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COMPANY ANNOUNCEMENT

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

Quote

QUARTERLY FINANCIAL OVERVIEW
January to March – Financial Year 2025

EXECUTIVE SUMMARY

- **Profit Before Tax:** The Bank of Valletta Group generated a strong profit before tax of €67.1 million in 1Q2025, up by 5.3% over the same period in the prior year (1Q2024: €63.7 million), with positive performances on both revenue and operational costs.

- **Balance Sheet Growth:** The Group's balance sheet grew by €549 million (3.6%) during 1Q2025. Treasury investments and customer loans were primarily funded by loans from other banks, leveraging favourable REPO market rates.

- **Shareholder Value Initiatives:** The Bank announced a bonus issue, share buyback, and a bond issue during 2Q2025. The bonus issue and share buyback initiatives aim to further support the delivery of shareholder value. On the other hand, the bond issue aims to strengthen the Bank's capital base in support of the growth plans going forward.

- **Credit Rating:** Fitch Ratings announced an upgrade of BOV's Long-Term Issuer Default Rating to 'BBB' from 'BBB-' and of the Viability Rating to 'BBB' from 'BBB-'. Fitch has also assigned BOV a long-term deposit rating of 'BBB+' and short-term deposit rating of 'F2'. In their statement Fitch acknowledged the Bank's capability "to consistently capture the profitable business opportunities offered by Malta's benign operating environment, while maintaining adequate asset quality and capitalisation". This followed on the upgrade that had been given by S&P rating in Q4 of 2024.

- **Financial Outlook:** The Group remains on track to deliver a profit before tax for 2025 in a range between €200 million and €250 million.

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SHORT-TERM ECONOMIC OUTLOOK

The European Central Bank implemented two rate cuts during the first quarter of 2025, followed by an additional interest rate reduction in April. The ECB's Deposit Facility Rate currently stands at 2.25%, compared to 4% and 3% as at the end of 2023 and 2024 respectively. The monetary policy easing cycle appears to be nearing its end, and the Bank expects that rates will settle at a level of around 2%.

The announcement and ongoing negotiations around global tariff measures are posing significant risks to economic growth and inflation, at least in the short term. The Bank is closely monitoring developments and is engaging with its key clients to assess the impact of the announced tariff changes on their business. The immediate and long-term consequences of this event depend on many factors, such as their coverage, extent, length of negotiations, and macro-economic and business responses. At this point, the Bank understands that the economic repercussions of higher US tariffs are likely to impact Malta's service-driven economy to a lesser extent than is the case for most other EU economies in view of the relatively low bilateral trade between Malta and the US. Preliminary market intelligence from the Bank's clients is consistent with this view.

Against this background, the Bank anticipates that overall economic conditions in Malta will remain relatively benign, although the prevalent projections showing real GDP growth in the region of 4%, unemployment rate hovering around 3%, and inflation stabilising close to 2% are all subject to adverse risks. Overall, despite the fact that heightened geo-political uncertainty poses headwinds which could potentially have some impact on credit quality and related impairments, BOV maintains positive expectations for its financial performance during 2025.

FINANCIAL PERFORMANCE OF THE GROUP

The table hereunder provides a snapshot of the Group and the Bank's financial performance over the period under review.

	Net Interest Income (€m)	Net Fee & Commission Income (€m)	Profit Before Tax (€m)	Return on Average Equity Ratio (pre-tax)*	Cost to Income Ratio	Gross Loans to Deposit Ratio	CET1 Ratio
1Q2025	92.5	20.0	67.1	18.8%	44.7%	56.7%	21.6%
1Q2024	98.3	18.7	63.7	19.8%	41.8%		
Dec-24						54.5%	22.3%
Change in €	**-5.8**	**+1.3**	**+3.4**				
Change in %	**-5.9%**	**+6.9%**	**+5.3%**	**-1.0%**	**+2.9%**	**+2.2%**	**-0.7%**

*ROAE is calculated as annualized Profit Before Tax divided by the quarterly average shareholders' equity.

- **Profit Before Tax (PBT):** PBT generated in the first quarter of 2025 amounted to €67.1 million, up by 5.3% over 1Q2024. The average equity ratio (pre-tax) however dropped by 1 percentage point to 18.8%, reflecting the higher average equity as compared to last year.

