BOV Bank of Valletta

ANNUAL REPORT 2023

CONTENTS

GENERAL INFORMATION

BOARD OF DIRECTORS

Gordon Cordina (Chairman)
Nicola Angeli
Kevin J Borg
Diane Bugeja
Elizabeth Camilleri
Kenneth Farrugia
Anatoli Grech
James Grech
Anita Mangion
Deborah Schembri
Robert Martin Suban
Godfrey Swain
Miguel Borg *(resigned on 5 April 2023)*
Alfred Lupi *(resigned on 25 May 2023)*
Alfred Mifsud *(resigned on 27 April 2023)*
Antonio Piras *(resigned on 25 May 2023)*

COMPANY SECRETARY

Ruth Spiteri Longhurst

EXECUTIVE COMMITTEE (ExCo) as at 31 December 2023

Kenneth Farrugia *(Chief Executive Officer)*
Ernest John Agius *(Chief Operations Officer)*
Joseph Agius *(Chief Technology Officer)*
Simon Azzopardi *(Chief Personal & Wealth Officer)*
Izabela Banas *(Chief Financial Officer)*
Ivo Camilleri *(Chief Strategy, Transformation & Data Officer)*
Ray Debattista *(Chief People & Culture Officer)*
Anatoli Grech *(Group Chief Compliance Officer)*
Simon Grech *(Chief Commercial Officer)*
Danielle Grima *(Chief Risk Officer)*
Theodoros Papadopoulos *(Chief Digital Officer)*
Roderick Meilaq *(Secretary)*

AUDITORS

KPMG

LEGAL ADVISORS

Camilleri Preziosi

NOTICE OF MEETING

The Annual General Meeting of the Bank will be held at the Grand Master Suite, Hilton Malta, St Julian's, on Friday 31 May 2024 at 10.00 a.m.

ADDRESS

BOV Centre,
Triq il-Kanun, Central Business District,
Santa Venera CBD 4060 - Malta

Registered Office:
58, Triq San Żakkarija,
Il-Belt Valletta VLT 1130 - Malta

Registration Number: C 2833

Bank of Valletta p.l.c. is a public limited company licensed to carry out the business of banking and conduct investment services by the Malta Financial Services Authority. Bank of Valletta p.l.c. is an enrolled tied insurance intermediary of MAPFRE MSV Life p.l.c. (MMSV). MMSV is authorised and regulated by the Malta Financial Services Authority to carry on long term business under the Insurance Business Act 1998.

Since last publication there were no changes to the name of the reporting entity.

Dr Gordon Cordina

Chairman

ESG CAFC NRC R NED *

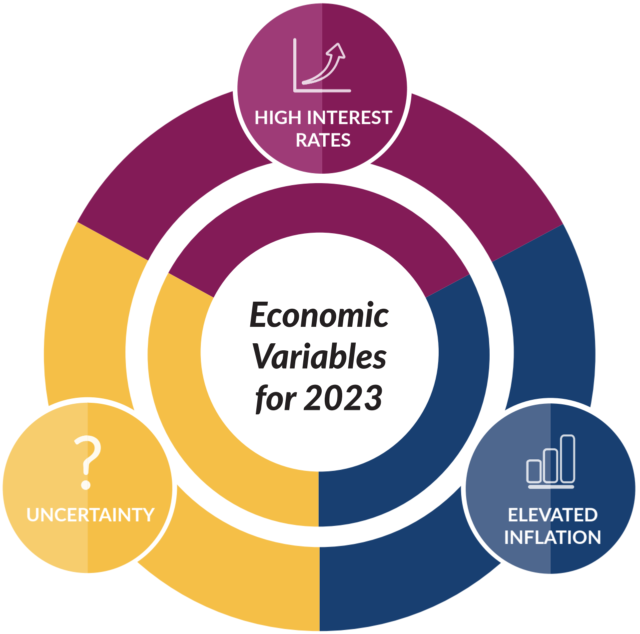
Dr Gordon Cordina is a leading economist in the Maltese islands. He has professional experience spanning 25 years, covering banking, policy-making, academia and private sector consultancy. He serves as Chairman of the Board of Directors, the ESG Committee, and the Nominations and Remuneration Committee and is a member of the Risk Committee and the Compliance and Anti-Financial Crime Committee.

Dr Cordina is a graduate of the University of Cambridge and the University of Malta. His main area of academic interest is the growth and macroeconomic dynamics facing economies that are prone to heightened risks.

Dr Cordina has several years of Board and Risk Committee experience in major financial institutions in Malta, amongst which at Bank of Valletta p.l.c., served as Manager of the Research Department of the Central Bank of Malta, Director General of the National Statistics Office of Malta, Head of the Economics Department of the University of Malta and Economic Advisor to the Malta Council for Economic and Social Development. Through the private consultancy firm he co-founded in 2006, he is involved in a number of local and international research projects and consultancy assignments with institutions including the EU Commission, NGOs and private sector entities. Dr Cordina is also a visiting senior lecturer at the University of Malta.

Dr Cordina was appointed Chairman of the Bank of Valletta p.l.c. in October 2020, of MAPFRE MSV Life in September 2021 and Director of MAPFRE Middlesea in September 2022.

Chairman's statement



Three economic variables defined the global economy in 2023: high interest rates, elevated inflation, and uncertainty. Despite these headwinds, the Maltese economy continued to grow at a sustained pace. The resilience of the Maltese economy augurs well for the future, but from a macroeconomic perspective, attention is needed to safeguard fiscal sustainability, while curbing price inflation to avoid it becoming persistent. From an overall sustainability angle, environmental, climate and quality of life issues are paramount.

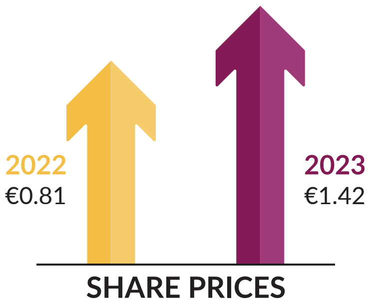
The European Central Bank continued with its tightening cycle during 2023, with official interest rates raised by a further 2 percentage points, cumulating to an unprecedented increase of 4.5 percentage points within a period of 18 months. It is more probable than not that an easing of monetary policy could start during 2024, when considering that inflation across the euro area started to decelerate, and economic activity has generally weakened. However, any eventual unwinding of the tightening cycle is likely to keep interest rates at levels which are higher than those which prevailed throughout the decade-long period of exceptionally accommodative monetary policy. Still, the ongoing international geopolitical turmoil fosters uncertainty, with ambiguous effects on inflation and posing downside risks on economic activity, thus creating hurdles in the path towards the normalisation of monetary conditions.

Within this backdrop, at the end of 2023, the size of BOV's balance sheet exceeded €14 billion, accounting for almost half of the total assets of Malta's core domestic banks. BOV's market share for 2023 was slightly above 40% with respect to corporate loans and household deposits, and slightly less in the case of home loans. These statistics clearly highlight the systemic importance of BOV, making it one of the three banks in Malta which are directly supervised by the European Central Bank. Apart from onerous obligations and expectations from a regulatory perspective, this systemic relevance places upon BOV significant responsibility vis-à-vis its shareholders, the economy, and society.

The high interest rate environment created by the ECB's tightening of monetary policy presented good opportunities for BOV to optimise the returns from its assets which remained funded by a very strong deposit base. In 2022, the Bank had taken the decision to affect no passthrough of the ECB's rate hikes to domestic retail lending rates, based on its high deposit to lending ratio. This strategy remained in place in 2023, as this continued to be rational from the Bank's commercial perspective, and provided an important element of stability to business and households alike.

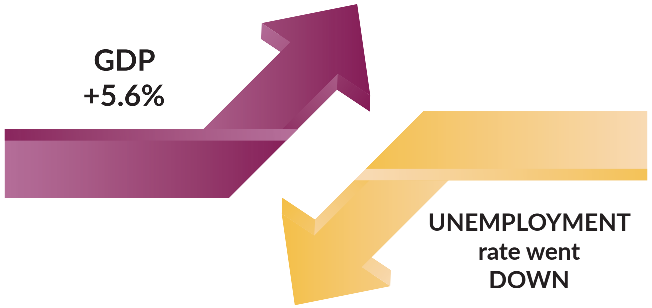
Through this stance, the Bank also aimed at nudging clients to optimise their returns through financial products which are better suited for their needs and thus reduce the country's endemic excessive household liquidity. This permitted BOV to continue offering loans at attractive rates, without compromising its profitability. The Bank's high deposit-to-loan ratio offers ample buffers and comfort that this strategy remains adequate, profitable, and prudent for the foreseeable future.

The Group's total profits before tax amounted to €251.6 million in 2023, representing a very healthy pre-tax return on equity of 21%. To sustain profitability over the longer term, the Bank has been actively restructuring its balance sheet, through the redeployment of treasury funds into longer term assets, and a productive expansion in good-quality credit. The aim is to lock in the advantageous rates offered by the current high interest rate environment, thereby supporting net interest income over the long term. This makes the Bank less exposed to cyclical fluctuations in rates and thus generate a more stable positive performance over time. In turn, this can ensure that every year, sufficient internal financing is available to strengthen the capital base to support future growth, while providing a predictable and stable source of dividends for our shareholders.



The resumption of a dividend payment, supported by the safety offered by the Bank's strong capitalisation and liquidity, was a key accomplishment in 2023. This was a tangible sign that the Bank is moving in the right direction, and such confidence no doubt helped lift the share price, which ended 2023 at €1.42, significantly higher than €0.81 at the end of 2022.

The country's interest rate stability, where BOV played a leadership role, together with the ongoing availability of credit to both households and corporates were factors which supported the dynamism of the Maltese economy throughout the year. Mortgage rates offered in Malta as at the end of 2023 were the lowest in the euro area, as were average corporate lending rates. Bank clients in Malta have thus not experienced the same interest rate shock as in the rest of the euro area.



In 2023, Malta's real GDP grew by 5.6%, which was higher than original expectations, demonstrating the strong economic momentum despite the headwinds from abroad. Growth was broad-based, with both industry and services performing strongly, the latter underpinned by a record year for tourism in terms of arrivals. These conditions fuelled further growth in jobs and brought the unemployment rate down to historically low levels, factors which reinforced confidence and supported household consumption. Against this background, inflationary pressures in Malta started to abate during the second half of the year, but remained above the country's normal readings, reflecting sustained demand, tight labour markets and other cost push pressures.

The available economic forecasts for Malta suggest that over the next years, economic growth will converge towards the country's long-term average, in the region of 4% per annum, which remains higher than the euro area average. The economic outlook thus remains overall benign, auguring well for BOV's future financial performance.

The degree of fiscal assistance mainly resulting from the pandemic has been instrumental in mitigating shocks originating from abroad. Such assistance is planned to continue over the coming years, reflecting the Government's stated intention to extend its policy to continue absorbing the international energy price shock via subsidies. As a result, the Government is anticipating that the fiscal deficit will remain above 3% of GDP for some years, although the planned gradual reduction over time should ensure that the European and national fiscal rules would be still respected. On a positive note, the nominal expansion in GDP is expected to preserve Malta's public debt ratio within 60% of GDP, which is much lower than the euro area average. Experience has shown that a low public debt ratio allows the Government leeway to step in decisively in the wake of large shocks. In a very small open economy, it makes sense for the Government as well as the financial sector to dampen temporary external shocks, as this stability can be highly conducive to long-term economic wellbeing.

In 2023, the Board approved BOV's updated strategy for the 2024-2026 period. Among its chief priorities, the strategy emphasises Environmental, Social and Governance (ESG) considerations. The Bank aspires to lead Malta's transformation in this area, not only in sync with more onerous future regulatory requirements, but even more ambitiously, to help steer behaviour along a sustainable path. Placing ESG at the core of our operations can ensure that the Bank becomes increasingly focused on providing the right products and incentives to improve wellbeing in a sustainable way. The Bank has already started, and will continue placing greater emphasis, on green credit.

The Bank's activities in the field of Corporate Social Responsibility (CSR) also remain a priority. BOV wants to be a compliant and responsible corporate citizen. The Bank will remain at the forefront in the fight against financial crime, building on the strong drive and investment which was necessary to help Malta come out of the FATF's grey listing in 2022. In turn, the deployment of technology across the Bank is considered key to improve productivity, while meeting the expectations of clients in a more tech savvy world. Striving for higher productivity is a win-win strategy, as it allows higher remuneration but at the same time better cost control, thus benefiting all stakeholders.

In conclusion, 2023 has been a very positive year for Bank of Valletta Group, which registered healthy profits in a situation of positive interest rates, while no longer shackled by legacy impediments and risks. I thank our shareholders for their continued support, the executive team and staff for their valuable work and commitment to improve the Bank's performance during 2023. In 2024, BOV will be celebrating its 50th anniversary and as we reach this milestone, our ambition is that as an institution we remain vibrant, relevant, competitive, and dynamic. Our polar star is to be a leader and innovator in the financial sector and a catalyst for positive change.

Kenneth Farrugia

Director & CEO

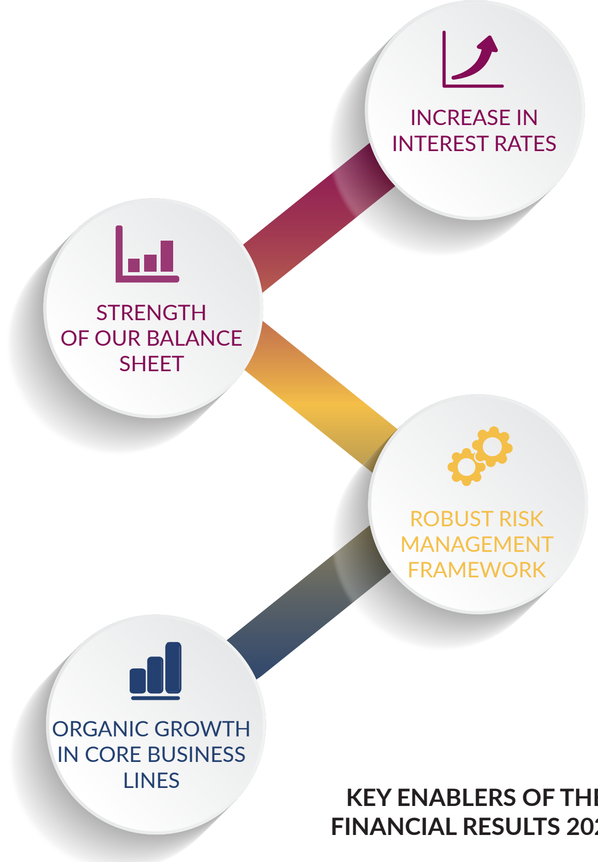
ED

Kenneth Farrugia is the Chief Executive Officer of Bank of Valletta Group. He sits on the Bank's Board of Directors, chairs the Executive Committee and is a member of several management committees. Mr Farrugia is also a director on the Board of Directors of BOV Fund Services Limited, BOV Asset Management Limited and MAPFRE MSV Life plc.

Mr Farrugia began his career at Bank of Valletta in 1985 and has occupied various executive positions covering the Bank's asset management, retail banking and credit business areas. Over the course of his career, he has also held various financial services related industry positions, including Chair of the Malta Asset Servicing Association, Board Member of the European Fund and Asset Management Association, Chair of FinanceMalta, Malta's national promotional body for the financial services industry as well as Chair of Malita Investments plc, which is listed on the Malta Stock Exchange.

Kenneth Farrugia is an alumnus of Harvard Business School having completed the General Management Program.

CEO's Commentary



KEY ENABLERS OF THE FINANCIAL RESULTS 2023

Record results registered over 2023 as we journey from good to great.

Bank of Valletta's financial performance over 2023 was undoubtedly one of the best experienced during its 50-year history, with strong income growth achieved across all the core business lines. These positive results were registered in a backdrop of a high interest rate environment, geopolitical tensions, high inflation, and tightening monetary policies across the euro area which are already referred to in the Chairman's Statement.

The increase in interest rates, strength of our balance sheet, our robust risk management framework, and organic growth in core business lines were all key enablers of the financial results registered during the year. This year's results have in turn further strengthened the Bank's balance sheet position where liquidity and capital ratios remain well above regulatory requirements.

Before I deepen my review of our performance achieved in 2023, I want to thank my Executive Management Team, as well as our Board of Directors for the unwavering support and commitment that they have extended during the year. I equally wish to recognise the circa 2300 employees, with whom we, as a team, strive every day to fulfil our purpose and support our clients in their banking and financial services requirements.

I would also like to extend my sincere appreciation to each one of our customers whose trust and loyalty are pivotal to our achievements. As we progress together, I want to assure you that your welfare will always be at the forefront of everything we do and is invariably our top priority. We are committed in aiding you in your financial journey, whether you are meeting your day-to-day service exigencies, saving for your retirement, buying your first or second home or planning for, or embarking on a new business venture.

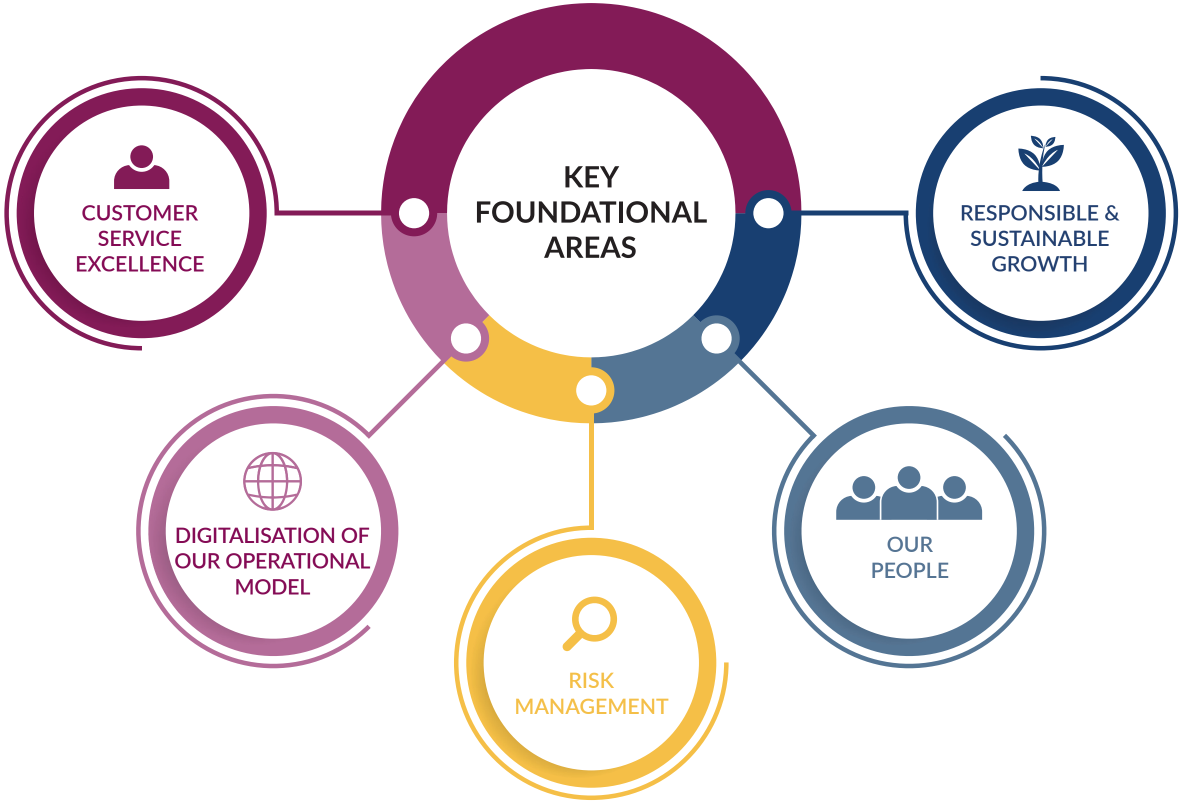
During this year, we have strategically and operationally focused on a number of key foundational areas that have markedly contributed to the results achieved this year. A brief summary follows.

Deeper Insights at 2023

Customer Service Excellence: Aiming for New Heights

Over this year we have continued to intensify our commitment to improve and strengthen the delivery of a high-quality service experience to our customers. By focusing on defined target markets, optimising our service channels and developing our product suite, the Bank's team managed to drive innovation and deliver growth across both our commercial and personal banking arenas.

