy easing by the ECB, with a first rate cut actually materialising in June 2024, the Bank continued to pursue a balance sheet optimisation strategy during the first half of the year, shifting short-term liquidity into long-term assets so as to ensure longer term profitability. During the period under review, the Bank's treasury portfolio registered an increase of 13.5% compared to December 2023 whilst the credit portfolio growth rate continued on an upward path with an overall increase of 6.1%. Positive results were achieved on both the commercial and retail lending portfolios where particular attention is also being shifted to new products which are green in nature. A slight increase in customer deposits of 0.1% led to a gross loan-to-deposit ratio of 54.7%, reflecting a 5.5% growth over the same period last year and 3% above the end of year 2023 position.

Following these developments, the Bank retained a comfortable Liquidity Coverage Ratio of 356.9% as at 30 June 2024. With a continued focus on asset quality and related impairments, the non-performing exposure ratio moved below the 3% mark by June 2024. The same positive trend was registered in the ratio of the underperforming portfolio whilst a net impairment reversal of €5.2 million was also registered over the reporting period. On the equity side and long-term liabilities, the Bank is carefully assessing the implications, and impact, of the new Capital Requirements Regulations (CRR3) which will come into force in January 2025.

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

	Net Interest Income	Net fee & Commission income	Profit before tax	Return on Average Equity	Cost to Income Ratio	Gross Loans to Deposit Ratio	CET 1 Ratio
	€ m	**€ m**	**€ m**				
1H2024	193.6	36.7	148.2	22.8%	40.7%	54.7%	22.3%
1H2023	159.9	34.5	105.1	18.3%	47.9%		
Dec2023						51.7%	22.7%
Change in €	+33.7	+2.2	+43.1				
Change in %	+21.1%	+6.5%	+40.9%	+4.4%	-7.3%	+3.0%	-0.4%

Key Financial metrics

- **Strategy:** Over this period, the Bank's strategic drive gained momentum with progress being achieved on several fronts with a particular focus on the digitalisation. The total strategic investments so far amounted to €4.2 million which is in line with that reported in the same period in 2023 (1H2023: €4.1 million).

- **General Operating Performance:** The Bank's Commercial, Retail and Treasury Pillars continued to perform strongly with positive developments being achieved over this period across all the three segments. The income derived from Credit activities remained the main driving force for both the Commercial and Retail pillar with strong income growth as a result of higher credit financing activity volumes and relatively stable interest rates. From a sectorial perspective, while traditional sectors continue to be the source of demand for credit, the Bank's outreach program is also ensuring that diversification is being achieved in other sectors of the economy where growth rates are being registered at a national economic level. The Group's treasury continued to perform well on the strength of the increased volumes and improvements in the net interest margin on the investment portfolio, as well as interest being derived on the cash deposits held with the Central Bank.

- **Net Interest Income:** During the first half of 2024, the Bank's primary focus centered around its Net Interest Income (NII) which reached €193.6 million. This represents an increase of 21.1% when compared with the same period last year where this growth was driven by the expansion in both customer lending and proprietary investment portfolios, as well as improved deposit rates on cash balances. Interest expense increased marginally to €26.9 million (1H2023: €23.3 million) which is mainly composed of the Minimum Requirement for own Funds and Eligible Liabilities (MREL) bond cost.

Interim Directors' Report (continued)

For the six months ended 30 June 2024

- **Net Fee and Commission Income:** This revenue stream accounts for 16% of the Bank's total operating income, reaching €36.7 million over this period. This reflects a year-on-year growth of 6.5% when compared with the same period last year. As the Bank continues to strengthen its drive towards higher fee income through its diversification strategy, positive results continued to be registered mainly in core income areas including credit-related and trade finance business as well as brokerage and other investment related activities. Noticeable progress has been seen in the cards-related business mainly achieved through higher business volumes.

- **Operating Costs:** Excluding strategic costs, operating costs registered a decrease of €2.3 million down to €90.7 million (1H2023: €93.0 million). Costs of human capital remained the primary cost driver, followed by technology-related expenses which together account for 68% of total operating costs of the Bank. The Bank has in place a cost management framework, encompassing a procurement excellence methodology, to ensure that cost levels are optimised on its operations and equally on its human resources, where a capacity planning exercise is currently underway. Despite the inflationary pressures, the majority of cost categories registered a decrease when compared with the previous year with reductions being achieved on the regulatory front, namely the Depositor Compensation Scheme and Single Resolution Fund costs, but also from occupancy related costs. The Bank's efforts in this regard resulted in the Cost-to-Income ratio going down sharply from 47.9% in June 2023 to 40.7% in June 2024.

- **Net Expected Credit Losses (ECL):** ECLs amounted to a net release of €5.2 million (1H2023: €4.6 million net charge) 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 Bank's sustained focus to strengthen its coverage ratio against high-risk non-performing exposures remains on track and delivering the expected results. In this regard, the Stage 3 coverage ratio is in line with the start of year position at 44.0% (December 2023: 43.9%). Similarly, the ratio of non-performing loans to the total credit portfolio also remains in line with that registered in December at 3.0% (December 2023: 3.1%). The net value of non-performing debt written off, after recoveries is negligible for the period, 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.