- **Earnings Per Share (EPS):** The Group's EPS edged to €0.076 in 1Q2025 compared with €0.072 in the same period in 2024, on a Net Asset Value per share which rose from €2.41 to €2.49.

- **Operating Performance:** The total operating income for 1Q2025 was €118.0 million, consistent with the same period in the previous year (1Q2024: €117.4 million), reflecting a decrease in Net Interest Income (NII) which was offset by an improved fee and commission income as well as gains on movement in the fair value on specific proprietary equity holdings.

- **Net Interest Income:** NII for 1Q2025 amounted to €92.5 million, a decrease of 5.9%, from the previous year. The overall decline in interest rates announced by the ECB is impacting NII both from a floating rate perspective, insofar as benchmark reference rate-based credit facilities are concerned, as well as the interest income receivable on balances held with the Central Bank of Malta (CBM). This downside was partially cushioned by an increase in interest income generated from proprietary investments reflecting the strategic balance sheet repositioning effected by the Bank since 2022. Interest expense was flat at just over €13 million in 1Q2025, as higher costs from subordinated bonds were offset by a reduction in interest expense on amounts owed to other banks.

- **Net Fee and Commission Income (NFCI):** NFCI during the 1Q2025 has markedly increased by 6.9% to €20.0 million. This was largely driven by growth in credit-related and investments activities, alongside notable increases in card-related fee income. The Bank continues to launch business led initiatives to strengthen income from these lines of business, with key focus areas being payments and pensions.

- **Costs:** Total Costs for the 1Q2025 amounted to €52.8 million, which was 7.5% above the same period in 2024. Personnel costs remains the primary cost driver, followed by higher regulatory costs due to increases in the Bank's deposit base, and continued investment in technology-related expenses supporting the Bank's drive for digitalisation. The Bank has set into motion a resources capacity planning exercise to optimise the use of its human capital and to ensure alignment with the Bank's digitalisation program.

  As a result of the above, the overall Cost-to-Income ratio was registered at 44.7% during this reporting period.

- **Expected Credit Losses (ECL):** The movement in impairment for the year-to-date resulted in a net charge of €0.2 million, with the overall ECL remaining on the same levels of FYE 2024. The charge for the first quarter in FY2024 was equivalent to €6.6 million. The Group's commitment to enhance the credit quality of its loan portfolio has led to a reduction in the non-performing loans ratio, closing at 2.5% at the end of the first quarter of 2025 compared to 2.7% at the end of December 2024. ECL coverage for credit-impaired assets was up to 47.5% compared to the 42.7% at the end of December 2024, largely due to increased allowances on Stage 3 assets.

  The Bank continuously monitors the country's economic activity to identify any factors that may impact its Expected Credit Loss (ECL) models.

- **Profits from Associates:** The Group's share of profit from insurance associates for the period amounted to €2.0 million (1Q2024: €1.9 million).

FINANCIAL POSITION OF THE GROUP

- **Total Assets:** The Group's total assets stood at €15.6 billion as at the end of March 2025, up by €549.2 million compared to the closing position of FY 2024. This movement was mainly driven by the Group's investments (up by €602.4 million) and increased credit financing activities (up by €273.8 million), contrasted by a drop in cash and short-term funds.

- **Cash and Short-Term Funds:** During 1Q2025, the Group continued to actively optimise its balance sheet to enhance financial performance as a result of the ECB's continued interest rate cuts. The significant decline in cash and short-term funds by €260.5 million or 24.0% as at the end of March 2025 compared to December 2024 reflects the ongoing dynamic deployment of liquid assets into capital market instruments.

- **Treasury Investments:** As noted earlier, the Bank's Treasury portfolio has seen significant growth, with a 9.5% uplift in investments during the period under review to reach €6.9 billion. These investments were supported through the allocation of Cash and Short-term funds and REPOS agreements, ensuring the Bank maintains the necessary level of liquid assets. The portfolio's composition continues to be of optimal quality and made up of high-quality securities ensuring a low-risk profile and stable returns and manageable risk weighted assets consumption.