We firmly recognise that the banking landscape is evolving rapidly, shaped by technological advancements, shifting consumer expectations, and economic trends. In an era where financial services are increasingly standardised, we recognise the significance of cultivating genuine relationships with our customers. On this front, the Bank has launched various initiatives that have strengthened the service experience of our customers as measured by the various customer surveys which are monitored very closely. On the service channels front, the Bank introduced extended opening hours for our customers in select branches as well as preferred opening times for our elderly clients. We have also registered marked improvements at our Customer Service Centre following various initiatives undertaken by the management team. Insofar as our commercial business is concerned, we have managed to record very strong growth in our Corporate, SME and Trade Finance Business on the back of streamlined processes and stronger engagement with our customers.



Digitalisation of our Operational Model: Prepared for the Present and the Future

Our drive to achieve operational excellence is allowing the Bank to reduce costs by eliminating inefficiencies and at the same time deliver improvements in our customer experience. During this year, as part of our Business Process Re-Engineering program, we have managed to reduce various operational risks opting for faster and more efficient ways of delivering services to our customers or executing internal processes. The launch of a digital channel which allowed our customers to update the information and documentation held with the Bank from the comfort of their home was very well received as were various other initiatives such as the automated appointment booking system, the introduction of a chatbot on our digital channel, the work carried out on the new Bank's website, launch of a new intranet site, and ability to service customers online for their home loan requirements. The improvement in our operational model has in turn also allowed us to strengthen our sustainability by reducing utility costs through smart lighting and building management systems, as well as initiatives to reduce paper usage as we take forward an organisation-wide paperless project.

The digitalisation of our operational model remains a very high priority for the Bank and various initiatives are in progress to ensure that across our physical, digital and hybrid channels we deliver the service experience expected by our customers and at the same time enable our customers to self service their requirements.

Risk Management: Ensuring Responsible and Sustainable Growth

Our strategic and business plans are developed within the context of the Bank's overarching risk appetite framework. Whilst we strive to grow our business, we are equally focused with the same intensity to manage the various risks faced by our organisation ensuring that we integrate risk and opportunity in processing business led applications.

During 2023, we have continued to invest in various platforms to strengthen our risk control framework. This is allowing us to test our resiliency in the event of volatile and uncertain times ensuring the Bank is well prepared from both a liquidity and capital angle bearing in mind the Bank's systemic importance.

When engaging with our clients, we are actively driving the sustainability agenda and supporting them with competitive financing terms for their projects to help them transition to a low carbon economy mindful of the importance of climate and environmental risks. In this area we have intensified our efforts to assess the associated credit risks in our financing business line. Our drive to meet the net zero greenhouse emissions before 2050, has also led us to organise a number of educational sessions with our clients to help us understand their transition plans and identify solutions to support them in the process.

Our People: At the Centre of our Value Proposition

The Bank's longstanding culture of caring for its customers, and the ability to support one another in a connected manner in the process has always set Bank of Valletta apart from other operators in the market. Likewise, our human capital is of critical importance to the Bank and resides at the very centre of our strategy ensuring that our team members can grow and thrive throughout their career.

Retaining talent is core to how our company drives responsible growth, including our commitment to being a great place to work at aiming to position ourselves as Malta's leading onboarding, education and professional development organisation. Apart from the BOV Training Academy to support the learning and development needs of our employees in terms of our consumer and business banking trends and realities, we have over time expanded the program to provide training programs aimed at our support and control functions. Employees can today develop their skills for both their current role or a role they want to pursue in the future.

The training team is focused to ensure that we have a high-class onboarding, reskilling as well as upskilling training experiences ensuring in the process that the organisational culture resides at the very centre of our program focusing on our core values and performance behaviours.

Employee wellness initiatives aimed at supporting our people to handle stress, manage conflicts, adversity and dealing with grief in a positive healthy way has also been a core focus area for our People and Culture Division. The long-term financial wellness of our employees is equally important and we are pleased with the strong participation in the Bank's Voluntary Occupational Retirement Scheme. The Bank has also launched a Diversity and Inclusion program which is being driven by our own employees within our own organisation.

We have also strived in the process to recognise and reward performance with competitive remuneration ensuring in the process that we maintain robust policies and practices that help reinforce equal gender pay. For our executives and management team, the internal and external development programmes in place are allowing us to cultivate their skills and strengthen our succession planning through the identification and development of future leaders.

Responsible and Sustainable Growth: Meeting our ESG Obligations

Another important focus for the Bank continues to be the sustainability aspect which remains at the forefront of our operations. We are driven by a firm understanding of our obligations towards not only the communities we engage with but also future generations. While we acknowledge the current climate and environmental challenges, we firmly believe that these actually are providing us all with a unique opportunity to induce meaningful change for the better.

Apart from the various initiatives that we have undertaken as an organisation to reduce our carbon footprint, we are also helping catalyze efforts at national level by convening various discussion forums focused on driving and accelerating progress on the ESG front. In the process, we have introduced and deployed various green products both on the commercial and personal financing side as well as a suite of sustainable investment solutions for our customers.

Financial performance of the Group

In the year 2023, BOV Group has demonstrated a compelling financial performance generating a profit before tax for the year of €251.6 million compared to €49.1 million registered in 2022, with the latter being restated to take into effect a €357 thousand adjustment related to profits derived from insurance associates following the introduction of IFRS17. This positive performance was attributable to a focused approach both from a revenue and costs perspective, with operating income increasing by more than 50% year on year and costs increasing by a much smaller percentage of 9.5%. This resulted in a solid improvement in terms of the cost to income ratio which was down by 17.8% to 47.8% over the year. The Group's performance in 2022 was affected by the resolution out-of-court of the Deiulemar case which impacted the bottom line by around €103 million. Comparing the year's Profit before tax ('PBT') to the previous adjusted equivalent figure and excluding the effects of the latter settlement (adjusted PBT of €152 million), one notes a 65.5% increase in PBT performance for financial year 2023.

i. Operating Income

BOV Group has experienced a significant increase in operating income primarily due to the enhancement in net interest income for the year 2023. Overall, total operating income amounted to €441.0 million, an increase of €147.6 million or 50.3% over the prior year (2022: €293.4 million).

Net Interest Income

Net Interest Income remained the primary driver of operating income, totalling €352.0 million, a surge of €150.1 million or 74.3% when compared to €201.9 million in the preceding year, reflecting consistent growth in customer lending and proprietary investment portfolios.

There was substantial progress in business banking lending, propelled by a robust increase in volumes and a favourable shift in interest rate differentials. Additionally, home lending yielded consistent returns, albeit at a lower effective interest rate. The Group has capitalised on persistent market opportunities in treasury investments at better yields and within the Bank's appetite. Furthermore, the sustained positive Eurozone interest rates facilitated income generation from liquid assets throughout 2023.

During this financial period there was also a rise in interest expense, primarily resulting from the issuance of the 10% Callable Senior Non-Preferred Notes by the Bank in 4Q 2022 to meet regulatory obligations.

Net Fees and Commissions, Exchange and other revenues

An increase of €1.4 million was registered on Net Fee and Commission income for a total yearly amount of €78.0 million (2022: €76.6 million). Good results were registered on all commission streams related to credit activities, where the Bank achieved a very good performance both on the commercial and retail portfolio. This was counteracted by the discontinuation of high balance fees for corporate clients, reduced income from cheque usage as the Bank continues to transition to more digital channels, as well as reduced income derived from fund management and bancassurance, with the latter two business lines continuing to be negatively impacted by the persistent influence of the high interest rate environment. A decline was also registered in net commissions derived from the card business mainly as a result of narrowing margins driven by high competitive pressures.

Total non-interest income for the year amounted to €89.0 million, marginally down by €2.5 million or 2.7% when compared to prior year (2022: €91.5 million). Such decrease is mainly attributable to a decline of €6 million in trading profits relating to foreign exchange and adverse fair value movements.

ii. Costs

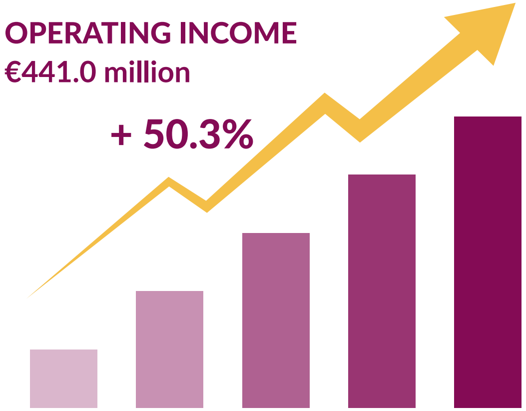
The aggregate expenses excluding strategy related costs for the year totalled €199.9 million (2022: €184.8 million), reflecting an increase of €15.1 million or 8.2% compared to the amounts recorded in 2022. The Group's ongoing pursuit of talent enrichment, enhanced compensation and benefits, continuous investment in technology and the delivery of digital channels, regulatory compliance investments, as well as the effects of inflation all contributed to the sustained growth in operating costs. These rises were partially offset by lower contributions to the Depositor Compensation Scheme.

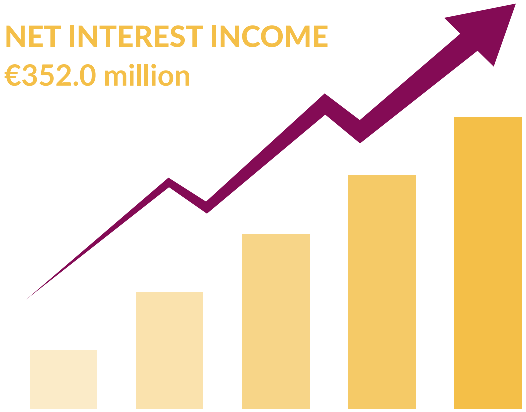
The execution of our strategic initiatives remained swift, and the Bank allocated an additional €11.0 million in investments in 2023 (2022: €7.8 million).

iii. Releases of Credit Provisions

The asset quality of the credit portfolio remains an absolute priority for the Bank with positive yearly variances being registered in the main ratios and with results being in line with the target trends. The BOV Group maintained vigilant oversight over all asset quality metrics with particular attention being placed on the non-performing exposures portfolio ('NPE'). As at 31 December 2023, the NPE ratio stood at 3.1%, down by more than 40bps when compared to the 3.5% outstanding a year earlier, with the decrease amounting to €11.9 million in terms of absolute amounts.

Over the year under consideration, a release of €10.5 million was registered in terms of net Expected Credit Losses ('ECL') (2022: €49.1 million release). The magnitude of this release reflects largely the effects of the Non-Performing Loans ('NPL') sale executed by the Bank in 4Q, which is considered a first in the local banking sector and which resulted in a €17.5 million reversal of allowances, which were previously booked against such exposures. Apart from the NPL sale transaction, the Group incurred a net impairment charge of €7.1 million. The latter was influenced by various factors, including the implementation of the new retail ICRS (explained below), adjustments being derived from the annual model calibration process, as well as shifts in credit portfolio volumes, and collateral coverage. The ECL coverage of the credit impaired assets decreased to 43.9% during the twelve months mainly because of the NPL sale transactions which were highly provided for and which have now been removed from the portfolio (2022: 53.8%). The latter is counteracted by the fact that the NPL vintage has also reduced materially through the removal of such legacy assets.





The main change effected during the year from a credit risk perspective related to the successful implementation of the new internal credit grading model ('ICRS') for the retail portfolio which was introduced in June 2023. This followed the successful deployment of the Commercial Portfolio ICRS which had been rolled out to production in December 2022. The introduction of such risk-based grading models is deemed to be very beneficial from a risk perspective since it allows the Bank to segment its credit portfolio in a more scientific and risk-based manner. Such models have been fully integrated within the Bank's Credit Management Framework architecture and serve as a direct input in the ECL model, with the enhancements directly bolstering the probability of default measurement dimension.

iv. Share of Profit from Associates

The Group's share of profit from insurance associates for the year resulted in a profit of €11.0 million (2022: €2.2 million profit as restated). The Group's profits for the comparative year were adjusted by €357 thousand in share of results from insurance associates, increasing the share of profits as had been reported in the previous year. This outcome is due to the Group's associated companies implementing IFRS 17, an accounting standard that introduced a fresh approach to valuing insurance contracts.

Balance Sheet Position

The Group's Total assets remained practically on the same levels of the previous year at €14.51 billion as at 31 December 2023 (2022: €14.47 billion). Material shifts were noticed between line items especially between balances held with central bank moving to investments and lending, as the Bank seeks to optimise long term returns. Customer deposits continue to be the primary funding source of the Bank with more than half of these relating to retail deposits. At the end of 2023, customer deposits stood at €12.2 billion, marginally lower than the previous year's €12.5 billion and confirming the stickiness of such deposit base. These developments have led to a favourable increase in the Bank's gross loan to deposit ratio from 46.0% in 2022 to 51.7% at the end of 2023, in line with the Bank's strategic objectives.

Sustainable management of excess liquidity was maintained during 2023, with cash and short-term assets decreasing by circa €1 billion, a reduction of around 31% over the 2022 closing position. These funds were utilised to fuel further net growth in the loan book, €511.7 million, followed by further investments in treasury securities.

Investments increased by €786.0 million or 17.2% with the vast majority measured at amortised cost reflecting the Bank's primary business model to hold securities until maturity with a view to collecting interest revenues over the life of the investment. Effective rate of return on treasury investments improved from 0.47% in 2022 to 1.57% in 2023 with the increase mainly driven from securities at amortised cost in local currency.

Net loans and advances to customers as of 31 December 2023 reached €6.1 billion, an increase of nearly 10% when compared with the €5.6 billion of December 2022. Both the commercial and retail business lines registered a very positive year in terms of growth and also in terms of related revenues.

A good part of this growth was attributable to green lending, where the Bank is placing high emphasis by issuing specific products and offering pricing discounts where financing investments are deemed to be sustainable in nature.

The Group's liquidity ratio as at year end stood at 362%, down from 426% as the end of 2022. This drop reflects the decrease in liquid assets year on year as these were transformed into investments yielding a more profitable return. Notwithstanding, the Group's liquidity position remains significantly above the minimum regulatory requirement.

The capital ratios remained strong and above regulatory requirements, with the CET 1 and total capital ratios as at 31 December 2023 of 22.66% (December 2022 21.79%) and 25.94% (December 2022: 25.39%), respectively.

Strategy Update: New Strategic Plan 2024-2026

The year 2023 marked the closing period of the 3-year strategy that the Bank had embarked upon in 2020, when the Board had approved a 3-year strategy that planned to take BOV on a forward-looking transformation journey and the preparation of a new strategic plan for FY 2024-26.

As we draw a close to the current 3-year plan, despite a number of external factors that posed several challenges, such as the Covid pandemic, litigation, Malta's grey listing and the Ukrainian crisis, the Bank managed to continue moving forward with its strategic ambitions related to digitalisation, process simplification, customer centricity and product diversification.

During this period, substantial investments in regulatory and business projects were necessary and these have been implemented together with several other initiatives related to service delivery using the latest techniques to provide low-cost high speed improvements. The Bank has also been re-engineering its processes to deliver service enhancements while providing customers with more efficient alternative channels.

We are pleased to see this resulting in continued migration from traditional to more modern alternative digital channels and digital payments, the latter experiencing double digit percentage increases.

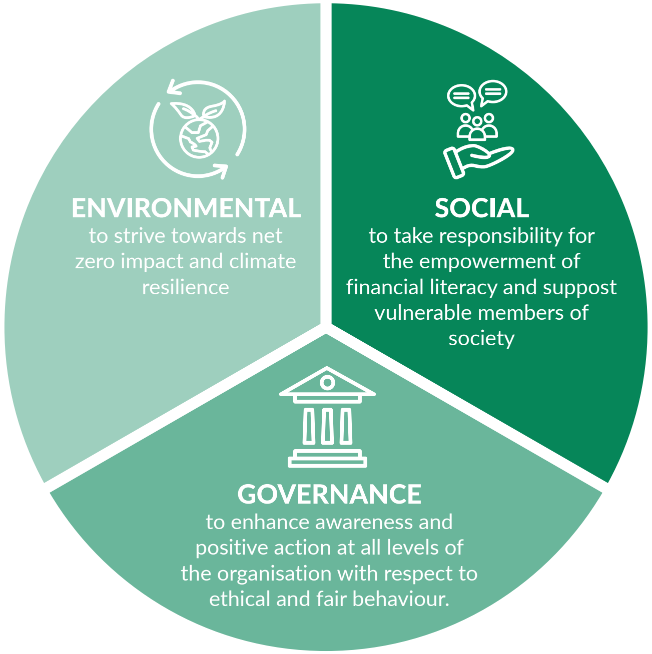
Through digitalisation, we have also seen early signs of benefits in terms of faster growth of the Bank's investment and particularly lending businesses. One such initiative was the launch of the Home Loans digital portal, which has improved customer service delivery while easing the administrative processing pressure at the front line. We also introduced a new digital channel that allows customers to update their personal information without having to personally visit one of our branches. We have also invested in various back-office processes to deliver greater operational efficiency more robust controls and reducing complexity without impacting customer service.

On another note, the branch modernisation programme kicked off in 2021 and is making good headway. Five branches are now fully renovated with a refreshed, eco-friendly, and customer-centric layout. Additional branches across the network will undergo similar renovation in the coming months.

We have also been true to our ESG commitments on a number of fronts. We have been reviewing our environmental impact and have already identified areas that impact the climate and the environment, implementing various initiatives to reduce our carbon footprint and aligning the CSR programme to further benefit the environment. On the governance side we have been supporting our customers to make this important transition. We have been have been offering green financing and investment solutions to make this a reality, with further plans to expand on this offering in future.

Another area the Bank has worked on over this 3-year period, is the enhancement of internal data capabilities so we can better understand and pre-empt the needs of our customers. Several data quality initiatives will continue to be taken forward, which will support future product development and customer value propositions.

Going forward, the Board of Directors has approved a new strategy for the next three years to 2026. The key strategic thrusts revolve around our personal and business customers, digitalisation of our operational model, further strengthening our risk management control framework and enhancing the Bank's human capital. In parallel, the Bank will be supporting initiatives in these areas by investing in our data management and analytical capabilities, digitalisation as well as embedding ESG in our business and operational model.



Closing statement

As we embark on the 2024 journey together, let us reinforce our common vision, principles, and determination to ensure that the upcoming year is marked by continued growth, achievements, and meaningful contributions. I extend my heartfelt gratitude to our devoted employees, valued customers and respected shareholders for your commitment, passion, enthusiasm, and unwavering support.

On behalf of my Executive Team, team members across the organisation, and the Board of Directors, I wish to thank you for the support you extend to Bank of Valletta. Together, we will script the next phase of our voyage towards success as we journey from good to great.

Dr Gordon Cordina
Chairman

Nicola Angeli
Non Executive Director

Anatoli Grech
Executive Director

Dr Robert Martin Suban
Non Executive Director

Kenneth Farrugia
Chief Executive Officer
Executive Director

Kevin J Borg
Non Executive Director

James Grech
Non Executive Director

Godfrey Swain
Non Executive Director

Dr Diane Bugeja
Non Executive Director

Anita Mangion
Non Executive Director

Dr Ruth Spiteri Longhurst
Group Company Secretary

Elizabeth Camilleri
Non Executive Director

Deborah Schembri
Non Executive Director

Nicola Angeli
Director
A NED *

Mr Nicola Angeli is currently member of the Audit Committee. He has an extensive knowledge of the European banking sector, accumulated in over 10 years of experience working on transactions in the private and public markets.

Based in Italy, he started his career in the Debt Capital Markets team of UniCredit S.p.A., where he assisted medium and large corporates in the execution of financing transactions in the fixed-income market. In 2015 he moved to his current position in the Group M&A and Corporate Development team, where his responsibilities focus on the carrying out of M&A proprietary transactions for the UniCredit Group. Mr Angeli was involved in several transformational inorganic projects, including both M&A and capital markets deals.

Mr Angeli has a significant knowledge of the European financial sector across several geographies (e.g. Italy, Germany, Central and Eastern Europe) and sectors (e.g. retail and corporate banking, investment banking, consumer finance and other product factories).

Mr Angeli has a Master Degree cum laude in Banking, Business and Financial Markets and a Bachelor of science cum laude in Economics, both from the University of Trento (Italy).

Appointed to the Board in August 2023.