GROUP FINANCIAL POSITION

- The Group's total assets stood at €14.4 billion at the mid-point of 2024, resulting in a marginal decrease of €59.6 million compared to the end of 2023 (December 2023: €14.5 billion). The overall decrease in assets is reflective of the corresponding reduction in total liabilities, namely that related to amounts owed to banks resulting from a decrease in repos trading.

- The Group's strategy to optimise the balance sheet continued to be centered around its core financing business and management of excess liquidity. The Bank's credit financing business continued to perform strongly with the balance sheet value increasing by €374.0 million over this period. On the Treasury side, the Bank deployed cash reserves into medium to longer-term interest-bearing assets. While cash and short-term funds decreased by €1.1 billion compared to the end of December 2023, investments in the treasury portfolio predominantly in fixed income instruments, increased by €723.2 million. There were no significant changes in the credit rating analysis of the Bank's bond portfolio during this period. As a result, the credit quality of the bond portfolio remained very strong, with 89% of the portfolio having an investment grade rating of A- or higher.

- The loans and advances to customers (on a net basis and including Fair Value through Profit and Loss loans) amounted to €6.6 billion at the end of the first half (December 2023: €6.2 billion), resulting in the above noted net increase of €374.0 million or 6.1% with high growth levels being registered on both business and retail advances. This led to a favorable increase in the Group's gross loan-to-deposits ratio from 51.7% in December 2023 to 54.7% as at the end of June 2024 in line with the Bank's long-term direction.

- On the liabilities side, one notes a reversal in the trend that ensued over the previous quarters, where customer deposits experienced a marginal increase of €14.9 million, equivalent to 0.1% and reaching €12.2 billion. The increase was entirely attributable to personal customers whereas the corporate deposits remained practically flat and in line with the amount registered at the start of the year.

- The Group's liquidity ratio as measured by the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) remained well above the minimum regulatory requirements, with the LCR ratio reading at 357% at the end June 2024, close to the 362% as at December 2023.

Interim Directors' Report (continued)

For the six months ended 30 June 2024

- Total Group Equity stood at €1.3 billion (December 2023: €1.3 billion), an increase of €68.7 million compared to December 2023 position and mainly derived from the shift to retained earnings. The Group's capital ratios remained strong and above regulatory requirements, with the CET 1 ratio and total capital ratio as at June 2024 amounted to 22.30%[1] (December 2023: 22.66%) and 25.37%[1] (December 2023: 25.94%), respectively. The net asset value per share at the end of June 2024 stood at €2.3 per share (December 2023: €2.2 per share).

STRATEGY IMPLEMENTATION

The Bank continued with its initiatives across four key quadrants covering the Bank's Customers, Operational Efficiency, Governance & Risk Management and our People, our most valued asset.

Over this period we successfully completed thirteen strategic projects spanning which included amongst others, the introduction of digital solutions, process simplification, business process reengineering, improved customer services, the introduction of new innovative products, regulatory and anti-financial crime initiatives. Notably, our business process reengineering efforts delivered 21,600 hours of reduced manual effort, which have now been diverted to more value-adding tasks.

In our quest to keep our promise to embrace emerging technologies and explore new opportunities to deliver exceptional banking experiences, we have very recently announced the following:

- **Data:** a strategic partnership with Databricks, the data and AI company and pioneer of the Data Intelligence Platform. This initiative will transform the Bank's governance and use of data, enabling more agile, informed and effective business operations, enhancing the experience we offer to our loyal customers.

- **Digital:** this year we also launched the BOV mobilePos application as a secure payment terminal for merchants and professionals, eliminating the need for dedicated hardware. We are proud that this latest addition to our product suite takes the merchant experience to a higher level by offering valuable features and convenience not only limited to sale, refund, void and tip functionality, but also a real time transaction log, easy reconciliation and statistics by device and by location.

The BOV Group has over the past six months made significant progress in its change management program with notable strengthening of regulatory compliance, streamlining internal processes, introducing new products and enhancing customer experience. A summary as follows:

People – the essence of our organisation – we started pioneering transformative initiatives by investing in the Bank's greatest asset, its employees, through three major initiatives: a talent management program, an HR Operations and Quality Service Delivery program and an organisation design project. These are aimed at empowering and equipping staff to be at their best in the role each one plays in meeting our strategic goals.

Customers – redefining the way we Connect, Engage and Serve – during the first six months of this year we had eight ongoing strategic projects, ranging from optimisation of the business model, streamlining face-to-face interactions, developing new digital channels, as well as introducing innovative products like the BOV mobilePos which we launched in the market. We are confident that the customer service initiatives planned for this strategy period will position Bank of Valletta as very closely aligned, if not exceeding, its customers' expectations, in response to changing behaviours, increased competition, regulatory developments, and technological disruptions.