- **Net Loans and Advances to Customers:** The credit portfolio (on a net basis and including Fair Value through Profit and Loss loans) has shown consistent growth with the balance as at end of March standing at €7.2 billion (December 2024: €6.9 billion), resulting in a 4.0% increase primarily due to sustained growth across all segments including business loans, home loans and personal loans. As a result, the Group's gross loan-to-deposits ratio increased from 54.5% in December 2024 to 56.7% as at the end of March 2025.

- **Customer Deposits:** Deposits experienced a slight increase of €2.9 million resulting in a closing balance of €12.8 billion (December 2024: €12.8 billion), with the increase resulting from retail deposits counteracting a slight decrease in business deposits. The Group's liquidity levels remain robust, with the LCR ratio well above the minimum regulatory requirements at 369.6% as of 31st March 2025 (31st December 2024: 368.8%).

- **Total Group Equity:** The Group's total equity closed at €1.5 billion, an increase of €44.0 million compared to December 2024 position as a result of the plough-back of profits in retained earnings reserve. The Group's capital ratios remained strong and above regulatory requirements, with the CET 1 and total capital ratios as of March 2025 of 21.6%[1] (December 2024: 22.3%) and 26.3%[1] (December 2024: 27.1%), respectively. The net asset value per share at the end of the first quarter of 2025 stood at €2.49 per share (December 2024: €2.41 per share).

STRATEGY IMPLEMENTATION UPDATE

The Bank is excited to enter the second year of its current strategy, committed to sustaining results while transforming its business and operations to enhance the experience for both BOV's personal and business customers as well as its employees.

During the first quarter of this financial year, the Bank maintained its traction on project execution which also saw the launch of new initiatives covering customer engagement, business process improvements, IT and Cyber Security, as well as regulatory compliance.

From an execution standpoint, the Bank continues to build on the achievements registered in FY2024. The Project Management Methodology enhanced both through further upskilling of the human capital as well with the introduction of Enterprise Project Management software serves as a centralised hub for project tracking, task management and project collaboration across the Bank. In this way, BOV monitors and is supporting execution to ensure that its most critical strategic initiatives are delivered on plan and within budget, whilst ensuring that the targeted benefits are delivered.

During the quarter, the project implementation effectiveness score remained high, reflecting efficient allocation of resources and the ability to meet project demands effectively.

BOV's additional investment in key enablers, such as data management and analytical capabilities, rendered strong results.

On the human capital side, during the first quarter, BOV progressed with recruiting the required skilled resources and launching training programs, aimed at enhancing the skills of its current human resources. As indicated earlier, the Bank is in the final stages of concluding a capacity planning exercise to ensure that the workforce is optimally aligned with the Bank's strategic objectives.

The Bank is delighted to acknowledge the steadfast dedication of its leadership team and staff in their pursuit of excellence, which has strategically positioned BOV for ongoing success and growth in the upcoming quarters.

Enhancing the customer service experience continues to be a top priority for the Bank, as evidenced by the strategic initiative focused on optimising the business model to simplify processes but also to ensure that customers receive consistent, high-quality service across all touchpoints. The Bank's commitment to this initiative underscores its dedication to meeting customer needs and adapting to evolving market demands. The Board continues to follow with interest other initiatives being undertaken, so as to enhance the customer offerings.

Moreover, the Board continues to monitor with interest the Strategic KPIs providing the necessary guidance and direction as needed to ensure alignment with the Bank's long-term goals, address any emerging challenges, and capitalise on opportunities for growth and improvement.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) UPDATE

During the first quarter of 2025, the Bank continued to make remarkable progress in its sustainability journey. BOV is building on its foundation for long-term sustainability and financial resilience by embarking on various initiatives.

The Bank was meant to disclose its Corporate Sustainability Reporting Directive (CSRD) report during 1Q2025. As a result of the non-transposition into Maltese legislation, the Bank published its sustainability information in line with the Non-Financial Reporting Directive (NFRD) as part of the BOV Group annual report 2024. CSRD replaces and builds on NFRD by introducing more detailed reporting requirements to support investors' understanding of the organisation's sustainability position and supporting initiatives. This required a "double materiality" assessment, whereby the Bank not only analysed the risks it faces from a changing climate perspective, but also the impacts this may cause to the climate and to the Maltese society. The implementation of CSRD reporting requirements have led the Bank to strengthen the approach towards having a Paris Agreement-aligned emissions reduction plan to reach net zero by 2050.