Kevin J. Borg
Director
NRC NED *

Mr Kevin J. Borg is an accomplished professional with almost 25 years experience in leadership of the business community with the Malta Chamber of Commerce, Enterprise and Industry, having occupied the position of Director General for almost 15 years and various other roles within the Chamber prior to that. Over the years, though these positions, Mr Borg built himself a distinct reputation for integrity and professionalism with all stakeholders he has connected with including entrepreneurs, political leaders and social partners.

Mr Borg is currently Member of the Nominations and Remuneration Committee. He was previously a Member of the Compliance and Anti-Financial Crime Committee. Mr Kevin J. Borg is also the the Chief Executive Officer of the Malta Maritime Forum and Consultant to the Malta Employers' Association.

Through his previous position, Mr Borg sat on a number of national boards including the MCESD, MEUSAC, Education Malta, Malta Business Bureau, and the Retail Price Index Board besides BusinessEurope and Eurochambres at the European level. Amongst other projects during his time at the Chamber, Mr Borg was actively involved in the EU accession preparations for Malta as well as in the merger process with the Federation of Industry which took place in 2009.

Appointed to the Board in May 2021.

Dr Diane Bugeja
Director
CAFC NRC NED *

Dr Diane Bugeja currently chairs the Compliance and Anti-Financial Crime Committee and is a Member of the Nominations and Remuneration Committee. Dr Bugeja is a lawyer by profession practising primarily in financial services law, financial regulation and anti-financial crime compliance. She is currently a Senior Associate at Camilleri Preziosi Advocates. Prior to joining Camilleri Preziosi, Dr Bugeja held the post of Senior Manager at a Big Four audit firm, working in Malta and in London, and subsequently joined the enforcement departments of the UK Financial Conduct Authority and the Malta Financial Services Authority.

Dr Bugeja holds a Ph.D in law from King's College London and a M.Sc from the London School of Economics and Political Science. Dr Bugeja is also a visiting lecturer at the University of Malta.

Appointed to the Board in December 2019.

Elizabeth Camilleri
Director
ESG NED *

Ms Elizabeth Camilleri is a Member of the ESG Committee. She is a digital growth and transformation specialist, working with boards and C-Level executives across a number of B2C and B2B2C sectors worldwide.

Born and educated in Malta, Ms Camilleri subsequently moved to the UK for her MBA at London Business School specialising in strategy and digital innovation. It was there that she found her passion for data and digital transformation and its power to enable any organisation to compete in a fast-changing environment.

Ms Camilleri currently sits on a number of boards and advises others on digital transformation and the creation of exponential growth through the use of data and technological innovation. Before that, she had founded and built a market tech company (Shopological) which she sold in 2019. Previous roles encompassed working at global organisations such as Gartner (Head of Strategy Consulting), Orange Global (Growth Strategist for the Board), PWC (Consultancy, Malta) and mid-sized companies such as eDreams (Marketing Director) and Biochemicals (Malta, Export Marketing Manager).

Appointed to the Board in May 2021.

Anatoli Grech
Director
ED

Mr Anatoli Grech holds the position of Group Chief Compliance Officer. He previously held the position of Head of Strategy and Regulatory Affairs at BOV Asset Management Limited (BOVAM), the asset management of the Bank.

Mr Grech is also a Member of the Bank's Executive Committee, as well as the Internal Control and Risk Management Committee, Product Governance and Pricing Committee and Change Management Committee of BOV.

Mr Grech is a Director on the Board of BOVAM and the Chair of the Risk and Regulatory Committee of BOVAM and BOV Fund Services Limited.

Mr Grech is also a Member of the MAPFRE MSV Life plc Risk and Regulatory Committee. He is also a Member of the Markets Regulation Committee and Prudential and Supervision Committee of the European Savings and Retail Banking Group and a Member of the WSBI-ESBG Task Force on AML.

Appointed to the Board in August 2023.

James Grech

Director

NED

Mr James Grech's career commenced as a management accountant with a local accounting firm. He later joined the Bank in 1998 and is currently the Executive Head of Foreign Bank Relationships Department. He served on the Compliance, Risk Management and Audit Board committees. He was also a Member of the ALCO management committee. Mr Grech was the Chairman of Malta Industrial Parks and to date is the Chairman of Gozo Channel Holding Company Limited and a Director of other local companies. He holds an Honours Degree in Management and a Masters in Business Administration from Henley Management College (UK). His dissertation focused on the effectiveness of Board Performance and Corporate Governance. Mr Grech has lectured on Financial Services at the Malta College of Arts, Science and Technology, and on Corporate Governance at the University of Malta.

Appointed to the Board in 2004 till 2008. Re-appointed to the Board by the shareholders in the respective AGMs in December 2014 to date.

Anita Mangion

Director

ESG CAFC NED *

Ms. Anita Mangion was appointed as Non-Executive Director to BOV's Board in December 2016. Since then, she served in various committees: Audit, Remuneration and Compliance Committee as well as chaired the Digitilisation and Fintech working groups and co-chaired the Strategy Advisory Group. Ms Mangion is currently a Member of the Compliance and Anti-Financial Crime committee and ESG committee. In November 2021, Ms Mangion was appointed Non-Executive Director on the boards of Vilhena Funds SICAV and the BOV Joseph Calleja Foundation.

Ms Mangion is an experienced Strategy and IT consultant: specialised in Corporate Governance, Business Optimisation and Digital Transformation; passionate on ESG, FinTechs and Innovation. For almost two decades, she consulted in such matters diverse local and international entities where she successfully drove enterprise-wide projects and implemented sustainable profitable frameworks. Her professional career started at MFSA and the Malta Stock Exchange before moving to senior roles in the Telecoms and IT sector and subsequently to advisory, where she now collaborates with Tech Giants, C-suite executives and boards. Ms. Mangion holds an Executive MBA (eBusiness); B.Com. Management Hons and B.Sc. Business and Computing (University of Malta). She also studied Business and IT at Indiana University-USA; Technology Entrepreneurship and New Business Operations at University of Malta in collaboration with Oxford University-UK. She served as Non-Executive Director at Malta Industrial Parks Limited (today named INDIS) from 2013 to 2017, where she was appointed member of the Tenders Committee, Audit Committee and chair of the ICT Steering Committee.

Appointed to the Board in December 2016.

Deborah Schembri

Director

A R NED *

Ms Deborah Schembri currently chairs the Audit Committee and is a Member of the Risk Committee. Ms Schembri is a Certified Public Accountant, holds a Masters in Business Administration from Henley Management College (UK) and holds an Advanced Diploma in Retirement Provision pursued with the UK Pensions Management Institute.

Ms Schembri served as the Chairperson of the Malta Association of Retirement Scheme Administrators and possesses successful experience in strategy formulation, corporate governance, business & product development, customer relationships and employee engagement. She has over twenty years experience in the financial services, gaming, caring, construction & property development, oil & fuel, transport, pest control, hospitality & travel industries, holding C-level positions. She worked with one of the Big Four audit firms and for ten years she also served as the CEO & Managing Director of a financial services organisation.

Currently Ms Schembri holds the role of Group CFO of a major local diversified group of companies operating locally and internationally and also sits on committees within the Malta Chamber of Commerce and the Institute of Financial Services Practitioners.

Appointed to the Board in June 2022.

Dr Robert Martin Suban

Director

R NED *

Dr Robert Suban currently chairs the Risk Committee. Dr Suban is a full-time academic and Head of the Department of Banking and Finance at the University of Malta. He lectures at undergraduate and post-graduate level on subjects related to banking and finance. He holds a Bachelor in Business Administration, a Masters Degree, and a Ph.D. in Accounting and Finance from the Alliance Manchester Business School. He has also completed the ACCA qualification.

Dr Suban regularly attends and presents his research at various internationally peer-reviewed academic conferences in the area of banking and finance.

Dr Suban has considerable experience as a practitioner having worked at the Central Bank of Malta, Jobsplus and a leading private travel organisation in Malta. Currently, he is a non-executive director of Malita Investments p.l.c.

Appointed to the Board in May 2023.

Godfrey Swain

Director
A ESG NED *

Mr Godfrey Swain is a Member of the Bank's Audit Committee, ESG Committee and a Director on the Board of MAPFRE MSV Life p.l.c. and Mapfre Middlesea p.l.c. He is an international executive with thirty years of banking experience, recently serving as CEO of Myanmar Citizens Bank (MCB) based in Yangon tasked with executing a banking transformational strategy in partnership with the International Finance Corporation (IFC), an arm of the World Bank. Mr Swain previously served as Deputy CEO, Head of Retail Banking and Marketing based in Ho Chi Minh City delivering a growth and modernisation mission for Vietnam International Bank (VIB), a large-scale bank with Vietnamese and Australian shareholding.

Mr Swain served as a senior Hong Kong and Shanghai Bank (HSBC) international executive for twenty years holding key roles as Managing Director and Country Head of Retail Banking and Wealth Management for HSBC in Japan, Vietnam and previously Malta where he also held roles of Head of Marketing and Communications and founding CEO/MD of HSBC Life Assurance (Malta) Limited. Mr Swain was a member of the Hong Kong based HSBC Asia Pacific Regional Management team, director on various boards including Life Assurance and Fund Management subsidiaries and EXCO, ALCO, Risk Management and Governance Committee member in the countries and territories where he worked. Mr Swain started his financial services career in Adelaide and Sydney with National Mutual Life, Australia.

Mr Swain is a business graduate from Monash University, holds a Diploma in strategic management from Henley School of Management and participated in HSBC executive programmes in London, Hong Kong and Singapore.

Appointed to the Board in May 2021.

Dr Ruth Spiteri Longhurst

Group Company Secretary

Dr Ruth Spiteri Longhurst was appointed the Group Company Secretary in April 2016. She previously occupied the post of Executive Head of the Bank's Compliance unit. Dr Spiteri Longhurst is also the Company Secretary of MAPFRE MSV Life p.l.c., BOV Asset Management Limited and BOV Fund Services Limited.

Dr Spiteri Longhurst graduated with a Doctor of Laws from the University of Malta in 2001 and obtained a Master of Arts in Financial Services in 2004. She joined the Bank in 2002.

A	Audit Committee
CAFC	Compliance and Anti Financial Crime Committee
NRC	Nominations and Remuneration Committee
ESG	Environmental, Social, and Governance Committee
R	Risk Committee
ED	Executive Director
NED	Non-Executive Director
*	Independent


Kenneth Farrugia
Chief Executive Officer


Ernest Agius
Chief Operations Officer


Ivo Camilleri
Chief Strategy, Transformation & Data Officer


Simon Grech
Chief Commercial Officer


Joseph Agius
Chief Technology Officer


Ray Debattista
Chief People & Culture Officer


Danielle Grima
Chief Risk Officer


Simon Azzopardi
Chief Personal & Wealth Officer


Elena Dourou
Group Chief Internal Auditor (Observer on ExCo)


Theodoros Papadopoulos
Chief Digital Officer


Izabela Banas
Chief Financial Officer


Anatoli Grech
Group Chief Compliance Officer

Ernest Agius
Chief Operations Officer

Mr Ernest Agius was appointed BOV's Chief Operations Officer, in May 2016. He is responsible for the Bank's Administration Functions including Corporate Real Estate, Security and Health and Safety, Procurement, Architect Services and Property Projects, Investment, Custody Operations and FBR, Continuity, Outsourcing & ESG, Digital Scanning and archiving, Centralised Operations including, Cash, Cheque, ATM, Reconciliations and Safe Deposit Lockers Management, SWIFT & SEPA Payments Processing and Reconciliations.

Mr Agius joined Bank of Valletta in 2015. With over thirty-seven years of experience within financial services working for local and global institutions leading major programmes across countries and regions. Mr Agius has held several senior executive positions within the Business, migrating Customers to digital channels and IT. He has vast experience in Banking Operations, Core Banking System Implementations, Strategic Outlook, and Financial Crime Compliance, and has led major global transformation projects involving complex Technology, Automation, Human Resources, and de-risking.

Mr Agius has been a member of the Executive Committee since June 2016, a Member of the Projects Evaluation Committee, the Internal Control & Risk Management Committee, the ESG Steerco and the Incident Management Team.

Joseph Agius
Chief Technology Officer

Mr Joseph Agius was appointed Chief Technology Officer in October 2014 and became a member of the Bank of Valletta Executive Committee in October 2016.

Since joining the Bank in 1985, Mr Agius has garnered over thirty-eight years' of experience in IT and Financial Services. During this time, he has been actively involved in the implementation of various mission-critical projects, including the Core Banking Transformation programme.

In his role as Chief Technology Officer, he is responsible for driving the Bank's IT strategy. He is a strong proponent for the modernisation of IT infrastructure and applications, on prem or Cloud, whilst running IT as a business with its inherent business value. He supports fellow EXCO colleagues in their technology initiatives.

Mr Agius holds an Honours degree in Computer Science from the University of Reading and an MBA in eBusiness from Grenoble Graduate School of Business. He is also a Chartered Engineer and a member of the British Computer Society.

Mr Agius is a non-executive director on the Malta Information Technology Agency's (MITA) Board of Directors and was recently appointed as Chairperson of the Foundation for IT Accessibility (FITA) Board.

Simon Azzopardi
Chief Personal & Wealth Officer

Mr Simon Azzopardi has been appointed as Chief Personal and Wealth Officer on 2 August 2023. He is primarily responsible for the Branch Network, Investment Centres, Private Banking, Wealth Management and Digital Channels. Mr Azzopardi joined Bank of Valletta in 1987 and he has served in various areas of the Bank including the retail network, corporate finance, strategic planning, and marketing, and enjoys considerable experience in investment services. During his career at BOV, he has occupied various senior positions at Risk Management, International Corporate Centre, Chairman's Office and the various subsidiaries. He was also responsible for the setting up and running of the Cairo representative office. Mr Azzopardi became a member of the Bank's Executive Committee in January 2021 when he was appointed as Chief Wealth Management Officer. He is currently a Director of the BOV Fund Services Board. He is also a Member of various committees which include, the MMSV Investment Committee, the MMS Investment Committee and the BOV Funds Services Risk & Regulatory Committee.

Mr Azzopardi holds a Degree (B.Comm Hons) in Banking & Finance from the University of Malta, and a MSc International Securities, Investment and Banking from the University of Reading. He is also an Associate of the Chartered Insurance Institute and a Fellow of the London Institute of Banking and Finance.

Izabela Banas
Chief Financial Officer

Ms Izabela Banas was appointed as the Bank's Chief Financial Officer on 1 March 2021.

She serves as Chair of Asset and Liability Management Committee and is a Member of the Bank's Executive Committee and a number of management committees. Ms Banas is a permanent attendee at the BOV's Board of Directors and Audit Committees as well as MAPFRE Middlesea p.l.c. and MAPFRE MSV Life p.l.c Audit Committees.

Ms Banas is an experienced Finance professional and has held a number of senior positions within the Financial Services industry in the UK and Switzerland. Ms Banas joined Bank of Valletta after five years with HSBC Group in London where her last role was as a Chief Financial Officer for Private Bank EMEA. Having started her career at General Electric Company as part of Financial Management Programme, she has since covered wide span of organisations, industries and geographies including Credit Suisse Group, Willis Insurance Brokers and Private Equity owned industrial companies in Germany and in the UK.

Ms Banas holds a Degree in Economics with specialisation in Finance from University of Illinois at Urbana-Champaign and is a certified Lean Six Sigma Black Belt.

With effect from the 29 February 2024, Ms Izabela Banas stepped down from her role at the Bank and accordingly relinquished her position of Chief Financial Officer.

Ivo Camilleri
Chief Strategy, Transformation and Data Officer

Mr Ivo Camilleri is a seasoned professional with a career that spans more than three decades in the domains of banking business and financial technology. He commenced his tenure with Bank of Valletta plc in 1987 and has been entrusted with senior leadership roles in strategically critical sectors for the past twenty-four years.

Mr Ivo Camilleri has an established record of spearheading transformative initiatives in the areas of strategy, product innovation, digital channel development, card and electronic payment businesses. Mr Camilleri has headed teams that have led to Bank of Valletta winning awards in the areas of Strategy, Digital Channels, Mobile Banking and Mobile Payments.

He has also served the Bank in pivotal leadership capacities across various technical disciplines, including software application development, technical services, and data-related technologies. During the second half of 2023, Mr Camilleri was appointed Chief Strategy, Transformation and Data Office.

Mr Camilleri holds a first-class honours Degree in Information Technology from the University of Malta.

Ray Debattista
Chief People & Culture Officer

Mr Ray Debattista was appointed Chief People and Culture Officer in October of 2023, after serving in an acting role since 2022.

Mr Debattista joined the Bank in 1984 and throughout his career occupied various positions within the organisation, spanning both the retail network and other corporate functions. During his twenty years in Human Resources, he garnered an in-depth knowledge of the Bank and its people. His responsibilities spanned recruitment, employee engagement, performance management, training, career development, talent management as well as employee and industrial relations.

As an active member of the Bank's Executive Committee, Mr Debattista is responsible for developing and executing the HR strategy in support of the Bank's overall business plan and strategic direction. He champions the Bank's drive to be the Employer of Choice by focusing on employee journeys and career paths, whilst driving and implementing initiatives that enhance the wellbeing of the people. Together with his team at People & Culture, he is also responsible for succession planning, talent, and change management, as well as the management of healthy working relationships with key stakeholder groups including those representing the Bank's employees.

Mr Debattista holds a Masters Degree in Business Administration from Henley Management.

Elena Dourou
Group Chief Internal Auditor

Elena Dourou joined BOV on 1 October 2020 as Group Chief Internal Auditor.

Ms Dourou has vast experience in the financial sector and internal audit and a successful international career. Among other major institutions, she has worked in Deloitte and National Bank of Greece in positions relevant to consulting, internal audit and internal controls and in ABN Amro Bank (Greece & Italy), Piraeus Bank (Greece), and Ferratum Bank (Malta) in Executive Internal Audit positions. Before joining BOV, she was working at the Hellenic Corporation of Assets and Participations, where she was responsible for monitoring the internal audit departments of its subsidiaries to ensure harmonisation of processes and application of Internal Audit Standards in 15 major Greek Public Sector organisations.

Ms Dourou is a Fellow Certified Chartered Accountant, a Certified Internal Auditor and a Certified Information Systems Auditor and holds an MBA from Oxford Brookes University.

Anatoli Grech
Group Chief Compliance Officer

Mr Anatoli Grech holds the position of Group Chief Compliance Officer. He previously held the position of Head of Strategy and Regulatory Affairs at BOV Asset Management Limited (BOVAM), the asset management of the Bank.

Mr Grech is also a Member of the Bank's Executive Committee, as well as the Internal Control and Risk Management Committee, Product Governance and Pricing Committee and Change Management Committee of BOV.

Mr Grech is a Director on the Board of BOVAM and the Chair of the Risk and Regulatory Committee of BOVAM and BOV Fund Services Limited.

Mr Grech is also a Member of the MAPFRE MSV Life plc Risk and Regulatory Committee. He is also a Member of the Markets Regulation Committee and Prudential and Supervision Committee of the European Savings and Retail Banking Group and a Member of the WSBI-ESBG Task Force on AML.

Simon Grech
Chief Commercial Officer

Mr Grech has been employed within the local financial services industry since 1985, returning to Bank of Valletta in 2015 following a period of experiences outside the Bank. During his years in the industry, he has served in various areas, primarily retail banking, corporate and business finance, risk management and financial crime compliance. Mr Grech has occupied various senior positions and leading roles in the aforementioned areas over the past two decades and has also held the position of president for the local Institute of Financial Services between 2012 and 2015. Since October 2020, Mr Grech has been heading the Bank's SME Finance area, supporting small and medium sized enterprises with their banking and financing needs, through several specialised offices across Malta and Gozo.

Mr Grech holds a Masters in Business Administration from the University of Bangor (Wales) and a Bachelor of Science (Hons.) in Financial Services from the University of Manchester. He is also a fellow of the London Institute of Banking and Finance as well as an accredited trainer for the same institute, following twenty-five years of lecturing experience both locally and internationally.

Danielle Grima

Chief Risk Officer

Ms Grima started her career at the Central Bank of Malta in 2003 as part of the Financial Stability Department, with responsibility for data aggregation and analyses of data received from credit and financial institutions. She joined Bank of Valletta in 2011 and occupied the role of Head of the Enterprise Risk Management Unit, responsible for the oversight of a wide range of risks. She was also Head of the Supervisory Coordination Unit, responsible for establishing and maintaining a strong relationship with the JST and managing and coordinating Bank-wide projects and assignments.

Ms Grima was appointed as Chief Risk Officer in November of 2023, after serving in an acting role since April 2023.