Internal Operations – championing leaner and faster productivity – we have replaced three systems to modernise our operations, and in accordance with our digitisation strategy embarked on several BPR initiatives to continue streamlining our internal processes, increasing efficiency, freeing up time to allow staff to deliver more value-adding and purpose-driven work. We are also carrying our Balance Sheet Optimisation and introducing a Cloud-driven IT Program.

Governance and Risk Management – navigating Risk guided by Governance – governance plays a pivotal role in aligning risk management with overall strategic goals. This year we introduced additional AI-powered screening and monitoring tools in our effort to fight financial crime. We also enhanced our cyber threat-hunting capabilities and embarked on several other initiatives, underscoring our commitment to transparency and accountability in response to regulatory obligations and beyond, that include Network & Information Systems (NIS) 2 Directive; CRR III; Digital Operational Resilience Act (DORA).

Data as an Enabler – in this domain we have completed several projects, including a data program, aimed at setting the foundation for other initiatives to harness the power of this resource, for a brighter data-informed future for Bank of Valletta.

[1] CET1 and Total capital ratios are inclusive of 1H 2024 profits subject to regulatory approval

Interim Directors' Report (continued)

For the six months ended 30 June 2024

ESG as an Enabler – in everything we do, whether driven by our strategic goals or otherwise, we are evaluating the ecological, social and governance impact, ensuring that our efforts do not just harness success but also address the importance of sustainability through the implementation of a decarbonisation strategy 2024-2026.

Throughout the first half of 2024, the Bank has continued to align its business model with global sustainability standards, recognising that the Bank's long-term success is intrinsically linked to the well-being of the communities we serve and the health of our planet. This period has seen the Bank enhance its efforts in reducing its carbon footprint, promoting financial inclusion, and fostering a resilient and inclusive workplace.

Key highlights of the Bank's sustainability journey includes investments in environmentally friendly initiatives, the introduction and promotion of innovative products and services designed to support sustainable economic growth and ensuring robust governance frameworks driven by transparency and accountability goals. We have consciously integrated ESG considerations into our business decisions, working towards creating a more sustainable, inclusive, and responsible banking model. During the first quarter of 2024, BOV Group reaffirmed its commitment to sustainable and diligent banking practices, actively supporting clients in their journey towards sustainability and responding to the increasing demand for ESG products.

In compliance with the Corporate Sustainability Reporting Directive (CSRD), BOV conducted a double materiality assessment, identifying and prioritising the material Environmental, Social, and Governance (ESG) topics significant to the Group, ensuring alignment with the European Sustainability Reporting Standards (ESRS). This assessment evaluated ESG topics from two perspectives: financial materiality, focusing on how sustainability issues affected or may affect the Group's financial performance, and impact materiality, considering the Group's influence on the environment and society. The process involved identifying relevant ESG topics, engaging with internal and external stakeholders through surveys, interviews, and workshops, and analysing each topic's financial and impact dimensions.

The double materiality assessment identified several opportunities which the Bank will be addressing to further strengthen its sustainability compliance and reporting in line with the sustainability reporting standards.

Consequently, the Bank is strategically prioritising its transition to net-zero or low-carbon operations, leveraging an integrated organising framework to unify its approach to transition planning and implementation. Some of the initiatives carried out by the Bank in this space include:

- **Digital Signatures:** For FY 2024 so far, this initiative has saved the bank the equivalent of 30,248 sheets of paper, more than double 2023, an initiative that is expected to increase as the use is extended to other areas.

- **Investment related Contract Notes:** So far, 40% of the all-contract notes for the purchase of securities are being sent by email instead of transmitting paper documents by post.

- **Car Fleet:** The Bank's car fleet is currently 30% hybrid or plug in hybrid, where the Bank is striving to continue replacing internal combustion vehicles with EVs / hybrids wherever possible.

- **Energy Efficient Buildings:** In line with our efforts to decarbonise our operation, we continue to kit out our premises with energy efficient lighting, with a vast majority of our head office already using building management technology. In the process the Bank is also refurbishing offices and branches, with renewable materials to enhance energy efficiency whilst ensuring the most optimal working setup for our workforce.

By adopting integrated governance and monitoring strategies, the Group is enhancing its ability to steer portfolio and capital allocation effectively across necessary investment spectrums. This includes the consideration of key client transition plans. These client transition plans are instrumental in shaping the Group's strategic decisions essentially in relation to sustainable finance, portfolio alignment, and risk assessment processes.

Through these efforts, the Bank aims to solidify its long-term success in an evolving global landscape. Additionally, the Bank remained proactive in assisting corporate clients in transitioning towards greener business practices through regular meetings and feedback mechanisms, including sectoral Climate and Environment questionnaires.

The efforts of the Remuneration Policy Working Group, has enabled the Bank to successfully integrate climate and environmental targets into the variable remuneration component for the senior management personnel. In addition, the Bank is also engaging with the Bank's customers through climate and environmental surveys aimed to capture evolving consumer preferences, ensuring that the Bank's products remain responsive and relevant to market demands. This initiative reinforces our support to environmental and social-related sustainable finance as we support our clients and the wider community to give strong consideration to sustainable investments.