As a result, the Bank is taking forward the development of its climate transition plan. This plan will include the assessment of greenhouse gas (GHG) inventory, respective target setting and, scenario and resilience analysis. A key focus for the 2024-2026 period remains the reduction of carbon emissions. In this regard, the Bank has set ambitious scope 1 and scope 2 emission reduction targets. The climate transition plan will influence the Bank's decarbonisation strategy by focusing on portfolio alignment, which will respectively be incorporated into the business strategy.

As part of the Group's Annual Report published on 26 March 2025, the Bank reported 'Annex IV Template: Template of the KPI of Asset Managers', for the first time, in line with the EU Taxonomy Regulation (EU) 2020/852.

Moreover, BOV has concluded the annual review and enhancement of its climate-related and environmental risk financial materiality assessment. This assessment broadly complies with the risk identification process for climate-related and environmental risks, whilst undertaking a quantification assessment. The Bank achieves an informative quantitative analysis through the application of a GEM-E3 model. The model identifies the impact that the changes in physical climate hazards and drivers of transition risk can have on the economic sectors to which the Bank is exposed.

The Bank is taking forward various initiatives to refine climate and environmental-related data used to identify and monitor environmental risks. Additionally, during the first quarter of 2025, BOV has strengthened its focus on social risk, by initiating a sector identification process. This will contribute towards having a robust risk management framework to manage social risk-related matters. The Bank is also enhancing its initiatives to strengthen sustainability priorities across distinct functions within the Bank by launching training programs for its various units, especially for front-line members of staff, which will, in turn, embed the values of sustainability into its decision-making processes.

UPDATE ON FINANCIAL OUTLOOK

The expected decline in interest rates will continue to an extent impact interest income in 2025. The Bank continues to mitigate this impact through proactive financial strategies and higher focus on increasing net fee and commission income. The Bank also expects significant progress in technological investments in FY2025, with attendant costs of execution and implementation.

The Group's balance sheet has exhibited further growth during the period under review, with total assets increasing by nearly 4% over the quarter, with a healthy increase coming from lending to local institutions and households. This was complemented by the continued strategic push to reallocate funds from liquid cash assets to the Bank's investment portfolio. This expansion has not compromised asset quality, as evidenced by the decline in the Non-Performing Loan (NPL) ratio.

As highlighted above, the Bank remains on track to achieve a Profit Before Tax of €200 - €250 million for FY25. This remains in line with earlier disclosures[2], and balances the favourable financial performance registered so far against the risks emerging from the geopolitical climate, inflation and interest rate movements.

[2] BOV Company Announcement 500 dated 26 March 2025

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CONCLUDING REMARKS

In summary, the results obtained during 1Q2025 both from an operational and financial perspective indicate that the Bank is well-positioned to meet the targets for this financial year. The Bank's focus on technological innovation, strategic balance sheet management, and enhanced income diversification positions us favourably for sustained growth going forward. The first quarter results affirm the Bank's resilience and preparedness to capitalise on emerging opportunities whilst mitigating potential risks.

The Bank's primary objective remains to provide shareholders with sustained and stable returns, targeting a maximum distribution of 50% of FY 2025 profits after tax. The Bank continues to maintain high capital and liquidity buffers while adopting a proactive balance sheet management approach to optimise income and profitability levels. This strategy will be reinforced by additional long-term debt issuances in the coming months to support the growth strategy and the resultant need for increased risk-weighted assets.

The Bank thanks its stakeholders for their unwavering support and confidence in its vision and its employees for their continued drive and commitment.

Notes

The financial information on which this Quarterly Financial Overview is based, is extracted from unaudited accounts of the Group which are prepared in accordance with the Group's accounting policies as described on pages 88 to 100 of 2024 ESEF Annual Report & Financial Statements.