Ms Grima holds a Degree in Bachelor of Commerce (Hons) in Banking and Finance from the University of Malta.

Theodoros Papadopoulos

Chief Digital Officer

Mr Theodoros Papadopoulos was appointed as Chief Digital Officer in September 2021 and as a Member of the Bank's Executive Committee. Later on, in 2022 he has also been entrusted to lead the Transformation and Strategy of BOV. He sits on various other management committees including CMC, PGPC, and Data Council.

Mr Papadopoulos has extensive experience in redesigning and implementing digital products in Customer Experience, Voice of the Customer, Design Thinking, and Customer Journey Mapping.

Prior to joining Bank of Valletta, Mr. Papadopoulos occupied the role of Global Hotels Projects Team Member with Booking.com in the Netherlands in 2011 and was eventually appointed as Manager of Strategic Partnerships in 2013. In 2016, he joined Eurobank EFG in Athens, Greece where in his position as Director of User Experience, he helped the bank to increase its digital footprint in the market.

Mr Papadopoulos holds an MSc in Digital Communications and Media/Multimedia of Stockholm University, an MSc in International Business (Public Policy) from Södertörn University in Sweden, and a BA in Public Relations and Communication Policy. He is a vastly experienced professional in Digital Transformation, Digital Banking, Innovation, and Technology and has worked with Fortune 500 companies, recognised for strong people leadership and Change Management.

Corporate Social Responsibility (CSR)

As a socially responsible institution, Bank of Valletta (BOV/the Bank) seeks to manage its banking activities with integrity and hold itself accountable to its stakeholders in relation to issues concerning sustainability, the environment and other ethical concerns.

Bank of Valletta is committed to supporting the growth and prosperity of the community in which it operates by making strategic investments and partnering with local organisations and charities and undertakes social initiatives. Similarly, BOV seeks to make a difference in the quality of life through various initiatives, some of which are described below:

Bank of Valletta's Corporate Social Responsibility Programme is BOV's contribution as an active citizen of the Community in which it operates. This programme is based on 5 distinct pillars:

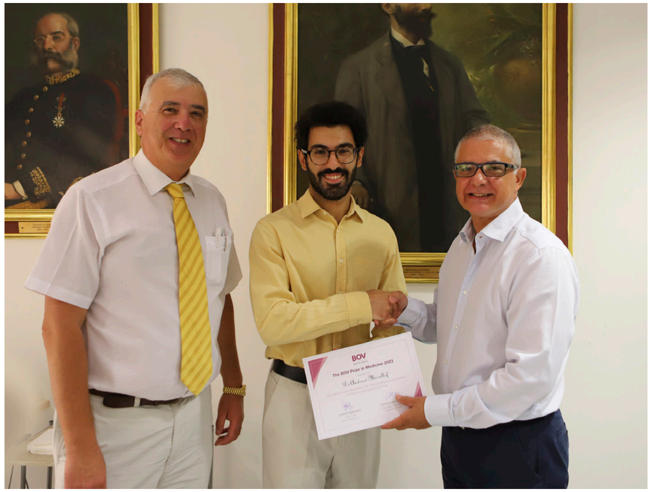
- Environmental, Resource and Climate Sustainability,
- Education and Financial Literacy,
- Support to vulnerable members of society,
- Cultural Heritage & Environment Capital of the Maltese Islands and,
- Ethical and Responsible Behaviour.

Creating awareness about Environment, Social and Governance (ESG) was central to the Bank's operations while reducing its carbon footprint. Branches continued to be upgraded to reduce the impact on the environment and bicycle use was also promoted through a collaboration with bicycle advocacy group ROTA. The Dinja Waħda project in collaboration with Birdlife Malta focused on increasing the appreciation of the environment and ways to safeguard it among schoolchildren through a practical and fun approach.

Collaboration with bicycle advocacy group ROTA.

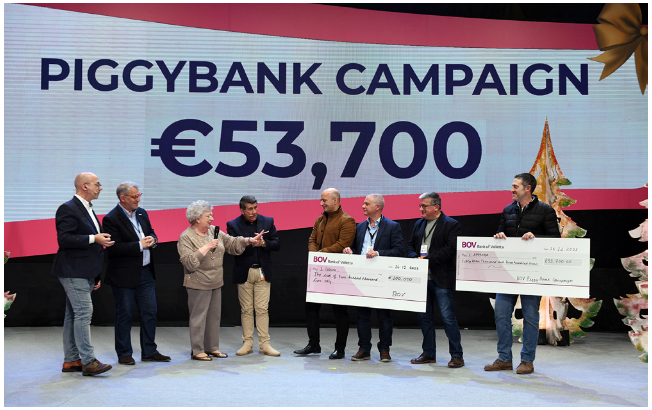
BOV - The Dean's List

The Bank supported major educational awards with the University of Malta, including the Dean's List, the Prize in Medicine and the Foundation for Social Wellness Awards while continuing to promote literacy from a very young age and promoting financial education through collaborations with the Malta Bankers' Association and Ġemma.



BOV Prize in Medicine

A study on child abuse in collaboration with the University of Malta yielded valuable information on this sensitive topic. The state-of-the-art St Michael's Hospice, that the Bank is supporting through a collaboration with Hospice Malta is expected to be inaugurated towards in 2024. The L-Istrina BOV Piggy Bank Campaign continued to create awareness about solidarity from a young age and the BOV Volleyball Marathon raised funds for id-Dar tal-Providenza. The Bank also extended its support to major philanthropic organisations such as Caritas (Malta), the Richmond Foundation and the Malta Trust Foundation among others.



L-Istrina BOV Piggy Bank Campaign

BOV Volleyball Marathon in aid of id-Dar tal-Providenza

The Bank extended its support to gifted children in the artistic and academical spheres through collaborations with the BOV Joseph Calleja Foundation and the Julian's Pathfinder Foundation.

Collaboration with the Julian's Pathfinder Foundation

The long term support of the restoration project of the Gran Salon yielded part of the original decorations dating back to the 17th Century. A number of restoration projects, including an 18th Century Crucifix, and various restoration projects underway. The Bank continued to support the major Heritage Trusts in Malta, such as Fondazzjoni Wirt Artna, Fondazzjoni Patrimonju Malti and Din l-Art Ħelwa.

The Bank collaborated with the Manoel Theatre and the Teatru Astra and Teatru Aurora in Gozo in the production of 3 high calibre operas, while introducing youths to theatre productions through the support of TOI TOI.

Restoration project of the Gran Salon

Kalkara Crucifix

The Bank continued to retain its position as the major supporter of sporting initiatives in Malta stemming from the belief of the positive physical and mental benefits of sports, both for the direct and also indirect participants. Besides the major sporting organisations that are now synonymous with the Bank, such as the Malta Football Association, the Aquatic Sports Association of Malta and the Malta Basketball Association, the Bank struck a number of new collaborations that include Bowling, Netball, Handball.

Hamrun win the BOV Super Cup

BOV Bowling Premier Champions

Directors' Report as at 31 December 2023

The Directors present their 50th Annual Report, together with the audited financial statements of the Bank of Valletta Group (the Group) and the Bank for the Financial Year (FY) ended 31 December 2023.

Principal Activities

The Bank of Valletta Group comprises Bank of Valletta p.l.c. (the Bank) and two subsidiary companies namely BOV Asset Management Limited (BOV AM) and BOV Fund Services Limited (BOV FS). The Group also has two equity-accounted investee companies, MAPFRE Middlesea p.l.c. and MAPFRE MSV Life p.l.c. The Group's principal activities are set out below.

The Group offers banking, financial and investment services and connected activities within the domestic Maltese market. The principal activities of the Bank comprise the following:

1. The receipt and acceptance of customers' monies for deposit in current, savings and term accounts which may be denominated in Euro and other major currencies;
2. The provision of loans and advances to a wide array of customers; and
3. The provision of investment services, covering a comprehensive suite of investment products and services that meet the customers' needs throughout their lifecycle, including stockbroking, advisory and discretionary portfolio management services.

The Group also provides a number of other services, including, bancassurance, corporate advisory, fund management, fund administration, and other services, such as 24-hour internet banking service, issuance of major credit cards, night safe facilities, automated teller machines, foreign exchange transactions, and outward and inward payment transfers.

The Parent Company

Bank of Valletta p.l.c. is licensed to carry out the business of banking and investment services in terms of the Banking Act, 1994 (Chapter 371, Laws of Malta) and the Investment Services Act, 1994 (Chapter 370, Laws of Malta). The Bank is an enrolled tied insurance intermediary of MAPFRE MSV Life p.l.c. under the Insurance Distribution Act, (Chapter 487, Laws of Malta).

The Bank offers the entire range of retail banking services as well as the sale of financial products such as units in collective investment schemes. The Bank also offers investment banking services, including underwriting and management of Initial Public Offerings (IPOs).

The Subsidiaries

BOV AM provides management services for collective investment schemes and portfolio management services for institutional clients. BOV AM is a fully owned subsidiary of the Bank and has three regulatory functions: Asset Management, Risk Management and Compliance.

BOV FS is also a fully owned subsidiary of the Bank and is recognised as a fund administrator and licensed as a Company Services Provider by the Malta Financial Services Authority. BOV FS provides a comprehensive suite of services to fund managers and fund promoters, as well as a full suite of fund administration, shareholder registry services, regulatory reporting and corporate services.

Equity-Accounted Investees

MAPFRE MSV Life p.l.c. operates as a life assurance company licensed under the Insurance Business Act, 1998 (Chapter 403, Laws of Malta). MAPFRE Middlesea p.l.c. is engaged in the business of insurance, including group life assurance.

The Bank's Strategic Plan

During FY2023, the Board of Directors continued to oversee the execution of various strategic initiatives by the Bank's Executive Management team in support of the Bank's 2021-23 strategic program. Throughout the process, the Board ensured that the Bank's strategy remained aligned with the Bank's approved Risk Appetite Framework (RAF).

Over the period under review, the Bank also launched the Bank's 3-year Strategic Plan for FY 2024-26. The strategic planning process was guided by the Bank's risk appetite framework and driven by a top-down and bottom-up approach where various key stakeholders participated in the process. The upcoming strategy is underpinned by the Bank's current market leadership position and strength of the balance sheet, and aims to further improve the client experience, strengthen the core areas of business and enable the Bank to enter into new ones. The key strategic initiatives are centered around 4 key quadrants namely, Customer, People, Internal Operations and Governance & Risk Management supported by 3 enablers namely, ESG, Digital and Data.

The Board of Directors and Executive Management will be closely following the execution of its strategic plan and has set the opposite governance framework to ensure that the Bank experiences growth with a strong focus on the customers where our products and services are evolved to meet their unique and personalised financial needs.

For more information on the Bank's Strategic Plan, please refer to the CEO's Commentary.

Directors' Report as at 31 December 2023 (continued)

Principal Risks and Uncertainties pursuant to Article 177 of the Companies Act, 1995 (Chapter 386, Laws of Malta)

The Directors are aware of the various risks faced by the Group as a result of its involvement in different business lines and operations. Various measures are in place to ensure that such risks and uncertainties are maintained at acceptable levels and are in line with the Group's risk appetite and strategy of sustainable, long-term growth and profitability. In line with Bank policy, the Risk Appetite Framework (RAF) was reviewed and approved by the Board of Directors in December 2022; the BOV RAF Policy was also revised. The aforementioned RAF was used to monitor and report on a monthly basis, the risk level on different material risk types during the year ended 31 December 2023, also triggering timely and decisive corrective action where risk levels surpassed defined thresholds. The RAF was again reviewed in December 2023. Such a revised iteration will be used in the FY2024. The document lays out the responsibilities of various stakeholders, including the Board of Directors and Senior Management, and establishes various qualitative and quantitative parameters for acceptable risk-taking categorized by different risk types.

In line with the provisions of the Risk Appetite Statement and Framework, Senior Management is responsible for the day-to-day monitoring and control of risk-taking, subject to the regular oversight of the Board of Directors through the Risk Committee. The overall structure is aimed at ensuring a sound risk culture supported by a performance management system that discourages excessive risk taking.

The key risks faced by the Group include the following risks: credit, market, liquidity, operational, environmental, social, and governance (ESG). These, and other risks and uncertainties inherent in the business, require sound capital management to ensure adequacy against regulatory requirements and adverse events. With this in mind, the Group regularly sets out and reviews capital targets in line with actual and forecasted business levels and monitors performance against such targets on a regular basis. A more detailed explanation of key risks and capital management is included within the Pillar 3 Disclosures Report available on the Bank's website, as well as Note 39 to the Financial Statements.

The Directors also recognise the fact that the Group may be subject to reputation and litigation risk as a result of its actions and operations. Conscious of the serious repercussions such risks may have on the Group's and the various stakeholders' well-being, both the Board of Directors and Senior Management exercise zero tolerance to conduct risk and aim to instil the highest levels of ethical behaviour through various policies, procedures, and controls.

Operational Overview

A review of the business of the Group for the year ended 31 December 2023 and an indication of future developments are provided in the Chairman's Statement and the CEO's Commentary, which can be found in the front section of this Annual Report.

Dividends

The Board believes it should continue to balance the Bank's long-term sustainability and shareholders' dividend expectations. In this respect, an interim cash dividend of €0.0462 gross per share amounting to €27.0 million (net ordinary dividend of €0.0300 per share amounting to €17.5million) was paid on the 6 December 2023 to all members that appeared on the Bank's Register of Members, as maintained at the Central Securities Depository at the Malta Stock Exchange, at the close of business of Tuesday 21 November 2023.

On the strength of the financial performance being registered, the Directors propose a final cash dividend of gross €0.0700 per share amounting to €40.9 million (net dividend of €0.0455 per share amounting to €26.6 million) to be paid to shareholders. This dividend is subject to regulatory approval and to the approval of shareholders at the AGM.

This dividend is being recommended after taking into consideration the Bank's future capital requirements, underpinned by a fully articulated dividend policy which seeks to balance out dividends payout with future growth of the Bank's equity base. The total dividend is analysed as follows:

Total Dividend for FY2023	
Gross	€ 67,843,285
Tax at source	€ 23,745,149
Net	€ 44,098,136

Directors' Report as at 31 December 2023 (continued)

Board of Directors

The following Directors served on the Board during FY2023:

Gordon Cordina (Chairman)
Alfred Lupi (resigned on 25 May 2023)
Alfred Mifsud (resigned on 27 April 2023)
Anatoli Grech (appointed on 1 August 2023)
Anita Mangion
Antonio Piras (resigned on 25 May 2023)
Deborah Schembri
Diane Bugeja
Elizabeth Camilleri
Godfrey Swain
James Grech
Kenneth Farrugia
Kevin J Borg
Miguel Borg (resigned on 5 April 2023)
Nicola Angeli (appointed on 1 August 2023)*
Robert Suban (appointed on 25 May 2023)

**Nicola Angeli was appointed Director on the Bank of Valletta Board during the Annual General Meeting held on the 25 May 2023. His appointment was subject to regulatory approval, which approval was received on the 1 August 2023.*

Directors' Responsibilities

The Directors are required by the Companies Act, 1995 (Chapter 386, Laws of Malta) to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU which give a true and fair view of the state of affairs of the Group and the Bank as at the end of the financial year and of the profit or loss of the Group and the Bank for the year then ended.

In preparing the financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Bank will continue in business as a going concern.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Bank, and which enable the Directors to ensure that the financial statements comply with the Banking Act, 1994 (Chapter 371, Laws of Malta), Companies Act, 1995 (Chapter 386, Laws of Malta) and with the requirements of Article 4 of the Regulation on the application of IFRS as adopted by the EU. This responsibility includes designing, implementing and maintaining such internal controls as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Group and the Bank, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

After reviewing the Group's plans for the coming financial years, the Directors are satisfied that at the time of approving these financial statements, it is appropriate to continue adopting the going concern basis in preparing these financial statements.

Auditors

A resolution to re-appoint KPMG as statutory auditors of the Bank will be proposed at the forthcoming Annual General Meeting (AGM). KPMG have expressed their willingness to remain in office.

Going concern – Capital Markets Rules 5.62

The financial statements are prepared on a going concern basis. The Directors regard that pursuant to Capital Markets Rule 5.62, this is appropriate, after due consideration of the Bank's profitability, liquidity, the statement of financial position, capital adequacy and solvency. Specifically, the Directors have prepared financial and capital plans for the next three years which show that the Bank is in a position to continue operating as a going concern for the foreseeable future, which is at least but is not limited to, twelve months from the end of the reporting period. These plans take into account risks arising in its ordinary course of business including complaints or legal proceedings by third parties, operational and compliance risks in relation to but not limited to compliance with legislation and regulations.

Directors' Report as at 31 December 2023 (continued)

Information Pursuant to Capital Markets Rule 5.64

1. Authorised Share Capital

The Bank has an authorised share capital of €1,000 million divided into 1,000 million ordinary shares with a nominal value of €1.00 each.

2. Issued Share Capital

The issued shares of the Bank consist of one class of ordinary shares with equal voting rights attached. The Bank has an issued and fully paid-up share capital of €583,849,270 divided into 583,849,270 shares with a nominal value of €1.00 each. There were no changes to the issued share capital during FY2023.

3. Shareholding Structure

Clause 4.3 of the Bank's Memorandum of Association provides that, with the exception of existing large shareholders, presently the Government of Malta and UniCredit S.p.A., no person may at any time, whether directly or indirectly and in any manner whatsoever, acquire such number of shares in the Bank, as would in aggregate be in excess of 5% of the issued share capital of the Bank.

As at 31 December 2023, Malta Government Investments Limited had a shareholding in the Bank of 0.48% and National Development and Social Fund (NDSF) had a shareholding in the Bank of 2.88%. Both entities are fully owned by the Government.

Any shareholder holding in excess of 50% of the issued share capital of the Bank or if no such shareholder exists, the shareholder holding the highest number of shares not being less than 25% of the issued share capital, may appoint the Chairman. Qualifying Shareholders with 10% or more of the shares in issue are entitled to recommend one Director for every 10% holding.

The Directors confirm that as at 31 December 2023, shareholding in excess of 5% of the issued share capital of the Bank was held directly by:

Government of Malta:	25.0%
UniCredit S.p.A.:	10.2%

4. Appointment of Directors

The rules governing the appointment and replacement of the Bank's Directors are contained in Articles 24 to 31 of the Bank's Articles of Association. More details on the appointment and rotation process of Directors is found under the Corporate Governance Statement of Compliance, under Principle 3.

An extraordinary resolution approved by the shareholders in the general meeting is required to amend the Memorandum and Articles of Association.

5. Powers of Directors

The Board of Directors has the power to transact all business of whatever nature, not expressly reserved by the Memorandum and Articles of Association of the Bank, to be exercised by the Bank in general meeting or by any provisions contained in any applicable laws.

The shareholders in the general meeting authorised the Board to exercise during the Prescribed Period, all the powers of the Bank to issue and allot shares up to an aggregate nominal amount equal to the Prescribed Amount. The Prescribed Period refers to a term of five (5) years approved during an Annual General Meeting held on 2 June 2022 and which term expires on the 1 June 2027. This authority is renewable for further periods of five (5) years each.

6. Directors' Service Contracts

The Directors have service contracts with the Bank. More information on the Directors' service contracts can be found under the Remuneration Report.

7. Collective Agreements

The relative Collective Agreements regulate the compensation payable to employees in case of resignation, redundancy or termination of employment for other reasons. More information relating to Collective Agreements is found further below under the section entitled Non-Financial Disclosures.

Directors' Report as at 31 December 2023 (continued)

8. Employee Share Scheme

The Bank has a Variable Remuneration Share Plan, through which the Board of Directors is authorised to:

i. establish the Plan and to do all such acts and things as may be necessary or expedient to give effect to the Plan; and
ii. issue up to and including 14,596,232 shares from the authorised share capital of the Bank for the purpose of satisfying the obligations of the Bank that will ensue from the operation of the Plan, without first offering the same to shareholders in proportion to their then existing holdings.

During FY2023 no shares were issued from the authorised share capital of the Bank for the purpose of satisfying the obligations of the Bank pursuant to the Plan.

Information pursuant to Capital Markets Rules 5.64.7 and 5.64.10

It is hereby declared that as at 31 December 2023, information required under Capital Markets Rules 5.64.7 and 5.64.10 was not applicable to the Bank.

Information pursuant to Capital Markets Rule 5.70.1

There were no material contracts to which the Bank, or any one of its subsidiaries, was a party to and in which anyone of the Bank's Directors was directly or indirectly interested.