Interim Directors' Report (continued)

For the six months ended 30 June 2024

CLOSING STATEMENT

Looking ahead, the Bank remains steadfast in its mission to build a better future for all stakeholders. Our dedication to sustainability, transparency, and accountability will guide us as we navigate an ever-evolving global landscape, ensuring that we not only achieve financial excellence but also create a positive impact on our society and the environment we operate in.

The Board is confident in the dedication and commitment of its executive management team and their line reports during this exciting transformation program. Our employees are indeed vital for the success of the Strategy 2024-2026; equally so are our customers who give us invaluable feedback, as well as our shareholders and other stakeholders of the Bank who trust us in leading this financial institution to new heights. This is an exciting strategic transformation journey that will continue to drive Bank of Valletta from good to great.

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 2024 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 29 July 2024 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 2024

	The Group		The Bank	
	Jun-24	**Jun-23**	**Jun-24**	**Jun-23**
	€000	**€000**	**€000**	**€000**
Interest and similar income:				
• on loans and advances, balances with Central Bank of Malta and treasury bills	160,911	154,216	160,911	154,216
• on debt, other fixed income instruments and derivatives	59,574	28,962	59,567	28,962
Interest expense	(26,912)	(23,314)	(26,912)	(23,314)
Net interest income	**193,573**	**159,864**	**193,566**	**159,864**
Fee and commission income	44,526	41,418	40,326	37,284
Fee and commission expense	(7,804)	(6,948)	(7,804)	(6,948)
Net fee and commission income	**36,722**	**34,470**	**32,522**	**30,336**
Dividend income	326	151	8,068	7,213
Trading profits	2,706	8,179	2,678	8,164
Net loss on investment securities and hedging instruments	(102)	(125)	(102)	(125)
Operating income	**233,225**	**202,539**	**236,732**	**205,452**
Employee compensation and benefits	(58,281)	(55,868)	(56,960)	(54,548)
General administrative expenses	(26,507)	(31,169)	(25,648)	(30,210)
Amortisation of intangible assets	(6,497)	(6,433)	(6,447)	(6,383)
Depreciation	(3,571)	(3,644)	(3,554)	(3,621)
Net impairment reversal/(charge)	5,162	(4,551)	5,162	(4,551)
Operating profit	**143,531**	**100,874**	**149,285**	**106,139**
Share of results of equity-accounted investees, net of tax	4,624	4,269	-	-
Profit before tax	**148,155**	**105,143**	**149,285**	**106,139**
Income tax expense	(50,523)	(36,158)	(52,250)	(37,946)
Profit for the period	**97,632**	**68,985**	**97,035**	**68,193**
Earnings per share	**16.7c**	**11.8c**	**16.6c**	**11.7c**

Statements of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	The Group		The Bank	
	Jun-24	Jun-23	Jun-24	Jun-23
	€000	€000	€000	€000
Profit for the period	97,632	68,985	97,035	68,193
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Debt investments at FVOCI				
• change in fair value	(646)	543	(646)	543
tax thereon	226	(190)	226	(190)
	(420)	353	(420)	353
Items that will not be reclassified to profit or loss:				
Equity investments at FVOCI				
• change in fair value	(2,882)	889	(2,882)	889
tax thereon	1,009	(311)	1,009	(311)
	(1,873)	578	(1,873)	578
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	(47)	298	(47)	298
tax thereon	16	(104)	16	(104)
	(31)	194	(31)	194
Other comprehensive (expense)/income for the period, net of tax	(2,324)	1,201	(2,324)	1,201
Total comprehensive income for the period	**95,308**	**70,186**	**94,711**	**69,394**

Statements of Financial Position

As at 30 June 2024

	The Group		The Bank	
	Jun-24	**Dec-23**	**Jun-24**	**Dec-23**
	€000	**€000**	**€000**	**€000**
ASSETS				
Balances with Central Bank of Malta, treasury bills and cash	1,226,964	2,353,317	1,226,964	2,353,317
Financial assets at fair value through profit or loss	101,035	113,853	99,586	113,562
Investments	5,298,497	4,366,633	5,298,497	4,366,633
Pledged investments	778,204	986,829	778,204	986,829
Loans and advances to banks	169,439	196,307	169,439	196,307
Loans and advances to customers at amortised cost	6,496,927	6,114,589	6,496,927	6,114,589
Investments in equity-accounted investees	112,335	110,098	72,870	72,870
Investments in subsidiary companies	-	-	6,230	6,230
Intangible assets	50,070	54,642	50,009	54,531
Property and equipment	136,736	134,172	136,701	134,125
Deferred tax	33,638	34,025	33,550	33,937
Assets held for realisation	11,807	11,979	11,807	11,979
Other assets	15,393	12,746	15,393	12,746
Prepayments	16,254	17,758	14,681	15,682
Total Assets	**14,447,299**	**14,506,948**	**14,410,858**	**14,473,337**
LIABILITIES				
Derivative liabilities held for risk management	10,088	4,154	10,088	4,154
Amounts owed to banks	118,015	315,651	118,015	315,651
Amounts owed to customers	12,167,071	12,152,216	12,170,049	12,157,044
Current tax	64,664	28,079	65,078	28,912
Deferred tax	7,435	7,435	7,435	7,435
Other liabilities	192,334	198,178	191,841	197,651
Provisions	20,120	20,166	19,972	20,016
Debt securities in issue	367,859	350,099	367,859	350,099
Subordinated liabilities	163,237	163,237	163,237	163,237
Total Liabilities	**13,110,823**	**13,239,215**	**13,113,574**	**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	57,613	59,628	57,501	59,516
Retained earnings	645,737	574,979	606,657	536,496
Total Equity	1,336,476	1,267,733	1,297,284	1,229,138
Total Liabilities and Equity	**14,447,299**	**14,506,948**	**14,410,858**	**14,473,337**
MEMORANDUM ITEMS				
Contingent liabilities	408,950	394,414	408,950	394,414
Commitments	3,030,375	2,315,962	3,030,357	2,315,944