Unquote

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

29 April 2025

Statements of profit or loss

For the three months ended 31 March 2025

	The Group		The Bank	
	Mar-25	Mar-24	Mar-25	Mar-24
	€000	€000	€000	€000
Interest and similar income:				
- on loans and advances	68,093	83,374	68,093	83,374
- on debt, other fixed income instruments and derivatives	37,675	28,769	37,675	28,769
Interest expense	(13,317)	(13,860)	(13,317)	(13,860)
Net interest income	**92,451**	**98,283**	**92,451**	**98,283**
Fee and commission income	24,172	22,336	22,061	20,291
Fee and commission expense	(4,177)	(3,627)	(4,177)	(3,627)
Net fee and commission income	**19,995**	**18,709**	**17,884**	**16,664**
Dividend income	62	63	4,362	4,563
Trading profits	5,495	456	5,516	432
Net loss on investment securities and hedging instruments	-	(95)	-	(95)
Operating income	**118,003**	**117,416**	**120,213**	**119,847**
Employee compensation and benefits	(31,480)	(29,369)	(30,825)	(28,752)
General administrative expenses	(16,263)	(14,959)	(15,830)	(14,534)
Amortisation of intangible assets	(3,216)	(3,021)	(3,205)	(2,996)
Depreciation	(1,837)	(1,771)	(1,834)	(1,761)
Net impairment charge	(170)	(6,551)	(170)	(6,551)
Operating profit	**65,037**	**61,745**	**68,349**	**65,253**
Share of results of equity-accounted investees, net of tax	2,022	1,917	-	-
Profit before tax	**67,059**	**63,662**	**68,349**	**65,253**
Income tax expense	(22,717)	(21,454)	(23,922)	(22,675)
Profit for the period	**44,342**	**42,208**	**44,427**	**42,578**
Earnings per share	**7.6c**	**7.2c**	**7.6c**	**7.3c**

Statements of Financial Position
as at 31 March 2025

	The Group		The Bank	
	Mar-25	Dec-24	Mar-25	Dec-24
	€000	€000	€000	€000
ASSETS				
Balances with Central Bank of Malta, treasury bills and cash	825,393	1,085,871	825,393	1,085,871
Financial assets at fair value through profit or loss	100,724	106,220	99,379	104,678
Investments	5,887,193	5,771,727	5,887,193	5,771,727
Pledged investments	1,051,869	564,969	1,051,869	564,969
Loans and advances to banks	249,254	328,547	249,253	328,547
Loans and advances to customers at amortised cost	7,124,429	6,846,302	7,124,429	6,846,302
Investments in equity-accounted investees	119,198	117,160	72,870	72,870
Investments in subsidiary companies	-	-	6,230	6,230
Intangible assets	42,150	45,317	42,150	45,306
Property and equipment	153,056	153,519	153,027	153,487
Deferred tax	29,011	29,032	28,994	29,004
Assets held for realisation	11,729	11,870	11,729	11,870
Other assets	34,057	18,786	34,057	18,767
Prepayments	20,280	19,779	17,997	17,564
Total Assets	**15,648,343**	**15,099,099**	**15,604,570**	**15,057,192**
LIABILITIES				
Derivative liabilities held for risk management	3,239	4,200	3,239	4,200
Amounts owed to banks	481,040	9,150	481,039	9,150
Amounts owed to customers	12,806,822	12,803,915	12,809,537	12,807,957
Current tax	31,222	8,173	30,946	8,427
Deferred tax	8,119	8,119	8,119	8,119
Other liabilities	223,030	225,373	222,412	224,842
Provisions	19,352	18,388	19,352	18,388
Derivatives designated for hedge accounting	162	-	162	-
Debt securities in issue	359,669	350,846	359,669	350,846
Subordinated liabilities	263,861	263,136	263,861	263,136
Total Liabilities	**14,196,516**	**13,691,300**	**14,198,336**	**13,695,065**
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	61,975	62,319	61,864	62,207
Retained earnings	756,726	712,354	711,244	666,794
Total Equity	**1,451,827**	**1,407,799**	**1,406,234**	**1,362,127**
Total Liabilities and Equity	**15,648,343**	**15,099,099**	**15,604,570**	**15,057,192**