Declaration pursuant to the following Investment Services Rules for Investment Services Providers:
- **Part BI: Rules applicable to Investment Services Licence Holders which qualify as MiFID firms (R1-2.2.3)**
- **Part BIV: Standard Licence Conditions applicable to Investment Services Licence Holders which qualify as Depositories (2.30)**

Pursuant to the captioned Malta Financial Services Authority (MFSA) Investment Services Rules, it is hereby declared that during the reporting period, there were no breaches of the MFSA Investment Services Rules, Standard Licence Conditions or other regulatory requirements which were subject to an administrative penalty or other regulatory sanction.

Whistleblowing

The Bank has in place a Whistleblowing Policy aimed to encourage reporting of improper practices and suspected wrongdoing in a controlled manner which safeguards the confidentiality of the whistleblower. The nature of the disclosures made through the Whistleblowing process are reported to the Audit Committee.

Information pursuant to the Sixth Schedule of the Companies Act, 1995 (Chapter 386, Laws of Malta)

Branches, Agencies and Centres

The Bank has the following Branches, Agencies and Centres around Malta and Gozo:

- 29 Branches offering both deposit taking and lending services;
- 4 Agencies offering deposit services only;
- 1 Sub-Agency/Satellite Branch;
- 1 Corporate Finance Centre;
- 5 Business Centres;
- 1 Wealth Management Centre; and
- 5 Investment Centres.

Research and Development

In light of the business sector in which it operates, the Bank does not consider research and development as a main area of activity.

Events occurring after the end of the accounting period

There were no events occurring after the end of the accounting period which warrant reporting in this Annual Report.

Related Party Transactions

No significant related party transactions occurred during FY2023.

A more detailed explanation on Related Party Transactions is included in Note 37 to the Financial Statements.

Directors' Report as at 31 December 2023 (continued)

Non-Financial Disclosures

The following disclosures are made pursuant to Directive 2014/95/EU:

1. Business Model

Bank of Valletta operates a robust and diversified business model, driven by various lines of businesses servicing both personal and business client segments. The Bank's business functions are organised across two key pillars, Personal & Wealth and Commercial Banking. Through these pillars, the Bank provides its diverse client base with a comprehensive suite of banking and financial services solutions.

The Bank's Personal and Wealth Management business line, services the requirements of our personal and micro business clients, through a service channel that includes a strong branch network in Malta and Gozo, specialised Investment Centres and a Customer Service Call Centre. The Bank also supports its customers through a fleet of ATMs and online and mobile banking platforms. Our Personal Banking team members across our service touchpoints provide our personal and microbusiness clients with a comprehensive suite of banking and financial planning solutions aiming to support the achievement of their short and long-term goals. The product catalogue includes investment, bancassurance, brokerage as well as personal, homeownership and micro-business lending products.

The team responsible for our Commercial Banking business, provides our small, mid, and large corporate clients operating in Malta and Gozo, with our industry-leading thought leadership insights, as well as a suite of commercial banking and financial products and services including credit financing, foreign exchange, trade finance and other general commercial services. Large corporates are serviced through our specialised Corporate Centre, with small to mid-sized enterprises serviced through several Business Centres located across Malta and Gozo.

Our front-line colleagues across our personal and commercial client touchpoints, together with the assistance of our support and control functions, invariably strive to apply a client-centric approach in everything that they do to ensure, that the Bank fully understands the needs of its clients and delivers added value through our product and service propositions.

Our People remain the foundation of the Bank's success and we fully embrace the importance of cultivating a high performance, diverse and inclusive culture. We are focused to further empower our employees so we can better service our esteemed clients, develop our technological infrastructure, manage the various risks faced by the Bank and drive our program of innovation forward. In the process, we seek to recruit high quality talented people and provide employees with a diverse suite of training opportunities through our BOV Academy as well as external training opportunities. As we strive to be the Employer of Choice, our People Strategy is driven by the provision of clear career progression paths, personal development and wellness programs, as well as competitive compensation packages aiming to reward the people who consistently support and deliver commercial success.

As Malta's largest Bank, we strongly recognise the importance of responsible growth and have initiated the process to embed ESG in our business and operational model. We are also committed to support our clients with Environmental, Social and Governance (ESG) requirements and the transition to a low carbon economy. In the process, we have strengthened our governance framework and resources to ensure we have the required skills and expertise on ESG issues that will impact both the Bank and our clients. Additionally, our Corporate Social Responsibility Program has enabled us to invest in the wellbeing of the society we operate in through a focused program of initiatives covering amongst others Malta's heritage, arts, culture, sports and various not-for-profit organisations.

Looking ahead, we will continue to leverage the strength of the Bank to remain a relevant and dependable partner to our clients, aiming in the process to meet their expectations as well as those of other important stakeholders such as our People, Shareholders and Regulators.

2. Environmentally Friendly Measures – Environmental Social Governance (ESG) Risk Management and Disclosures

The Non-Financial Disclosure relating to Environmental, Social and Governance is found in the ESG Risk Management Disclosures section on page 43 of this Annual Report.

3. Social Matters

a. Trade Unions

The Trade Union element within the BOV Group is still strong with a substantial number of the employees within the Bank being members of a trade union. The two (2) main trade unions within the Bank are Malta Union of Bank Employees (MUBE) and General Workers Union (GWU). The GWU is currently the recognised union with which the Bank negotiates its Collective Agreement. The Bank's relationship with both unions is very good and is characterised by unilateral communication and healthy discussions. In fact, the Bank has not experienced industrial actions of any form in years.

b. Community Programme

Bank of Valletta's social responsibility towards the community in which we operate refers to our commitment to creating social or environmental good without focusing on profit. We manage our banking activities with integrity and support numerous organisations that play a tangible role within this same community.

We have restructured our extensive Community Programme to support five (5) main areas namely Environmental, Resource and Climate Sustainability, Education and Financial Literacy, Support to vulnerable members of society, Cultural Heritage & Environment Capital of the Maltese Islands and Ethical and Responsible Behaviour.

The Bank's Corporate Social Responsibility is described in further detail under Principle 12 within the Corporate Governance Statement of Compliance within this Annual Report.

Directors' Report as at 31 December 2023 (continued)

c. Relationship Management

As the largest financial institution in the country, we want to sustain our market position as the bank of choice, serving customer needs across a variety of segments and providing bespoke services to the medium and high end of the personal and business segments.

Building on the sound infrastructure delivered through the current strategy, our new strategy will continue to focus on delivering a customer experience that is aligned with evolving expectations. We will significantly increase our investments in digital platforms, financial advice and innovative lending instruments. The Bank's strategy will continue to be heavily conditioned by our sound ESG principles with the ultimate goal to assist our customers and society in achieving a more sustainable future.

We continue to experience a material shift of customer preferences towards our mobile and internet banking channels. As we strive to improve our offering in the digital space, supported by the largest bank operated ATM network, Bank of Valletta will continue to operate the largest branch network across the island through refurbished branches and increasingly personalised services, assisting clients as they progress through the various stages in life.

4. Employee Matters

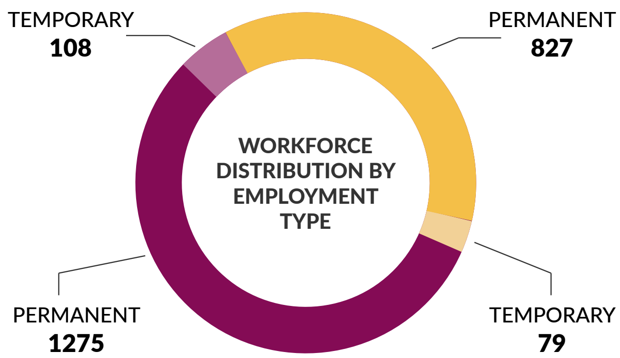
As at end of December 2023, the total employee headcount stood at 2,289. The organisation has experienced modest growth in its workforce compared to the previous year, coupled with a decreasing nine percent (9%) turnover rate.

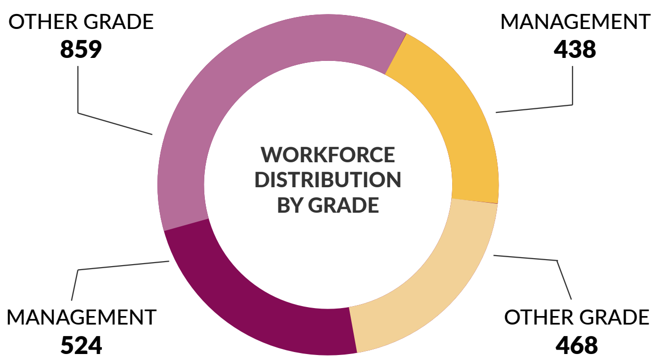
The gender distribution of the organisation stands at a stable 60/40 female-male ratio. Additionally, there is a fifty-four percent (54%) female representation within the management level (category 4 and above).

In terms of the demographic structure, 2.4% of employees hail from over twenty-six (26) different countries.

	Number of Head Count			
	Permanent		Temporary	
By Role	Female	Male	Female	Male
Employees in Management	518	423	6	15
Rest of Workforce	696	389	102	64
Employees on Special Leave	61	15		
By Nationality	Female	Male	Female	Male
Foreign	25	31	1	7
Maltese	1250	796	107	72

STAFF COMPLEMENT BREAKDOWN





Directors' Report as at 31 December 2023 (continued)

The Bank uses various tools for screening new employees as part of its due diligence process, including Police Conduct, Safe Watch and Credit Info screening, reference letters and others, whilst remaining within the ambit of the General Data Protection Regulation (GDPR) requirements. The due diligence process with respect to recruitment and resourcing is laid down in the Bank's Resourcing Policy.

During the course of employment, employees are also expected to abide with other policies and guidelines, primarily the Code of Conduct and Ethics, the Conflict of Interest Policy, as well as other, role specific policies to ensure that staff members abide with regulatory requirements. Compliance is ensured through regular internal and external audits and audit trails. Non-compliance and breaches of the above, as well as other policies, may lead to sanctions as contemplated in the Discipline section of the Collective Agreement.

The ratio of the average basic remuneration, by gender is €40,014 for the Male Workforce and €34,986 for the Female Workforce. The reason for this variance is due to the difference in tenure, with that of Males being higher than Females (on average 2.5 years). The ratio of the average basic remuneration by gender was worked out as a sum of female (or male) salary per capita/sum of all salaries per capita.

The Bank is covered by two (2) Collective Agreements which bind the relationship between the organisation and its employees. The last Collective Agreement negotiated by the Bank with the recognised union for the clerical & managerial categories was signed on the 23 March 2022 for the period 1 January 2022 to the 31 December 2024. The percentage of employees under this collective agreement is ninety-two percent (92%). The employees under collective agreement for the clerical & managerial categories include all employees from Category 1 up to Category 4 less those working on part-time basis and definite contract. The other Collective Agreement for support employees was signed on the 30 November 2022.

The Collective Agreements include several Family Friendly measures ensuring employee matters are taken care of, including but not limited to Reduced Hours Work Arrangements, Adoption/Fostering Leave, Bereavement Leave, Community Work Leave, Health Insurance, Employee Welfare, Employee Wellness Allowance and Childcare & Summer School Subsidies.

During the previous year, BOV launched its first Voluntary Occupation Pension Scheme (VOPS). All fulltime employees are eligible to enroll in this scheme, which provides for direct contributions by the Bank into the employee's personal pension pot. Under this workplace pension (Pillar 2), the Bank is effectively committed to match every employee's contribution up to a maximum of €2,400 per calendar year, starting from 2022. This commitment is guaranteed for at least five (5) years. As at December 2023, take-up was to the tune of 855 employees.

The last Collective Agreement restructured the salary grid and levels within the Bank, removed additional layers which were inhibiting career or salary progression whilst facilitated enhanced lines of communication and colleague empowerment. The Bank moved from an eight (8) Salary Level Grid to four (4) Categories resulting in a salary structure that has been broadened significantly. As a result, high performing employees will be able to progress their salary ahead of promotion opportunities. This will enable the Bank to be in a better position to reflect market salary levels for more specialised roles needed for the future.

Several other initiatives were continued from the previous year with the specific intent of supporting employees' wellbeing. These include incentives for employees who are members of a voluntary NGO and for those who carry out at least eighty percent (80%) of their work commute either walking, cycling, using public transport, electric vehicles, or carpooling. These benefits are consistent with the Bank's desire to support our colleagues, the community, and the environment as part of its wider ESG commitment. The Bank has a number of initiatives both in place and in the pipeline for FY2024 with the specific intent of supporting employees' wellbeing and engagement. These include the bi-annual employee engagement surveys that help identify areas of disengagement and provide engagement best practice tips and assistance to management where required. It also provides information the Bank uses to address areas for improvement such as career progression. In FY2024 the Bank shall have a Wellness Policy in place and a more holistic Corporate Wellness Programme which will incorporate all the benefits the Bank currently offers as well as other further benefits that are currently being negotiated.

The following table depicts the number of employees entitled to parental leave, the number of employees who have taken up the family friendly measure, the latter also being compared to the total labour hours. Parental leave taken is 2.54% of total labour hours.

	Male	Female	Total
Total Parental Leave hours	1,112.5	95,400	96,512.5
Total Labour Hours	1,591,128	2,211,754	3,802,882
	0.07%	4.31%	2.54%

The Bank also has in place several policies ensuring respect for human rights including a Bullying Policy, a Sexual Harassment Policy, a Code of Conduct & Ethics, an Employee Grievance Policy and an Equality Policy. The latter is to be enhanced into an Equality, Diversity and Inclusion Policy.

In 2023, the Bank has been re-certified with the Equality Mark by the National Commission for the Promotion of Equality (NCPE), a reward that was first received in 2011. The Equality Mark recognises the Bank's efforts to provide a healthy work environment that is free from any type of discrimination. It also acknowledges the Bank's responsibility to provide equal access to opportunities and career development based on employees' skills, irrespective of their gender and caring responsibilities.

Directors' Report as at 31 December 2023 (continued)

Indeed, Bank of Valletta employs over the requested quota for employees with different abilities. The different ability employment percentage at BOV is 2.17%.

Moreover, the Bank has an Employee Assistance Programme that assists employees in resolving personal or work-related problems that may impact on their ability to carry out their work-duties. The Bank, in conjunction with the Richmond Foundation, also offers its staff members free Mental Health Care related services on a confidential basis.

Meanwhile, as part of its people strategy, the Bank gives significant importance to Human Rights matters in various ways, as follows:

Grievances

The Bank is highly committed in ensuring that all employees are given the opportunity to voice their personal and/or collective grievance without any fear, hesitation, or doubt that this will have a negative impact on their employment and career. To this effect, the Bank has a grievance policy in place to regulate and facilitate the process of addressing grievances. This involves the setup of an independent board, which is well versed in the Bank's Collective Agreement. The Board listens to and evaluates grievances received, before taking a decision on the remedy to the case. During FY2023, the Bank did not register any official claim under the Grievance Policy.

Ad Hoc Boards

In those instances where People & Culture is notified of any situation/s, either by employees or third parties, which might be adversely affected by one or more aspects of the Bank's daily operations, People & Culture may also appoint an ad-hoc independent board to investigate the matter and its veracity and propose a suitable action and way forward. There were no such instances in FY2023.

Discipline

The Bank requires all its employees to comply with its Code of Conduct and Ethics as well as with the proper standards of performance and behaviour. These are intended to maintain the highest level of integrity both inside and outside the Bank. In the case of breaches of these standards, the Bank takes the appropriate disciplinary action regulated by its Discipline Policy. During FY2023, there were thirty-eight (38) cases that merited disciplinary action. These were all addressed in line with the Discipline Policy.

Bullying Policy

The Bank considers any unwelcomed physical, verbal or non-verbal behaviour which denigrates, ridicules, or intimidates individuals, as unacceptable. Through this policy, the Bank wants to ensure that its employees are treated with respect and dignity, and that their rights are safeguarded at all times. Moreover, the objective of this policy is to raise organisation-wide awareness on the impact of bullying on fellow colleagues as well as the implications and consequences of such inappropriate behaviour. There were no reported cases of bullying in FY2023.

Sexual Harassment Policy

The Bank is committed to providing a professional work environment for every individual that comes into contact with the organisation. The Bank does not tolerate, condone or allow sexual harassment (verbal or physical) whether engaged in by fellow employees, management, associates and partners or by outside clients or other non-employees who conduct business with the Bank. The Policy also acknowledges that the victim of sexual harassment may experience emotional stress, physical stress and/or a negative change in job performance. Therefore, necessary support through the Staff and Organisation Support Programme would be made available. There were no reported cases of sexual harassment in FY2023.

Performance Management Process

The performance management framework of the Bank serves as the cornerstone of our Organisation's success. It is designed to align individual and team objectives with corporate and strategic objectives. This comprehensive process ensures that every employee's contribution is recognised and valued.

At its core, the process commences with clear objective setting through thorough collaboration and open communication. Objectives are established via a top-down approach, creating a roadmap that connects individual efforts to broader organisational targets. The performance management process fosters a culture of open communication between employees and management alike, through one-to-one meetings and continuous feedback. These feedback sessions ensure that employees stay on track, address areas for improvement and provide a space for continuous development.

Consistency and fairness are two (2) important elements in performance management which enhance employee engagement. The calibration exercise, which was carried out in December 2023, ascertains that this aim is reached. This is closely followed by end-of-year reviews which completion date is end March 2024. During this phase of the process, recognising employee performance takes centre-stage, as also outlined in the performance reward framework. Employees are rewarded for their output and behaviour, two (2) components which add up as the final rating.

In December 2023, employees were encouraged to complete a self-appraisal, an opportunity to evaluate their performance, identify their strengths and highlight their achievements vis-à-vis the objectives assigned to them at start-of-year.

Directors' Report as at 31 December 2023 (continued)

Percentage of Employees Eligible for the Performance Management Programme in 2023 organised by Category:

Category	Female	Male
5	38%	62%
4	60%	40%
3	67%	33%
2	62%	38%
1	44%	56%

The table above displays the percentage female-to-male ratios for employees that are eligible under the Group's performance management programme for FY2023. The information presents aggregates for both definite and indefinite employment contracts organised by category.

There was a total of 2029 employees who participated in the Achieve performance framework, this being equivalent to 88.6% of the total workforce.

Diversity, Equality, and Inclusion

The Diversity, Equality, and Inclusion (DEI) Committee features a core team that is working together to promote a healthy environment, ensuring that employees have equal opportunities regardless of age, race, cultural background, skills, beliefs and sexual orientation.

Its mission is to foster a diverse, equitable, and inclusive environment where every employee feels valued, respected, and empowered to thrive. We are committed to creating a culture that embraces and celebrates the unique perspectives, backgrounds, and identities of our employees. Through collaborative efforts and proactive initiatives, we strive to eliminate systemic barriers, promote equal opportunities, and cultivate a sense of belonging for all.

To start breaking the stigma, the Bank's DEI Committee invited employees to start talking about mental health and to support one another. Every employee also received a pin to wear during the month of October, to help raise awareness. Sessions about Mindfulness and Self Care and Gratitude that involved acceptance were also organised, meaning that attention needs to be paid to thoughts and feelings without judgement.

In a bid to take its mission forward, and ensure as broad a representation as possible, the Committee opened an internal call for anyone interested in serving on one of its sub-committees with the theme "Let's work together toward a more Diverse and Inclusive Bank". These are:

Racial and Ethnic Diversity	This team will focus on initiatives that promote equality, understanding, and respect for people of different races
Domestic Violence	Initiatives will focus on raising awareness and educating on domestic violence
LGBTQ+ Inclusion	Initiatives will focus on ensuring the inclusion of individual employees across all the gender spectrum
Age Inclusion	This team will address differences across age brackets, and show the value of individuals across different age groups, challenging ageism and promoting intergenerational collaboration
Disability and Neurodiversity Inclusion	Here, the team will be focusing on recognising people with different skill sets and abilities, ensuring there is a broader understanding of their challenges and that they are fully integrated into the BOV family

Indeed, during Pride Week, we celebrated the achievements of the LGBTIQ+ community within our society and continued to raise awareness about inclusion at the place of work. Members of the DEI - LGBTIQ+ Sub-Committee shared their experiences as members of the LGBTIQ+ Community wherein participants had the opportunity to discuss and ask questions.

As we move forward, we will continue to champion similar initiatives, recognising that our collective strength lies in our differences.