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 €4.5 million.

These condensed interim financial statements were approved by the Board of Directors and authorised for issue on 29 July 2024 and signed on its behalf by:

Dr Gordon Cordina
Chairman

Mr Kenneth Farrugia
CEO & Executive Director

Statements of Changes in Equity

For the six months ended 30 June 2024

	Called up Share Capital	Share Premium Account	Revaluation Reserves	Retained Earnings	Total Equity
	€000	€000	€000	€000	€000
The Group					
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**
At 1 January 2024	**583,849**	**49,277**	**59,628**	**574,979**	**1,267,733**
Profit for the period	-	-	-	97,632	**97,632**
Other comprehensive income					
Debt investments at FVOCI					
• change in fair value, net of tax	-	-	(420)	-	**(420)**
Equity investments at FVOCI					
• change in fair value, net of tax	-	-	(1,873)	-	**(1,873)**
Gain on sale of FVOCI equity transferred to retained earnings	-	-	278	(278)	**-**
Remeasurement of actuarial losses on defined benefit plans, net of tax	-	-	-	(31)	**(31)**
Total other comprehensive income	-	-	(2,015)	(309)	**(2,324)**
Total comprehensive (expense)/income for the period	**-**	**-**	**(2,015)**	**97,323**	**95,308**
Transactions with owners, recorded directly in equity:					
Dividends to equity holders	-	-	-	(26,565)	**(26,565)**
At 30 June 2024	**583,849**	**49,277**	**57,613**	**645,737**	**1,336,476**

Statements of Changes in Equity (continued)

For the six months ended 30 June 2024

	Called up Share Capital €000	Share Premium Account €000	Revaluation Reserves €000	Retained Earnings €000	Total Equity €000
The Bank					
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
At 1 January 2024	583,849	49,277	59,516	536,496	1,229,138
Profit for the period	-	-	-	97,035	97,035
Other comprehensive expense					
Debt investments at FVOCI					
• change in fair value, net of tax	-	-	(420)	-	(420)
Equity investments at FVOCI					
• change in fair value net of tax	-	-	(1,873)	-	(1,873)
Gain on sale of FVOCI equity transferred to retained earnings	-	-	278	(278)	-
Remeasurement of actuarial losses on defined benefit plans, net of tax	-	-	-	(31)	(31)
Total other comprehensive expense	-	-	(2,015)	(309)	(2,324)
Total comprehensive (expense)/income for the period	-	-	(2,015)	96,726	94,711
Transactions with owners, recorded directly in equity					
Dividends to equity holders	-	-	-	(26,565)	(26,565)
At 30 June 2024	583,849	49,277	57,501	606,657	1,297,284

Statements of Cash Flows
For the six months ended 30 June 2024

	The Group		The Bank	
	Jun-24	Jun-23	Jun-24	Jun-23
	€000	€000	€000	€000
Cash flows from operating activities				
Interest and commission receipts	194,207	202,779	189,986	198,630
Interest, commission and compensation payments	(13,375)	(10,704)	(13,375)	(10,704)
Payments to employees and suppliers	(89,305)	(86,864)	(87,028)	(86,115)
Operating profit before changes in operating assets and liabilities	91,527	105,211	89,583	101,811
(Increase)/decrease in operating assets:				
Loans and advances	(374,514)	(240,093)	(374,514)	(240,093)
Reserve deposit with Central Bank of Malta	(386)	2,940	(386)	2,940
Fair value through profit or loss financial assets	6,842	9,254	6,835	9,254
Fair value through profit or loss equity instruments	(1,158)	196	-	198
Treasury bills with original maturity of more than 3 months	-	2,964	-	2,964
Other assets	(1,550)	(2,136)	(1,550)	(4,475)
(Decrease)/increase in operating liabilities:				
Amounts owed to banks and customers	(91,599)	(348,859)	(93,447)	(350,023)
Other liabilities	7,903	5,597	7,342	6,060
Net cash used in operating activities before tax	(362,935)	(464,926)	(366,137)	(471,364)
Net tax (paid) / received	(12,300)	9,867	(14,446)	10,330
Net cash used in operating activities	(375,235)	(455,059)	(380,583)	(461,034)
Cash flows from investing activities				
Dividends received	2,713	1,239	8,068	7,213
Interest received from amortised and other fixed income instruments	48,822	22,578	48,815	22,578
Purchase of debt instruments	(982,330)	(544,638)	(982,330)	(544,638)
Proceeds from sale or maturity of debt instruments	273,059	391,787	273,059	391,787
Purchase of property and equipment and intangible assets	(8,017)	(5,353)	(8,014)	(5,353)
Net cash used in investing activities	(665,753)	(134,387)	(660,402)	(128,413)