5. Anti-Corruption and Bribery Matters

Bank of Valletta is committed to high standards of ethical behaviour and has zero tolerance towards bribery and corruption. A dedicated Anti-Bribery and Corruption Function is set up within the AFC Department to support the business and stakeholders, the economy, and society, in general, to mitigate bribery and corruption risks through the Groups' Anti-Bribery and Corruption Policy and Procedures.

Directors' Report as at 31 December 2023 (continued)

The Bank requires that all employees, including the Board of Directors and third-party providers, comply with the principles in the policy, in the performance of their duties for or on behalf of the Bank. The policy requires all Bank entities and individuals to apply controls to protect itself against bribery and corruption risks, particularly within activities such as the receiving and offering of gifts and hospitality, hiring, third-party management, speaker events, sponsorships, donations, charitable giving, joint ventures, mergers, and acquisitions. Specific procedures, systems, and controls to manage bribery and corruption risks covering these activities have been outlined within the Bank's procedures. Monthly controls are in place to review the position and escalate any issues as part of the governance committees' reporting.

During 2023, the Anti-Bribery and Corruption function worked closely with various business units to implement and enhance user experience and group-wide systems which are in line with international standards. Groundwork has also been initiated to the attainment of the international standard certification i.e. ISO 37001, Anti Bribery Management Controls. Further enhancements were implemented to the Group-wide Gifts and Hospitality register, hiring controls, and the third-party risk management framework in collaboration with the business.

Focus on specific role training was delivered on main activities such as hiring, third party risks, and gifts and hospitality, to employees who by the nature of their role, are exposed to heightened risks of bribery and corruption, such as Business Owners, Branch Managers, Risk Correspondents, employees managing recruitment and employees within Corporate and Social Responsibility.

6. Identification and Management of Principal Risks

In conducting its day-to-day business activities, the Bank is exposed to different risk types. The sound management and control of such risks is important to ensure that the relative probability of risk event materialisation is minimised to the greatest extent possible in the interest of institutional stakeholders.

Risk management and control is practiced under the following configuration:

i. Top-level corporate governance

Board of Directors, various Board Committees such as the Risk Committee, the Executive Committee, and other management committees such as the Asset and Liability Management Committee (ALCO) and Internal Control and Risk Management Committee (ICRMC).

ii. First line

With respect to revenue-generating business units, such have ingrained frontline risk management internal control measures, with dedicated risk correspondents appointed to facilitate the implementation of the operational risk policies and the embedment of the Bank's risk culture across the network.

iii. Second line

This comprises various second-tier risk control and oversight functions such as Financial Risk Management, Risk Coordination and Quality, Environmental Social and Governance, Credit Risk Management, Operational Risk Management, Compliance, Anti- Financial Crime, Financial Control, and other back-office support functions (example: quality control).

iv. Third line

Independent assurance and constructive challenge by the Group Internal Audit.

The main risk types are outlined hereunder:

a. Credit Risk:

The risk of loss arising from default or credit quality deterioration of a customer or other counterparty to whom the Bank has either directly provided credit or in respect of whom it has assumed a contractual obligation.

This risk is managed and controlled in various ways, such as through the regular review of credit policies to reflect the Bank's Risk Appetite Framework, credit scoring systems, an internal risk rating system supplemented by an Early Warning System to enable proactive monitoring, a forward-looking expected credit loss model for quantifying provisions compliant with the IFRS 9 accounting regime, stress testing relating to credit risk, and various other measures. Regular reporting on asset quality and credit risk is made to the Risk Committee and the Board of Directors. The Bank's underwriting processes include a four-eye approach for business credit facilities and retail facilities of significant magnitude. The Bank has implemented more stringent policies relating to forbearance and non-performing loans and has included more granular credit risk-related Key Risk Indicators in the Bank's Risk Appetite Framework, internal limits relating to single-name and sectoral concentration risk, and various other mitigants. A new credit grading model was formally validated in December 2022 and has been used across the Bank since early 2023. Key advantages of this model include enhanced granularity and intuitiveness. Its outputs feed into BOV's reporting database, ECL model, and underwriting tool. The model is in the process of being recalibrated in the normal course starting in early 2024 to ensure continued accuracy and effectiveness.

Directors' Report as at 31 December 2023 (continued)

b. Operational Risk:

The Group defines operational risk, in line with the Basel framework, as the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. It covers execution errors, fraud, legal, regulatory and conduct risk amongst its sub-categories.

Operational risk spans across all departments, products and channels of the Group and encompasses the entire value chain, including outsourcing service providers. For this reason, all employees are responsible for managing and controlling the operational risks generated by their activities.

The Group's goal in terms of operational risk management is timely identification, assessment, and mitigation of material operational risks. This is achieved via the use of core risk management tools such as Risk and Control Self-Assessments that are required to be undertaken by every functional area of the BOV Group as well as Risk Event management, which allows to record and analyse failures and losses and derive lessons learned.

The Group's overall operational risk appetite is low; and this aims to protect the BOV franchise, to support its strategic objectives, and ensure availability of services to support the local economy. Over the last year, the Bank has taken concrete measures to strengthen the Operational Risk Management Framework, enhance the core set of policies and implement robust governance arrangements and senior committees that are tasked to oversee the operational risk portfolio of the Group. Every area of the BOV Group has a dedicated Risk Correspondent, an essential role to support the embedding of operational risk management across the whole organisation. The Group continues to invest in its technical and human resources to meet and comply with the increased regulatory expectations and to ensure that it has solid foundations to facilitate timely, accurate, and meaningful operational risk reporting which is required to monitor and take remedial action to address existing and emerging risks. A dedicated IT solution fully integrates the core elements of operational risk thus having one single repository containing an inventory of key risks and controls including the functionality of action management and risk event management.

c. Market Risk:

Market risk is the risk incurred as a result of changes in market factors such as interest rate, credit spreads, equity prices, and foreign exchange rates that affect the value of positions mainly in the investment portfolio. A robust and prudent Treasury Management Policy ensures that responsible and well-informed risk-taking is practiced by the Treasury function in line with the overall direction provided by ALCO and Risk Committee. Other important processes include the analysis of counterparty credit risk, credit valuation adjustment, and the development of a methodology to quantify credit spread risk and equity price risk on the part of the investment portfolio which is reported in the audited accounts at fair value (i.e. on a mark-to-market basis). The Bank has its own Interest Rate Risk in the Banking Book (IRRBB) model to quantify risk arising under different stressed scenarios as prescribed by applicable regulatory dicta and which is premised on two (2) approaches: the Economic Value of Equity approach and the Earnings Based approach.

d. Liquidity Risk:

Liquidity risk is the risk that the Group would be unable to meet its obligations when they fall due or can only obtain them at an unreasonably high cost.

A range of liquidity risk management tools are used to monitor liquidity risk such as maturity ladder gap analysis and the regular updating of key metrics Including: the Liquidity Coverage Ratio, the Net Stable Funding Ratio, the Loans-to-Deposit Ratio, the Maturity Transformation Metric and various others. Furthermore, over and above the Internal Liquidity Adequacy Assessment Process (ILAAP) which is thoroughly reviewed every year, the Bank conducts robust stress testing on liquidity in line with the stress testing programme which is reviewed and updated on an annual basis. Other important elements within the liquidity risk management toolkit include the Contingency Funding Plan which is regularly updated and tested by means of simulation exercise and a prudent Liquidity Risk Policy which is also updated periodically.

e. Solvency Risk:

The Group ensures that it is adequately capitalised to meet all regulatory requirements to achieve its strategic objectives in line with its risk appetite, and to be able to withstand unforeseen macroeconomic downturns. The Group insists that capital should be managed in a transparent and consistent manner to ensure the most efficient outcome for shareholders, whilst at the same time be compliant with all relevant regulatory conditions.

As part of the Internal Capital Adequacy Assessment Process (ICAAP) the Bank monitors the capital position on a regular basis and updates its Capital Plan to ensure that there is enough capital not only to meet Pillar 1 risks such as credit, operational, and market, but also other Pillar 2 risks such as IRRBB, concentration risk, equity risk, and others.

Stress testing, which is performed on a quarterly basis, aims to ensure that the Bank's capital position is able to withstand severe macroeconomic downturns and/or other adverse events in terms of important capital related ratios, including the Common Equity Tier 1 capital, total Capital Adequacy Ratio and Leverage ratio. This was successfully tested in May 2022 when, following the out-of-court settlement of the Deiulemar litigation case, the Bank still maintained a strong capital position and continued to exhibit a reasonable surplus over the Overall Capital Requirements supplemented by Pillar 2 Guidance.

Directors' Report as at 31 December 2023 (continued)

f. Regulatory Compliance Risk

The risk of non-compliance with regulatory obligations as well as supervisory expectations which may result in administrative or disciplinary sanctions, or of material financial loss, due to failure to comply with the provisions governing the Group's licensable activities. By ensuring that these rules are observed, the Group works to protect its customers, shareholders, counterparties, and employees.

This is conducted in alignment with the Group strategy as operating a business model based on prudence and sound governance, and to continue strengthening the corporate ethos based on integrity, fairness and transparency.

i. Financial Crime Compliance

The BOV Group is committed to fighting against financial crime and to set up and implement a programme to identify, understand and mitigate the financial crime risk. The financial crime risk encompasses:

a. money laundering and terrorist financing;
b. breaches of sanctions; and
c. bribery and corruption.

The Bank maintains a thorough anti-financial crime (AFC) risk assessment in order to identify, understand, manage and mitigate inherent AFC risks. Risk mitigations measures are designed and implemented to control adequately and effectively those inherent risks. Inherent and residual risks are managed in line with the Bank's risk appetite.

The Bank continues to invest heavily in a transformation programme and today is able to combat financial crime much more effectively and sustainably over the long-term.

BOV remains committed to implementing a robust financial crime compliance programme.

ii. Regulatory Compliance

Complying with the regulatory obligations and internal codes is the responsibility of all Group employees who must demonstrate compliance and integrity in their daily tasks. The Bank operates a Three Lines of Defence 3 (LOD) governance model with the first line responsible for identifying and managing risk as part of its accountability for achieving objectives.

The Second Line provides the necessary guidance, support, and training to enable compliance risks to be managed by the First Line.

The Third Line of Defence provides independent assurance.

Group Compliance is an independent risk control function headed by the Group Chief Compliance Officer (GCCO) and constitutes the second line of defence for compliance risk. The GCCO reports to the Chief Executive Officer (CEO) and to the Compliance and Anti-Financial Crime Committee (CAFCC), which is a Board Committee. The BOV Group's Data Protection Officer and the Money Laundering Reporting Officer (MLRO) reported to the Group Chief Compliance Officer during 2023.

g. Key Risk Indicators

The Group has in place a set of key risk indicators (KRI) that are quantifiable measures which ensure that material risks are kept within defined thresholds as formalised in the Risk Appetite Framework. A selection of key metrics is tabulated hereunder.

Risk Type	Metric	Reading as at 31.12.2023
Solvency	Common Equity Tier 1 Ratio	22.66%
	Capital Adequacy Ratio	25.94%
Liquidity	Liquidity Coverage Ratio	362.18%
	Net Stable Funding Ratio	185.03%
Profitability	Return on Equity Ratio (post-tax)	14.11%

Various non-financial KRIs enable the Directors also to evaluate the risk profile exhibited on other risks such as reputational, compliance, anti-financial crime, operational, ESG, and risk culture.

The KRIs are reported on a regular basis in the RAF Dashboard which includes threshold ranges set to facilitate comparison between progress achieved towards attainment of strategic objectives and the actual risk profile exhibited viz.: 'Target', 'Tolerance', 'Limit', and 'Capacity'.

Other than as disclosed in Note 43 to the financial statements, there were no subsequent events which would have otherwise warranted an adjustment to or disclosure in these financial statements.

Directors' Report as at 31 December 2023 (continued)

Statement of Responsibility by the Directors pursuant to Capital Markets Rule 5.68

We, the undersigned, declare that to the best of our knowledge, the financial statements prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and its subsidiaries included in the consolidation taken as a whole, and that this report includes a fair review of the performance of the business and the position of the Bank and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Bank's Board of Directors on 27 March 2024 by Gordon Cordina (Chairman) and Kenneth Farrugia (Chief Executive Officer) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2023.

Corporate Governance Statement of Compliance

A. INTRODUCTION

Pursuant to the Capital Markets Rules, Bank of Valletta p.l.c. (the Bank) as a company whose equity securities are listed on a regulated market, should endeavour to adopt the Code of Principles of Good Corporate Governance (the Code) contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules. In terms of Capital Markets Rule 5.94, the Bank is obliged to prepare a report explaining how it has complied with the Code. For the purposes of the Capital Markets Rules, the Bank is hereby reporting on the extent of its adoption of the Code.

The Board of Directors (the Board) is committed to the values of truth, transparency, honesty and integrity in all its actions. The Board strongly believes that the Bank benefits from having in place more transparent governance structures and from improved relations with the market which enhance market integrity and confidence. The Board acknowledges that the Code recommends principles for the Board and the Bank's management to pursue objectives that are in the interest of the Bank and its shareholders.

Good Corporate Governance is the responsibility of the Board, and in this regard the Board has adopted a corporate decision-making and supervisory structure that is tailored to suit the requirements of the Bank's constitutional documents as well as its size, nature and operational needs. In addition, while the structure provides flexibility and an efficient decentralisation of selective decision-making, it concurrently provides a system of checks and balances. The Board believes that any structure which is adopted must be geared to meet the necessary standards of accountability and probity and considers that the structure which it has adopted does so.

As demonstrated by the information set out in this Statement, together with the information contained in the Remuneration Report, the Bank believes that it has, save as indicated in the section entitled Non-Compliance with the Code, throughout the accounting period under review, applied the principles and complied with the provisions of the Code. In the Non-Compliance section, the Board indicates and explains the instances where it has departed from or where it has not applied the Code.

B. COMPLIANCE WITH THE CODE

Principle 1: The Board

The Board's role and responsibility is to provide the necessary leadership, to set strategy and to exercise good oversight and stewardship. The Board is composed of two (2) Executive Directors and ten (10) Non-Executive Directors, including the Chairman. This mix of Executive and Non-Executive Directors on the Board enables the Non-Executive Directors to exercise their monitoring function over the management and the executive arm of the Board at the level of the Board. Moreover, the fact that the Chief Executive Officer (CEO) is also an Executive Director on the Board, enables the Board to be in receipt of timely and appropriate information in relation to the business of the Bank and Management's performance. As a result, the Board can contribute effectively to the decision-making process, whilst at the same time exercising prudent and effective controls.

The Board delegates specific responsibilities to a number of Committees, notably the Audit Committee, the Risk Committee, the Compliance and Anti-Financial Crime Committee, the Nominations and Remuneration Committee and the Environmental, Social and Governance Committee (ESG Committee), each of which operates under formal Terms of Reference approved by the Board.

Further details in relation to the Committees and the responsibilities of the Board are found under Principles 4 and 5 of this Statement.

Principle 2: Chairman and Chief Executive Officer (CEO)

The Bank's organisational structure incorporates the position of a CEO. The position of the Chairman and that of the CEO are occupied by different individuals. Their respective positions have been defined with specific roles rendering these positions separate from one another. These specific roles are identified within the Board Terms of Reference and in their contract of engagement. This separation of roles of the Chairman and the CEO avoids concentration of authority and power in one individual.

The Chairman is responsible to lead the Board and to set its agenda. The Chairman ensures that the Board's discussions on any issue put before it goes into adequate depth, that the opinions of all the Directors are taken into account and that all the Board's decisions are supported by adequate and timely information. The Chairman ensures that the CEO develops a strategy which is agreed to by the Board.

On the other hand, the CEO, besides being an Executive Director, leads the Bank's Executive Committee, which is the highest executive decision-making body within the Bank.

More information on the Bank's Executive Committee can be found under the section entitled Executive Committees, within this Statement.

Principle 3: Composition of the Board

The Board considers that during the year under review the size of the Board, whilst not being too large as to be unwieldy, was appropriate, taking into account the size of the Bank and its operations. The combined and varied knowledge, experience and skills of the Board members provided a balance of competencies that are required and add value to the proper functioning of the Board.

Corporate Governance Statement of Compliance (continued)

Independence of Directors

During Financial Year 2023, the Board consisted of nine (9) Independent Non-Executive Directors.

During the year under review, the Board included also one (1) Non-Independent Non-Executive Director and two (2) Executive Directors (as indicated on pages (xiii) to (xv) of the Annual Report). In determining the independence or otherwise of its Directors, the Board has considered, amongst others, the notion of independence as contained in the Code, the Bank's own practice as well as general good practice principles.

Moreover, the Non-Executive Directors have to prepare a written annual declaration of their independence to the Board in line with Code Provision 3.4 declaring that they undertake:

- To maintain in all circumstances his/her independence of analysis, decision and action;
- Not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
- To clearly express his/her opposition in the event that s/he finds that a decision of the Board may harm the company.

The Board believes that, by definition, employment with the Bank rendered Director James Grech as Non-Independent from the Institution. However, the fact that Mr Grech is an employee of the Bank should not, in any manner, detract from the said Non-Independent Director's ability to maintain independence of analysis, decision and action at all times. Moreover, having considered Mr Grech's role and duties within the Bank as a Bank employee, the Bank deemed Mr Grech to be a Non-Executive Director.

Appointment of Executive Directors

The appointment of Executive Directors is regulated by article 24 of the Articles of Association. In accordance with the said article, the CEO of the Bank shall ex officio become an Executive Director by virtue of his office and shall remain in office until the tenure of office as CEO.

The Non-Executive Directors shall appoint at least one (1) other Executive Director on the Board from amongst the Senior Management and may also appoint a third Executive Director if the Non-Executive Directors consider it in the best interest of the collective knowledge and competence of the Board to do so. To date, one (1) additional Executive Director has been appointed. Until 5 April 2023, that position was held by the Chief Risk Officer (CRO). Following the CRO's resignation from the Bank he automatically also resigned from the Bank's Board of Directors. On 1 August 2023, the Group Chief Compliance Officer was appointed as the second Executive Director on the Board, which is in line with the Bank's endeavours to give the necessary importance to the Compliance and Anti-Financial Crime function even at Board level.

Appointment of Non-Executive Directors

Article 23.3 of the Bank's Articles of Association specifies that the Board of Directors shall consist of a maximum of three (3) Executive Directors and a maximum of nine (9) Non-Executive Directors. In the event of the co-option to the Board, pursuant to article 27A, of a maximum of two (2) additional Non-Executive Directors, the maximum number of Non-Executive Directors shall be eleven (11).

The appointment of the Non-Executive Directors is governed by articles 25 and 27A of the Articles of Association and appointments may be made as follows:

a. By Qualifying Shareholders – namely members holding at least 10% of the issued share capital of the Bank having voting rights, that are entitled to nominate, for the approval of the Nominations and Remuneration Committee, one person for each 10% voting shares held; and
b. By Non-Qualifying Shareholders not having a Qualifying Shareholding, but who individually or in aggregate hold not less than €50,000 in nominal value of shares having voting rights in the Bank and who are entitled to make recommendations for the approval of the Nominations and Remuneration Committee; or
c. By the Nominations and Remuneration Committee itself seeking the recruitment of fit and proper persons having the right attributes that can add value to the Board of Directors.
d. By the Non-Executive Directors pursuant to Article 27A of the Articles of Association as explained in further detail below.

Save for the provisions in paragraph (d) above, all Non-Executive Directors are appointed by the Bank's shareholders during the Annual General Meeting.

Appointment of Additional Non-Executive Directors by Co-Option

Article 27A of the Bank's Articles of Association provides for the additional appointment of Non-Executive Directors by co-option.

The objective of this article is to address situations where, notwithstanding the efforts that may be made by the Nominations and Remuneration Committee to ensure that the Board of Directors of the Bank has the necessary mix of skills and experience, there could arise situations where those efforts could not yield the appropriate mix and combination of skills, or where the regulator could require certain skills which may not be present on the Board. In these situations, the Board would need to react in a relatively short time to ensure that the composition of the Board fulfils its ultimate aim.

Corporate Governance Statement of Compliance (continued)

Accordingly, this Article empowers the Board of Directors (specifically, the Non-Executive Directors) to co-opt up to a maximum of additional two Non-Executive Directors to sit on the Board of Directors of the Bank, only in those instances where the nine (9) Non-Executive Director positions were already filled, but the then current Board complement did not have the composition required by regulation or in the opinion of the Nominations and Remuneration Committee, the Board still did not have the appropriate mix of collective skills, knowledge and experience. Such co-opted Non-Executive Directors would be appointed for a three (3) year term with eligibility for re-appointment.