Statements of Cash Flows (continued)

For the six months ended 30 June 2024

	The Group		The Bank	
	Jun-24	Jun-23	Jun-24	Jun-23
	€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	(2,890)	(2,891)	(2,890)	(2,891)
Payment of lease liability	(686)	(906)	(689)	(905)
Dividends paid to equity holders	(26,565)	-	(26,565)	-
Net cash used in financing activities	(30,141)	(4,064)	(30,144)	(4,063)
Net change in cash and cash equivalents	**(1,071,129)**	**(593,510)**	**(1,071,129)**	**(593,510)**
Effect of exchange rate changes on cash and cash equivalents	48	(149)	48	(149)
Net change in cash and cash equivalents after effect of exchange rate changes	(1,071,177)	(593,361)	(1,071,177)	(593,361)
Net change in cash and cash equivalents	(1,071,129)	(593,510)	(1,071,129)	(593,510)
Cash and cash equivalents at 1 January	2,218,734	3,579,302	2,218,734	3,579,302
Cash and cash equivalents at 30 June	**1,147,605**	**2,985,792**	**1,147,605**	**2,985,792**

Notes to the Condensed Half Yearly Financial Statements

For the six months ended 30 June 2024

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 2024 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 2023 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 2024 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 Group's audited financial statements for the year ended 31 December 2023. The material 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 2023 and are described in Note 1 of the said financial statements. New standards which came into effect as of 1 January 2024 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 2023 made by management in applying the Group's accounting policies that have the most material 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 2023, 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 2023.

Related party transactions with other components of the BOV Group covering the period from 1 January to 30 June 2024 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 2024:

(i.) Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments*: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)

(ii.) The IASB issued the amendments to IAS 1 *Presentation of Financial Statements*:
- Classification of Liabilities as Current or Non-current (issued 23 January 2020)
- Classification of Liabilities as Current or Non-current – Deferral of Effective Date (issued on 15 July 2020); and
- Non-current Liabilities with Covenants (issued on 31 October 2022)

(iii.) Amendments to IFRS 16 *Leases*: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)

The above amendments did not have a significant impact on the Group and the Bank's interim report.

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. The Group and the Bank has not early adopted any of the forthcoming new or amended accounting standards in preparing these condensed consolidated interim financial statements.

Notes to the Condensed Half Yearly Financial Statements (continued)

For the six months ended 30 June 2024

3. Segment information

	Retail Banking		Wealth Management		Business Banking		Treasury		Associates, Investments & Others		Total Reportable Segments	
	Jun-24	Jun-23	Jun-24	Jun-23	Jun-24	Jun-23	Jun-24	Jun-23	Jun-24	Jun-23	Jun-24	Jun-23
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
The Group												
Operating income / (loss) for the six months	78,084	80,820	10,290	9,221	89,847	81,355	55,956	33,415	(952)	(2,272)	233,225	202,539
Profit / (loss) before taxation for the six months	32,858	24,013	(4,226)	(4,497)	67,021	61,009	52,277	21,006	225	3,612	148,155	105,143

	Retail Banking		Wealth Management		Business Banking		Treasury		Associates, Investments & Others		Total Reportable Segments	
	Jun-24	Dec-23	Jun-24	Dec-23	Jun-24	Dec-23	Jun-24	Dec-23	Jun-24	Dec-23	Jun-24	Dec-23
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Total Assets	3,539,434	3,274,591	4,068	3,302	3,130,526	2,972,306	7,495,801	7,944,226	277,470	312,523	14,447,299	14,506,948
Total Liabilities	8,361,261	8,300,788	5,548	5,688	4,025,687	4,030,245	299,685	484,753	418,642	417,741	13,110,823	13,239,215

4. Provisions and Contingencies

4.1 Provisions

The Group considers the provisions recognised to be the best estimate of the amounts likely required to settle its claims. As of 31 December 2023, the Group and the Bank's other litigation provisions amounting to €2.4 million and €2.2 million, respectively, had trivial movements during the period up to 30 June 2024. No further litigation provisions were recorded as at 30 June 2024.

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 2024.

Notes to the Condensed Half Yearly Financial Statements (continued)

For the six months ended 30 June 2024

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 for the asset or liability.