The two (2) Non-Executive Directors who were co-opted to the Board pursuant to Article 27A are Alfred Mifsud and Diane Bugeja. However, Alfred Mifsud resigned from the Board with effect from 27 April 2023. No other Non-Executive Director was co-opted on the Board in Mr Mifsud's stead.

Nominations and Remuneration Committee

All Directors, irrespective of the manner in which they are proposed, can only proceed to the next steps leading to their taking office, following the approval of their nomination by the Nominations and Remuneration Committee. In this context, the Nominations and Remuneration Committee is the organ that, after having scrutinised the list of candidates to ensure that the Board will have the appropriate collective knowledge, experience and competence, will then place the list of approved candidates for Board recommendation for election at the Annual General Meeting (AGM). When discussing new appointments to the Board, the Nominations and Remuneration Committee ensures that the skills, knowledge and experience which already exist in current Board members, as well as those needed on the Board, are evaluated. In the light of such an evaluation the Nominations and Remuneration Committee prepares a description of the role, skills, experience and knowledge needed from Directors.

The Nominations and Remuneration Committee informs the Chairman, and the other Non-Executive Directors, about the expected time commitment in their roles on the Board of Directors of the Bank, and that they undertake to dedicate sufficient time for Board and Board Committee meetings, preparation ahead of such meetings, as well as training (both induction and ongoing training). The other significant commitments, including time involvement, of the Chairman and the Non-Executive Directors, are disclosed to the Nominations and Remuneration Committee before their appointment. All Directors may not take additional directorships on boards of other entities without the prior approval of the Nominations and Remuneration Committee.

No member of the Nominations and Remuneration Committee is present while his nomination as a Director of the Bank is discussed by the Nominations and Remuneration Committee.

Rotation of Directors

The Bank has a system of rotation of Directors aimed at ensuring a certain level of continuity within the Board of Directors. The system of rotation of Directors contemplates the retirement of one-third of the Non-Executive Directors each year, with the remaining two-thirds of the Board retaining office. This is aimed at providing stability of policymaking and implementation. Those Directors whose turn it is to retire from office, pursuant to the rotation system, will be eligible for re-appointment, subject to approval by the Nominations and Remuneration Committee. The Directors to retire first shall be determined as follows:

a. Those Non-Executive Directors who wish to retire and who do not seek re-appointment prior to the full term of their appointment; otherwise,
b. To the extent that there are no Non-Executive Directors who wish to retire and who do not seek re-appointment prior to the full term of their appointment, those who retire first shall be the Non-Executive Directors who have been longest in office, including by virtue of re-election, since their first election, but as between persons who became Directors on the same day or in the event that the duration in office cannot be properly determined those to retire shall (unless they otherwise agree among themselves) be determined by lot.

A retiring Director shall only be eligible for re-election provided that such person did not occupy the office of Non-Executive Director for an aggregate period of more than twelve (12) years in any period of fifteen (15) years.

Pursuant to Article 28.2 of the Bank's Articles of Association, one-third of the Bank's Non-Executive Directors are due to retire at the Annual General Meeting (AGM), by virtue of their holding office longest, including by re-election or reappointment.

During 2024, the most senior Directors who have been longest in office, including persons who became Directors on the same day, are Anita Mangion, Kevin J. Borg, Elizabeth Camilleri and Godfrey Swain. Given that all four (4) Directors were appointed (re-appointed in the case of Anita Mangion) on the Board on the same day during the 2021 AGM, pursuant to Article 25 of the Bank's Articles of Association it was determined by lot that Directors Anita Mangion, Kevin J. Borg and Elizabeth Camilleri shall retire during the 2024 AGM. All three (3) Directors are eligible for re-appointment on the Board. Mr Kevin J. Borg and Ms Elizabeth Camilleri have decided not to seek re-appointment on the Board at the forthcoming AGM.

Ms Anita Mangion has been re-appointed as Non-Executive Director of the Bank for another term. Ms Mangion has been re-appointed by the Government of Malta as one of the Qualifying Shareholders of the Bank.

Corporate Governance Statement of Compliance (continued)

Therefore, the Bank has two (2) vacancies for Non-Executive Director to be filled during the 2024 AGM. On 8 February 2024, the Bank issued a call for interested persons who would like to submit their nomination for appointment as Non-Executive Director on the Board pursuant to Article 25 of its Articles of Association. The Bank received nine (9) nominations for the two (2) vacancies. An assessment of eight (8) nominations is in the process of being undertaken by the Nominations and Remuneration Committee, whereas one (1) nomination has been withdrawn. The Nominations and Remuneration Committee will be making its recommendations to the Board of Directors for shareholders' consideration at the forthcoming AGM.

Number of Directorships held by members of the Board of Directors as at end December 2023, including the appointment of the Board of Bank of Valletta p.l.c.:

Name of Director	Number of Directorships held: Executive Director (ED) & Non-Executive Director (NED)
Gordon Cordina (Chairman)*	3 NED and 1 ED
Kenneth Farrugia**	3 NED and 1 ED
Anita Mangion*	2 NED
Diane Bugeja	1 NED
James Grech	3 NED
Deborah Schembri	1 NED
Kevin J Borg	1 NED
Godfrey Swain**	7 NED
Elizabeth R Camilleri	1 NED
Nicola Angeli	1 NED
Robert Suban	4 NED
Anatoli Grech***	1 NED and 1 ED

* Gordon Cordina and Anita Mangion are not subject to the provisions of Article 91 of the CRD V (Capital Requirements Directive) and Article 14 (3) (a) of the Banking Act, 1994 (Chapter 371, Laws of Malta) as regards the number of directorships held by them in view of their appointment in a national representative capacity.

** Two (2) of the directorships held by Kenneth Farrugia and six (6) of the directorships held by Godfrey Swain refer to directorships of companies in the same group namely MAPFRE MSV Life p.l.c. (50% owned by Bank of Valletta p.l.c.), Mapfre Middlesea p.l.c. and Vallcara Limited, Solvanova Limited, and Eight Points Limited (all three (3) companies owned by the same shareholders), and therefore count as a single directorship pursuant to Article 14 2A (c) (i) of the Banking Act.

*** The two (2) directorships held by Anatoli Grech refer to directorships of companies in the same group of BOV Group and therefore count as a single directorship pursuant to Article 14 2A (c) (1) of the Banking Act.

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

The Board meets approximately once a month, unless further meetings are required for the Board to discharge its duties effectively. The Board discusses and decides upon matters relating to the Bank's business. During the financial year under review, the Board met twenty-one (21) times.

The Board regularly reviews and evaluates corporate strategy, major operational and financial plans, risk policies, performance objectives which are benchmarked against industry norms and business alternatives. The strategy, processes and policies adopted for implementation are regularly reviewed by the Board so that corrective measures can be taken to address any deficiencies and ensure the future sustainability of the enterprise. The Board also monitors implementation and corporate performance within the parameters of all relevant laws, regulations and codes of best business practice. The Board has a formal schedule of matters reserved for its decision and also delegates specific responsibilities to Board Committees.

The Board ensures that it has the appropriate policies and procedures in place which guarantee that the Bank and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards.

Notice of the dates of upcoming meetings, together with supporting material, are circulated well in advance to Directors to allow ample time to appropriately consider the information prior to the next Board meeting. Furthermore, advance notice is also provided of ad hoc meetings to allow sufficient time to re-arrange commitments.

After each Board meeting, minutes that faithfully record attendance, matters discussed and decisions taken, are prepared and circulated to all Directors as soon as practicable after the meeting.

Members of Senior Management attend Board Meetings by invitation on a regular basis.

Corporate Governance Statement of Compliance (continued)

Directors' attendance for Board Meetings during FY 2023 was as follows:

Directors' Name	Independent Directors/ Non-Independent Directors/ Executive Directors (ED)/ Non-Executive Directors (NED)	Number of Meetings held: 21 Meetings attended by Directors:	
Gordon Cordina (Chairman)	Independent NED	21	
Alfred Lupi[1]	Independent NED	8	(out of 10)
Antonio Piras[1]	Independent NED	1	(out of 10)
James Grech[2]	Non-Independent NED	17	
Anita Mangion	Independent NED	20	
Alfred Mifsud[3]	Independent NED	9	(out of 10)
Diane Bugeja	Independent NED	19	
Miguel Borg[4]	Independent NED	6	(out of 7)
Elizabeth Camilleri	Independent NED	20	
Kevin J. Borg	Independent NED	20	
Godfrey Swain	Independent NED	20	
Kenneth Farrugia	ED	21	
Deborah Schembri	Independent NED	20	
Nicola Angeli[5]	Independent NED	11	(out of 11)
Robert Suban[6]	Independent NED	11	(out of 11)
Anatoli Grech[7]	ED	7	(out of 7)

1 Antonio Piras and Alfred Lupi resigned during the Annual General Meeting held on 25 May 2023. Antonio Piras was excused from attending a number of Board meetings due to health reasons.

2 On 28 November 2023, the Bank resolved to apply with immediate effect the Policy as approved by the Board during its 926th meeting held on 11 October 2023 which provides that a Director who has ongoing legal proceedings against the Bank or any of the Bank's subsidiaries, while he/she is still in office will immediately withdraw from participating in Board meetings whilst his/her case against the Bank is ongoing. Consequently, in view of the prevailing circumstances, Director James Grech did not attend any of the Board meetings held after the date of the coming into force of the Policy.

3 Alfred Mifsud resigned from his role as a Non-Executive Director on the 27 April 2023.

4 Miguel Borg resigned from the Bank and from his role as Executive Director of the Board with effect from 5 April 2023.

5 Nicola Angeli was appointed to the Board during the Annual General Meeting held on 25 May 2023. His appointment was subject to Regulatory Approval which was duly received on the 1 August 2023. Pending receipt of Regulatory Approval, Mr Angeli attended Board meetings as part of his induction process.

6 Robert Suban was appointed to the Board during the Annual General Meeting held on 25 May 2023.

7 Anatoli Grech was appointed to the Board with effect from 1 August 2023.

Board Committees

The Board also delegates specific responsibilities to Committees, which operate under their respective formal Terms of Reference. In this respect, the Board has established the following Committees:

The Audit Committee

The Audit Committee's Terms of Reference include the monitoring of the financial reporting process, the effectiveness of the Bank's internal control, internal audit and risk management systems and the audit of the Bank's annual and consolidated accounts. The Audit Committee is also responsible for overseeing the establishment of accounting policies by the Bank. The primary purpose of the Audit Committee is to protect the interests of the Bank's shareholders and assist the Directors in conducting their role effectively so that the Bank's decision-making capability and the accuracy of its reporting and financial results are maintained at high level at all times. The Audit Committee has established internal procedures and monitors these on a regular basis. The Audit Committee also scrutinizes and approves related party transactions in line with the Related Party Transactions Policy. The Audit Committee considers the materiality and the nature of the related party transactions carried out by the Bank to ensure that the arms' length principle is adhered to at all times. The Audit Committee, in line with the Capital Markets Rules, is involved in and monitors the external audit processes, performs oversight on the internal audit function and facilitates communication between the two. As part of the monitoring of the external audit process, the Audit Committee endorses the overall selection process of the statutory auditors, which commences from Request for Proposal (RFP) which is issued by the Bank, leading to the interview of the audit firms who express an interest in the Bank's RFP. The Audit Committee is involved in the interview of the shortlisted audit firms and makes its recommendation for Board approval. In so far as the reviewing and monitoring of non-audit services to the audited entity is concerned, the Bank maintains a list of non-audit services which the statutory auditors are permitted to undertake in terms of regulations, which list requires the approval of the Audit Committee. Any non-audit services which fall outside this list requires the approval of the Audit Committee.

Corporate Governance Statement of Compliance (continued)

During the period under review, the Committee conducted its annual self-assessment, confirming its effectiveness in adding significant value to the oversight function of the Board.

In terms of Capital Markets Rules 5.117, 5.118 and 5.118A, the Audit Committee is composed of the following three (3) Non-Executive Directors, all of whom are considered as independent of the Bank, since they are free from any business, family or other relationship with the Bank or its management that may create a conflict of interest such as to impair their judgement. The Non-Executive Director appointed on the Audit Committee whom the Bank deems to be competent in accounting by virtue of her being a professional accountant is Deborah Schembri. Until 25 May 2023, besides Deborah Schembri there was also Alfred Lupi on the Audit Committee who was deemed to be competent in accounting by virtue of his being a professional accountant.

1. Ms Deborah Schembri is a Certified Public Accountant. She holds a Masters in Business Administration from Henley Management College (UK) and she holds an Advanced Diploma in Retirement Provision pursued with the UK Pensions Management Institute. She is appointed Chair of the Audit Committee by the Board and is the Director whom the Bank considers as competent in accounting. Ms. Schembri possesses successful experience in strategy formulation, corporate governance, business and product development, customer relationships and employee engagement. She has over twenty (20) years' experience in the financial services and various other local industries. Currently, Ms Schembri holds the role of Group Chief Financial Officer of a major local diversified group of companies operating locally and internationally and also sits on committees within the Malta Chamber of Commerce and the Institute of Financial Services Practitioners. She had also worked with one of the Big Four audit firms.

2. Mr Godfrey Swain is a Member of the Bank's Audit Committee, ESG Committee and a Director on the Board of MAPFRE MSV Life p.l.c. and Mapfre Middlesea p.l.c. He is an international executive with thirty (30) years of banking experience, having served as CEO of Myanmar Citizens Bank (MCB) based in Yangon tasked with executing a banking transformational strategy in partnership with the International Finance Corporation (IFC), an arm of the World Bank. Mr Swain previously served as Deputy CEO, Head of Retail Banking and Marketing based in Ho Chi Minh City.

   Mr Swain served as a senior Hong Kong and Shanghai Bank (HSBC) international executive for twenty years holding key roles as Managing Director and Country Head of Retail Banking and Wealth Management for HSBC in Japan, Vietnam and previously Malta where he also held roles of Head of Marketing and Communications and founding CEO/MD of HSBC Life Assurance (Malta) Limited.

3. Mr Nicola Angeli is currently a Member of the Audit Committee. He has an extensive knowledge of the European banking sector, accumulated over ten (10) years of experience working on transactions in the private and public markets.

   Based in Italy, he started his career in the Debt Capital Markets team of UniCredit S.p.A., where he assisted medium and large corporates in the execution of financing transactions in the fixed-income market. In 2015 he moved to his current position in the Group M&A and Corporate Development team, where his responsibilities focus on the carrying out of M&A proprietary transactions for the UniCredit Group. Mr Angeli was involved in several transformational inorganic projects, including both M&A and capital markets deals.

   Mr Angeli has a Masters degree cum laude in Banking, Business and Financial Markets and a Bachelor of Science cum laude in Economics, both from the University of Trento (Italy).

More detail on the brief resumes of the Audit Committee Members is found on pages (xiii) to (xv) of the Annual Report.

In view of the diverse skills and professional experience of each of the Audit Committee Members, the Bank considers the Audit Committee as a whole to have the adequate competence and to meet the independence criteria as required by the Capital Markets Rules 5.118.

Audit Committee Members' Attendance during FY2023 was as follows:

Members	**Meetings Held: 13** **Meetings attended by member:**
Alfred Lupi (Chair)*	5 (out of 5)
Alfred Mifsud**	5 (out of 5)
Deborah Schembri (Chair)	13
Godrey Swain***	8 (out of 8)
Nicola Angeli****	8 (out of 8)

* Resigned as Chairperson and Director with effect from the 25 May 2023.

** Resigned as an Audit Committee member and Director with effect from the 27 April 2023.

*** Appointed as an Audit Committee member with effect from the 25 May 2023.

**** Appointed as an Audit Committee member with effect from the 25 May 2023. Until Regulatory approval was received on the 1 August 2023, Mr Angeli attended Audit Committee meetings in an observer capacity.

Corporate Governance Statement of Compliance (continued)

The Chief Executive Officer, the Chief Risk Officer and the Group Chief Internal Auditor attend Audit Committee meetings. The Chief Financial Officer and a representative of the External Auditors attend the Audit Committee meetings by invitation. KPMG are the Group's statutory auditors. A designated person from the Office of the Company Secretary acts as Secretary to the Audit Committee.

The Nominations and Remuneration Committee – This is considered under the Remuneration Report.

The Risk Committee

The Risk Committee assists the Board in assessing the different types of risks to which the Organisation is exposed. This Committee is responsible for the proper implementation and review of the Group's risk policies related mainly, but not restricted to, Credit, Market and Operational Risks. It reports to the Board on the adequacy, or otherwise, of such policies. The Committee is also responsible for reviewing delegated limits, together with an oversight of the Group's monitoring and reporting systems, to ensure regular and appropriate monitoring and reporting on the Group's risk positions.

Risk Committee Members' attendance during FY2023 was as follows:

Members	Meetings Held: 13 Meetings attended by member:
Alfred Mifsud (Chair)*	6 (out of 6)
Antonio Piras**	1 (out of 1)
Godfrey Swain**	6 (out of 6)
Robert Suban (Chair)***	7 (out of 7)
Deborah Schembri****	12 (out of 12)
Gordon Cordina*****	6 (out of 7)

* Resigned as Chairperson and Director with effect from the 27 April 2023.

** Resigned as a Member of the Risk Committee with effect from the 25 May 2023.

*** Appointed as a Chairperson of the Risk Committee with effect from the 25 May 2023.

**** Appointed as a Member of the Risk Committee with effect from the 16 February 2023.

***** Appointed as a Member of the Risk Committee with effect from the 25 May 2023.

The Chief Executive Officer, the Chief Risk Officer, and the Group Chief Compliance Officer attend Risk Committee Meetings. A designated person from the Office of the Company Secretary acts as Secretary to the Risk Committee.

The above information on the Risk Committee, together with the information contained in the Pillar 3 Disclosures which are available on the Bank's website, is also to be considered as a disclosure for the purposes of Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

The Compliance and Anti-Financial Crime Committee

The primary objective of the Compliance and Anti-Financial Crime Committee is to assist and guide the Board of Directors in the discharge of their obligations imposed from time to time by regulation in the area of financial services and in light of the Bank acting as a credit and financial institution licensed to provide services under different laws and within the framework of the Compliance Function as defined in the Compliance Charter and as approved by the Board of Directors. The Committee is also responsible for assisting the Bank in combating financial crime and money laundering activities.

Compliance and Anti-Financial Crime Committee Members' attendance during FY2023 was as follows:

Members	Meetings Held: 6 Meetings attended by member
Diane Bugeja (Chairperson)	6
Gordon Cordina	6
Anita Mangion	6

The Chief Executive Officer, the Chief Risk Officer, the Group Chief Compliance Officer and the Money Laundering Reporting Officer attend the Compliance and Anti-Financial Crime Committee meetings. A designated person from the Office of the Company Secretary acts as Secretary to the Compliance and Anti-Financial Crime Committee.

Corporate Governance Statement of Compliance (continued)

The Environmental, Social, and Governance (ESG) Committee

The primary purpose of the ESG Committee is to secure board-level oversight of strategic climate and environmental-related risks and opportunity management, as well as strengthening the governance structure in relation to ESG factors. The Committee acts as the approval Board body for the decisions in relation to the Sustainability strategy and its implementation, and senior line management for points of escalation for decisions relating to climate work underway across the business line of the Bank. The ESG Committee is chaired by the Bank's Chairman and is composed of three (3) other Non-Executive Directors, one of whom is also a Member of the Risk Committee. Representatives from relevant business functions are invited to attend ESG Committee meetings.

The ESG Committee Members' attendance during FY2023 was as follows:

Members	Meetings Held: 4 Meetings attended by member
Gordon Cordina (Chair)	4
Anita Mangion	4
Elizabeth Camilleri	3
Godfrey Swain	4

Suitability Policy

The Bank's Suitability Policy applies to all Directors, Executive Committee Members, and Key Function Holders within the BOV Group (collectively termed as "Subject Persons"). The Suitability Policy aims to ensure the suitability of the Board of Directors and the Executive Committee, as well as other Key Function Holders, not just at the inception of their appointment but also throughout the duration of their appointment. In this context, suitability refers to the ability of all Subject Persons (SPs) to ensure, a sound and prudent management of the financial institution, viewing the safeguarding of the financial system and the interests of respective clients, depositors, shareholders, and other creditors. Subject Persons (SPs) must comply with requirements of fitness and appropriateness, professional qualification, independence of mind, and time commitment (availability).