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

	Fair Value Measurement			
	Level 1	**Level 2**	**Level 3**	**Total**
The Group	**€000**	**€000**	**€000**	**€000**
At 30 June 2024				
Assets				
Treasury Bills	-	9,983	-	9,983
Financial assets at fair value through profit or loss				
- debt and other fixed income instruments	1,170	19	8	1,197
- equity and other non-fixed income instruments	608	34,720	6,494	41,822
- loans and advances	-	56,936	-	56,936
- derivative financial instruments*	-	1,080	-	1,080
Investments				
- debt and other fixed income instruments - FVOCI	3,728	13,031	63,022	79,781
- equity and other non-fixed income instruments - FVOCI	1,250	6,311	-	7,561
	6,756	**122,080**	**69,524**	**198,360**
Liabilities				
Financial liabilities at fair value through profit or loss				
- derivative financial instruments	-	10,088	-	10,088
Financial liabilities designated for hedge accounting				
- derivative financial instruments**	-	-	-	-
	-	**10,088**	**-**	**10,088**

* Derivative financial instruments as at June 2024 are inclusive of €3.2 million which was set off against Amounts owed to banks in the Statement of Financial Position as these are subject to offsetting and enforceable by master netting agreements.

** Derivatives designated for hedge accounting as at June 2024 are inclusive of €0.3 million which was set off against Loans and advances to banks in Statement of Financial Position as these are subject to offsetting and enforceable by master netting agreements.

Notes to the Condensed Half Yearly Financial Statements (continued)

For the six months ended 30 June 2024

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 2023				
Assets				
Financial assets at fair value through profit or loss				
- debt and other fixed income instruments	15	19	8	42
- equity and other non-fixed income instruments	705	33,818	6,061	40,584
- loans and advances	-	65,305	-	65,305
- derivative financial instruments*	-	7,922	-	7,922
Investments				
- debt and other fixed income instruments - FVOCI	-	13,418	62,533	75,951
- equity and other non-fixed income instruments - FVOCI	1,813	8,740	-	10,553
	2,533	**129,222**	**68,602**	**200,357**
Liabilities				
Financial liabilities at fair value through profit or loss				
- derivative financial instruments	-	4,154	-	4,154
Financial liabilities designated for hedge accounting				
- derivative financial instruments**	-	-	-	-
	-	**4,154**	**-**	**4,154**

* Derivative financial instruments as at the end of 2023 are inclusive of €2.9 million which was set off against Amounts owed to banks in the Statement of Financial Position as these are subject to offsetting and enforceable by master netting agreements.

** Derivatives designated for hedge accounting as at the end of 2023 are inclusive of €1.7 million which was set off against Loans and advances to banks in Statement of Financial Position as these are subject to offsetting and enforceable by master netting agreements.

Notes to the Condensed Half Yearly Financial Statements (continued)

For the six months ended 30 June 2024

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				Carrying
	Level 1	Level 2	Level 3	Total	Amount
	€000	€000	€000	€000	€000
At 30 June 2024					
Assets					
Investments at amortised cost	3,560,745	2,224,602	-	5,785,347	5,989,359
Liabilities					
Financial liabilities					
Debt securities in issue	385,070	-	-	385,070	367,859
Subordinated liabilities	155,452	-	-	155,452	163,237
	540,522	-	-	540,522	531,096

	Fair value measurement				Carrying
	Level 1	Level 2	Level 3	Total	Amount
	€000	€000	€000	€000	€000
At 31 December 2023					
Assets					
Investments at amortised cost	3,028,291	2,076,181	-	5,104,472	5,266,958
Liabilities					
Financial liabilities					
Debt securities in issue	379,750	-	-	379,750	350,099
Subordinated liabilities	146,656	-	-	146,656	163,237
	526,406	-	-	526,406	513,336

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 2023.

Notes to the Condensed Half Yearly Financial Statements (continued)

For the six months ended 30 June 2024

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
2024	**€000**	**€000**	**€000**	**€000**	**€000**
Opening balance 1 January 2024	8	6,060	62,533	-	68,601
Net change in fair value	-	434	489	-	923
Closing balance 30 June 2024	8	6,494	63,022	-	69,524

	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

During the six months under review no change in levels was made in financial assets at fair value through profit or loss (June 2023: Nil) and financial assets classified as FVOCI (June 2023: Nil).

The financial assets at fair value through profit or loss with a Level 3 input for the six-month period ended 30 June 2024 amounted to €0.43 million of unrealised net gains compared to realised/unrealised net gains of €0.39 million in June 2023.

6. Investments in equity-accounted investees

Share of profit for the period amounted to €4.6 million compared to a share of profit of €4.3 million in the comparative period.

7. Earnings per share

The earnings per share was calculated on profit attributable to shareholders of the Group totalling to €97,632,000 (June 2023: profit of €68,985,000) and profit on the Bank totalling to €97,035,000 (June 2023: profit of €68,193,000) divided by 583,849,270 shares outstanding as at 30 June 2024.

Notes to the Condensed Half Yearly Financial Statements (continued)

For the six months ended 30 June 2024

8. Expected Credit Losses

8.1 Assumptions and judgements

Expected Credit Loss (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. The latest macro-economic factors that are found to be statistically significant for all portfolios are Gross Domestic Product (GDP) and Unemployment. The Bank's Probability of Default model uses official publicly available forecasts to ensure that the IFRS 9 Financial Instruments 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 differ to those projected.

The calibrated model still includes three scenarios (base/optimistic/adverse) whereby the baseline scenario is mapped to the economic forecasts published quarterly by the Central Bank of Malta (CBM). The optimistic and adverse scenarios are derived as follows:

- The Budgetary Plan and the Update of Stability Program publish upside and downside scenarios for real GDP growth (GDP fan chart); and
- 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 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.

2024	CBM Baseline	Adverse scenario Government fan chart - 30%	Optimistic scenario Government fan chart - 70%	Economic relationships
GDP	4.3	0.9	6.6	
Unemployment	3.1	3.7	2.7	(0.17) Okun's law parameter

8.2 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 2024 (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;

- Financial assets derecognised related to settlements during the period and their corresponding reversals of allowances and provisions; and

- Write-offs related to assets written off during the period.

Notes to the Condensed Half Yearly Financial Statements (continued)

For the six months ended 30 June 2024

8. Expected Credit Losses (continued)

8.2 Reconciliation of ECL and Gross Loan portfolio (continued)

Allowances on On-Balance Sheet Exposures	**Stage 1 12-month ECL €000**	**Stage 2 Lifetime ECL €000**	**Stage 3 Lifetime ECL €000**	**Total €000**
Total Allowances at 1 January 2024	**12,186**	**17,872**	**73,488**	**103,546**
Transfer to/(from):				
Stage 1	(251)	2,526	1,609	**3,884**
Stage 2	1,576	(2,116)	4,232	**3,692**
Stage 3	184	394	(4,660)	**(4,082)**
New financial assets originated*	2,267	515	2,556	**5,338**
Financial assets that have been derecognised	(318)	(3,882)	(1,714)	**(5,914)**
Write-offs	-	-	(622)	**(622)**
Changes to model assumptions and methodologies	(118)	(11)	-	**(129)**
Other movements**	(2,166)	911	(3,860)	**(5,115)**
Total Allowances at 30 June 2024	**13,360**	**16,209**	**71,029**	**100,598**

Provisions on Off-Balance Sheet Exposures	**Stage 1 12-month ECL €000**	**Stage 2 Lifetime ECL €000**	**Stage 3 Lifetime ECL €000**	**Total €000**
Total Provisions at 1 January 2024	**6,802**	**3,632**	**7,311**	**17,745**
Transfer to/(from):				
Stage 1	(226)	742	863	**1,379**
Stage 2	2,011	(2,335)	23	**(301)**
Stage 3	1,208	4	(2,498)	**(1,286)**
New financial assets originated*	3,659	274	1,756	**5,689**
Financial assets that have been derecognised	(787)	(121)	(1,323)	**(2,231)**
Write-offs	-	-	(12)	**(12)**
Changes to model assumptions and methodologies	(66)	(10)	-	**(76)**
Other movements**	(2,599)	(17)	(515)	**(3,131)**
Total Provisions at 30 June 2024	**10,002**	**2,169**	**5,605**	**17,776**

Notes to the Condensed Half Yearly Financial Statements (continued)

For the six months ended 30 June 2024

8. Expected Credit Losses (continued)

8.2 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 2024	**5,633,851**	**457,190**	**192,399**	**6,283,440**
Transfer to/(from):				
Stage 1	(127,902)	120,186	6,523	**(1,193)**
Stage 2	79,095	(92,677)	14,929	**1,347**
Stage 3	3,675	7,942	(11,170)	**447**
New financial assets originated*	288,701	22,552	7,874	**319,127**
Financial assets that have been derecognised	(152,629)	(43,208)	(8,486)	**(204,323)**
Write-offs	-	-	(634)	**(634)**
Drawdowns/(repayments) from existing assets***	271,203	(11,070)	(3,883)	**256,250**
Total Gross Carrying Amount at 30 June 2024	**5,995,994**	**460,915**	**197,552**	**6,654,461**
Less Allowances	(13,360)	(16,209)	(71,029)	**(100,598)**
Net Loans and Advances to customers	**5,982,634**	**444,706**	**126,523**	**6,553,863**

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 of €56.9 million (December 2023: €65.3 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 €7.7 million of originated credit impaired assets which relate to new facilities granted to counterparties in default as part of the existing commitments.

** Other movements comprise changes in impairment against accounts which have not been upgraded nor downgraded.

*** Drawdown/(repayment) on existing assets is comprised on changes in carrying amount balance of accounts which have not been upgraded nor downgraded.

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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 Financial Statements") which comprise the condensed statements of financial position as at 30 June 2024, and the related condensed statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six months period then ended and the notes to the Condensed 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.

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Independent Auditors' Report on review of Condensed Interim Financial Statements (continued)

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Financial Statements for the six months period ended 30 June 2024 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

29 July 2024

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