Board Diversity Policy

The Board Diversity Policy (the Policy) has been drafted in line with European Securities and Markets Authority (ESMA) and European Banking Authority (EBA) guidelines on the assessment of suitability of members of the management body and key function holders, as well as in line with the requirements of Article 88 of the CRD V (Capital Requirements Directive).

The Policy provides that the Board aspires to maintain the following diversity objectives:

i. Gender:

The Board is committed to maintain at least three (3) female Board members and aims to achieve a minimum of 33% female representation on the Board by end of 2023. During 2023 there were four (4) female Board members on the Board. As a result, as at the end of Financial Year 2023, the Bank had a 33% female representation on the Board, thereby achieving its target.

ii. Age:

Pursuant to the Bank's Articles of Association, the age limit for all Non-Executive Directors shall be seventy-five (75) years. In addition, the Board shall endeavour to ensure that not all Directors are in the same decade of their lives.

iii. Professional experience:

Directors should preferably have at least five (5) years professional experience in at least one of the following sectors: financial, banking, accounting and auditing, risk management, governance, compliance and anti-financial crime and information technology.

iv. Educational background:

Directors should have a sound educational background with a qualification in any of the areas of banking, business administration, economics, risk management, accountancy and auditing, and law.

v. Geographical provenance:

Given the size of Malta as a jurisdiction, coupled with the fact that BOV's level of international activity is very limited, for BOV, geographical provenance is not a relevant diversity factor. Notwithstanding, the Bank shall, where possible, endeavour to bring international experience to the Board table, which can be achieved by having directors on the Board with prior relevant international professional background.

Corporate Governance Statement of Compliance (continued)

For FY2023, the Nominations and Remuneration Committee prepared a report for the Board outlining the process implemented in relation to appointment of Board members on the Board. Such report also included the measurable objectives set for implementing the Policy, as well as the progress made towards achieving those targets. The BOV Diversity Report for FY 2023 detailed the process relating to the:

i. Appointment of the Non-Executive Directors during the 2023 AGM, whereby Directors Robert Suban and Nicola Angeli were appointed Directors on the Board following a suitability assessment process by the Nominations and Remuneration Committee.

ii. Appointment process of Executive Director Anatoli Grech, whereby following a suitability assessment process by the Nominations and Remuneration Committee, Mr Grech was appointed Executive Director on the Board with effect from the 1 August 2023, upon receipt of Regulatory approval.

The BOV Diversity Report also included the progress made by the Bank during 2023 to maintain or improve its Board diversity objectives and targets as defined in the Policy. For FY2023, the Bank has met its Board diversity objectives and targets in all areas, including its target to have at least a 33% female participation on the Board.

Learning and Self-Development Policy

Aligned with the Bank's strategic vision, the Learning and Development Centre serves as a vital catalyst for ongoing skill enhancement, ensuring the Bank remains future proof. The Bank's guiding principle is encapsulated in the mantra 'Learn, Grow, and Empower Others.' We are dedicated to fostering a dynamic workforce by cultivating resource liquidity through skill development, continually refining the talent pipeline through ongoing upskilling initiatives, and nurturing exemplary leaders through robust leadership development programs.

The Bank offers professional training courses across a broad spectrum of subjects. Testament of the high standard of our courses is the recognition received from the Malta Further and Higher Education Authority (MFHEA) through its accreditation of several courses offered by the Bank. In fact, BOV is licensed as a Higher Education Institution (License Number: 2018-003) and offers employees MQF Level 5 and Level 6 qualifications such as Awards in Managing Customer Excellence, Management and Leadership, Train the Trainer, Investments and Credit for Retail Banking and Business. In 2023, 151 employees graduated in one or more of these awards.

The Learning and Development team delivers customised and specialised training initiatives across various pillars, including Onboarding and Customer Centricity, Personal Development, as well as Leadership Development programmes. Additionally, the Bank offers an e-learning platform designed to empower its employees by providing opportunities for further self-development, both within the workplace, on their mobiles and the convenience of their homes. The following table depicts the average hours of training undertaken by all employees during FY2023.

	Hours
Average number of hours of training (per person) that the Group's employees have undertaken during FY2023	28.7
Total number of hours of training during FY2023	63,390

During the final quarter of 2023, a Learning Needs Analysis was undertaken to ensure the delivery of effective learning provisions and skills throughout the Bank. This initiative aims to maintain business agility and responsiveness to future changes. The primary objective is to enhance employees' skills, bolster employee retention, and address business and regulatory requirements in an ever demanding and rigorous regulatory landscape. Internally crafted training programs are seamlessly integrated with external training opportunities to not only expand employees' current skill sets but also introduce fresh perspectives on thinking and problem-solving.

The Bank remains steadfast in its dedication to providing unwavering support to its employees, both in their professional and academic pursuits. This commitment is reflected in the allocation of essential resources and time to facilitate continuous development, as outlined in the Learning and Self-Development Policy. This policy encourages all employees within the Group, whether on indefinite or definite employment, to actively pursue self-development. To facilitate this, the Bank extends assistance through grants, study loans, and study/dissertation leave, all aligned with the current business needs of the institution. More than 100 applications for different qualifications were approved during 2023.

Suitability of Board of Directors

The Nominations and Remuneration Committee undertakes a suitability assessment of Members proposed to be appointed on the Board of Directors or on the Executive Committee, as well as individuals proposed to be appointed for Key Function Holder positions. This comprehensive assessment is based on the individual's knowledge, skills and expertise. Due consideration is also given to criteria of reputation, conflicts of interest, independence of mind and time commitment.

Corporate Governance Statement of Compliance (continued)

During FY2023, the Nominations and Remuneration Committee carried out an internal suitability assessment exercise to assess the ongoing fitness and properness of Members of the Board of Directors. The objective of this suitability assessment was to:

i. Perform an individual suitability assessment for the Board of Directors in relation to their reputation, knowledge, skills, and experience to perform their duties; acting with honesty, integrity and independence of mind; and time commitment to their role;

ii. Perform a collective suitability assessment of the Board of Directors to assess the collective skillset, expertise and diversity of the Board of Directors.

The assessment exercise was based on the detailed guidelines issued by the European Securities and Markets Authority ("ESMA") and the European Banking Authority ("EBA"), specifically Directives 2013/36/EU and 2014/65/EU (ESMA 35-36-23) and EBA/GL/2021/06 both issued on 2 July 2021 (hereinafter referred to as "the Guidelines").

From this assessment exercise it emerged that all Members of the Board of Directors were deemed to be individually and collectively suitable.

Executive Committee

The Executive Committee is entrusted with the overall responsibility for monitoring and managing the Group's financial and operational performance, overseeing the execution of the Group's strategy, monitoring customer experience, and taking the necessary decisions to ensure that the Bank is operating with the applicable rules and regulations.

During financial year 2023, the Group reviewed the composition of the Executive Committee, to enable the Group to deliver its strategy more efficiently and ensure having the best possible personnel with the right skill set to lead each area. With expertise in accountancy, risk, economics, business, compliance, anti-financial crime, IT, strategic, project delivery and implementation, and digitisation, the Members of the Executive Committee are deemed to have the necessary collective knowledge, skills, and competence to manage the business of the Group, exert oversight of the Group's operations, recommend and follow a strategic plan for the Bank and its subsidiaries, overseeing the Group's financial, business and operational performance, establish and maintain a risk appetite framework, organise the allocation and adequacy of the Group's human resources and ensure that the Bank has a reliable and sustainable IT infrastructure, amongst other functions.

The Bank's Executive Committee meets at least monthly. It is chaired by the Chief Executive Officer. The other Members of the Committee are:

- Chief Financial Officer
- Chief Risk Officer
- Chief Operations Officer
- Chief Commercial Officer
- Chief Personal & Wealth Officer
- Group Chief Compliance Officer
- Chief Technology Officer
- Chief Digital Officer
- Chief Strategy, Transformation, and Data Officer
- Chief People & Culture Officer

The Group Chief Internal Auditor has an open invitation to attend all Executive Committee meetings at her discretion. Other personnel may by invitation, attend Executive Committee Meetings.

More detail on the Executive Committee members and their experience is found in their brief CV on pages (xvi) to (xix) of the Annual Report.

Besides the Executive Committee, the Bank also has the following seven (7) Executive Committees:

- Asset and Liability Management Committee
- Internal Control and Risk Management Committee
- Credit Committee
- Credit Sanctioning Committee
- Product Governance and Pricing Committee
- Projects Evaluation Committee
- Data Council

More detail on each of these Executive Committees is found below.

The Asset Liability Management Committee (ALCO) is an integral part of the Bank. The Committee takes an integrated view in managing the Group's assets and liabilities to achieve an optimal balance between risk and return. ALCO evaluates the asset and liability cash flows, profit and loss and balance sheet financial forecasts and the management of integrated exposures at a consolidated level, to enable it to give strategic direction to the business. Consideration is given, inter alia, to the funding and investment strategy, solvency, liquidity and interest rate risks.

Corporate Governance Statement of Compliance (continued)

ALCO monitors the liquidity and capital position of the Group on a continuous basis by evaluating and approving the Internal Liquidity Adequacy Assessment Process (ILAAP) and Internal Capital Adequacy Assessment Process (ICAAP) respectively on an annual basis and making use of forecasts to ensure that business and regulatory requirements are met. Additionally, the Committee ensures that the investment of the Bank's funds is conducted in accordance with the approved investment strategy and exercises executive authority in the area of interest rate management by setting the interest rates payable on deposit products. The Committee further serves as a Steering Committee for the Bank's Recovery and Resolution Plan. ALCO meets at least once a month to analyse financial information and to ensure cautious management of balance sheet and market risks. The Committee is chaired by the Chief Financial Officer and is composed of members of Senior Management.

The Internal Control and Risk Management Committee (ICRMC) was set up with the responsibility for the oversight and coordination of risk management, internal controls, compliance, and AML/CFT across the BOV Group. The ICRMC includes the following five subcommittees, namely:

a) Operational Risk Management Forum;
b) Outsourcing Risk Management Forum;
c) Environmental, Social, and Governance (ESG) Risk Management Forum;
d) Financial Crime Compliance Management Forum; and
e) Compliance Management Forum.

The above listed Fora continued to meet at predefined frequency during 2023 submitting for ICRMC deliberations succinct and focused presentations related to:

- Main Forum outcomes and action points;
- Approval notifications and escalations to the ICRMC.

The ICRMC is responsible for the proper implementation and review of the Group's risk and internal control policies. It reports to the Board on the adequacy, or otherwise, of such policies. The ICRMC is also responsible for advising and supporting the Executive Committee in the formulation of the Bank's risk appetite and to advise and support in the monitoring of the Group's actual and future risks. The ICRMC meets at least once a month to advise and support the Board in assessing the different types of risks to which the Group is exposed, whilst also taking a forward-looking perspective in respect of emerging risks. The Committee is also responsible for reviewing and discussing issues raised by the control functions on the effectiveness of the internal control systems.

The Committee provides effective management oversight over the Group's main risks, AML and Compliance initiatives as well as the progress on any remediation action required by the supervisory authorities. The ICRMC is chaired by the Chief Risk Officer, whilst the Group Chief Compliance Officer (GCCO) serves as the Deputy Chairperson. All other Executive Committee members – except (1) the Chief Strategy, Transformation, and Data Officer, and (2) the Chief People and Culture Officer – are members of the ICRMC.

The Credit Committee (CC) is responsible for assisting the Executive Committee in implementing and monitoring the credit strategy, Non-Performing Loan (NPL) strategy, level of credit provisioning and debt management. It advises and supports the Executive Committee in the formulation of the Bank's risk appetite and strategy on credit and also approves policies in relation to credit in line with the Policy Governance Framework. The Provisions Committee, mainly tasked with the approval of the level of credit provisioning, is a sub-committee of the Credit Committee and includes members from Finance, Business and Risk Management departments.

The Credit Committee is chaired by the Chief Risk Officer whilst the Chief Executive Officer acts as Deputy Chair. The other members are the Chief Commercial Officer, Chief Personal and Wealth Officer, Chief Financial Officer, Head Credit Risk Management and Head Business Banking, Reporting and Control. The Group Chief Internal Auditor is in attendance, whilst other members of Senior Management are invited to attend the Committee as and when required.

The Credit Sanctioning Committee (CSC) was established to sanction/decide on credit facilities both in the performing and non-performing categories. The CSC is a management committee reporting to the Executive Committee with escalation to Board of Directors in line with the terms of reference. The Credit Underwriting session, for assets within the performing category handles connected exposures above €10,000,000 whilst the Non-Performing Loans session, decides on non-performing exposures above €5,000,000. Both sessions of the CSC are chaired by the Chief Risk Officer. Non-voting representatives from Corporate Business and Risk may attend the Committee meetings by invitation.

The Product Governance and Pricing Committee (PGPC) is entrusted with ensuring that the Bank has in place a product governance and pricing framework:

- A product approval matrix inclusive of delegated authority outline;
- A periodic review program of all products and services; and
- Assessment of product/service pricing and approval of changes in fees and charges; and
- Discontinuation of products and services.

In discharging its responsibilities, the Committee will ensure that both existing and new products are analysed in terms of the target market, appropriateness, testing validation of methodologies have been considered, appropriateness of distribution channels for the target market, that any potential conflicts of interest are managed, and that pricing adequately covers the risk and costs involved.

Corporate Governance Statement of Compliance (continued)

The Committee is chaired by the Group Chief Compliance Officer. The other members of the Committee are the:

- Chief Executive Officer;
- Chief Financial Officer;
- Chief Personal & Wealth Officer;
- Chief Risk Officer;
- Chief Commercial Officer;
- Chief Operations Officer; and
- Chief Digital Officer.

The Project Evaluation Committee (PEC) is a vital link between recommending projects for budget approval, sanctioning project initiation, and advising on necessary authorisation for project investments requiring higher authority. The PEC carefully scrutinises project proposals within its scope, ensuring they align with the BOV's strategy and overall direction. It evaluates project initiation documents, assessing the robustness of costs, benefits, resource requirements, and delivery assumptions. Moreover, the PEC plays a vital role in assuring the appropriate approvers regarding the soundness of submitted investments. The PEC evaluates potential impacts on customer experience and internal processes, engaging with specialist Risk and Compliance teams for regulatory assessments and challenges. The PEC also provides support and guidance to proposers to enhance approval rates while prioritising investments based on strategic imperatives. It critically evaluates its performance against established KPIs/KRIs to ensure effective benefits realisation.

The PEC is chaired by the Chief Strategy, Transformation, and Data Officer, while the Chief Technology Officer, Chief Commercial Officer, and Chief Operations Officer are standing members. The remaining members are selected based on their relevant expertise, and they work together to ensure the successful implementation of projects.

The Data Council (DC) is entrusted to oversee all aspects of data management controls and governance within the Bank, including the development oversight and implementation of data strategy, data systems, data Confidentiality, Integrity, Availability (CIA), data ownership and governance and data plans and initiatives while managing the upstream and downstream impacts of data changes. The responsibilities of the Committee moreover include deciding on BOV-wide data management approach and prioritization; reviewing the progress on initiatives; resolving/ escalating issues and conflicts as needed (e.g., alignment on single source of truth) as well as ensuring mitigation plans are in place for exposed / vulnerable risks on data.

Succession Policy

The Bank has implemented a comprehensive Succession Policy for the BOV Board of Directors, with primary objectives that include:

1. Establishing guidelines and processes for a planned and orderly succession of Directors (both Executive and Non-Executive) and filling any unplanned vacancies on the Board;

2. Facilitating a seamless transition for new Board Members to contribute to the governance of the organization quickly and effectively;

3. Ensuring that the collective knowledge and skills of the Board align with the governance role's requirements, taking into account the objectives defined in the Board Diversity Policy;

4. Effectively preparing Board Members for leadership positions to prevent key people dependencies at the governing level.

The Nominations and Remuneration Committee oversees the Succession Policy for the BOV Board of Directors, as well as the Succession Policy for Executive Committee members and Key Function Holders. This aligns with Code Provision 4.2.7 of the Capital Markets Rules, as the Chairman of the Board of Directors also serves as the Chairman of the Nominations and Remuneration Committee. The Board of Directors approves the Succession Policy for the BOV Board of Directors based on the Nominations and Remuneration Committee's recommendations.

Additionally, the Bank has established a Succession Policy for Executive Committee members and Key Function Holders. This policy aims to define and sustain the Bank's management and governance profiles over time, identify and develop new talent, and mitigate risks associated with changes in executive function and leadership during transitional periods. Recognising the significance of Succession Planning as an organisational practice, the Bank has undertaken the establishment of a framework for succession planning across Categories 1 to 5. This plan is crucial for preserving corporate knowledge, especially in cases of retirements, promotions, or attrition among key individuals, ensuring continuity across the Bank.

In conclusion, as an integral part of this initiative, an active successor identification exercise is currently in progress, accompanied by meticulously crafted development plans to guarantee a seamless transition. This robust succession planning process plays a pivotal role in cultivating an in-house talent pool that extends across the entire organisation.

Principle 6: Information and Professional Development

The CEO is appointed by the Board and is inter alia responsible for the recruitment and selection of Senior Management and consults with the Nominations and Remuneration Committee and with the Board on the appointment of Senior Management. Training of management and employees is a priority and internal and external training is provided by the Bank's Training Centre specifically set up for this purpose. The Bank also has a system in place which monitors management and staff morale.

Corporate Governance Statement of Compliance (continued)

On joining the Board, a Non-Executive Director is provided with briefings by the CEO and Chief Officers on the activities of the Bank. All Directors are provided with appropriate induction training and a dossier that, apart from incorporating relevant information on the Bank, also includes the Bank's Policy documents.

The Bank has a Board Governance Manual which provides a clear overview of the governance arrangements in place for the BOV Board of Directors. It also has the objective of showing how various key elements of governance, oversight, risk management and control link together and serves as a useful reference point for existing Directors and an induction manual for Directors newly appointed to the Board.

Directors may, where they judge it necessary to discharge their duties as Directors, take independent professional advice on any matter at the Bank's expense. Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring adherence to Board procedures as well as good information flows within the Board and its Committees.

In addition, the Company Secretary directs Members of the Board to seminars or conferences which serve as professional development for Directors in the discharge of their functions on the Board and on the Committees.

During the reporting year, Directors attended training relating to Strategy, Risk, Compliance and Anti-Financial Crime, Cyber-security, Leveraged Transactions and IFRS17.

Directors are also required to attend mandatory e-learning modules on a number of subjects including Anti-Financial Crime (AFC), Information Security Awareness, Conflicts of Interest, Market Abuse and GDPR.

Principle 7: Evaluation of the Board's Performance

During the period under review, the Nominations and Remuneration Committee undertook an evaluation of the performance of the Board, the Chairman and the Board Committees. The evaluation exercise was conducted through a Board Effectiveness and Diversity Questionnaire (the "Questionnaire") prepared by the Nominations and Remuneration Committee. Directors, including the Executive Directors, were required to complete the Questionnaire.

The outcome result of the Questionnaire was a positive one with high scores attained in the majority of questions. The areas for further improvement relate mainly to clearer understanding by the Board of the Bank's core business, its strategic direction, and the financial and human resources necessary to meet its objectives, as well as regular updates on performance against its objectives along with further training and information to enable it to properly execute its obligations of monitoring and oversight.

The result of the Board Effectiveness Questionnaire was analysed by the Nominations and Remuneration Committee and discussed at Board level. Actions are being taken to address those areas where an improvement may be necessary.

Furthermore, in accordance with the Board Diversity Policy, as part of the annual evaluation of the Board and its' Committees effectiveness, the Board Members are required to take into consideration the balance of all diversity aspects mentioned in the Board Diversity Policy and the level of their diversification as a whole. In order to assess the Board's effectiveness during FY2023 with respect to the diversity aspects in the Board Diversity Policy, relating to gender, age, professional experience, educational background and geographical provenance, the Questionnaire also included questions relating to these diversity aspects. The Board scored very well with respect to all diversity aspects.

Principle 8: Committees

The Nominations and Remuneration Committee is dealt with under the Remuneration Report which also includes the Remuneration Statement of Compliance in terms of Code Provisions 8.A.3 and 8.A.4, as well as in line with 8.B.7.

Principles 9 and 10: Relations with Shareholders and with the Market and Institutional Shareholders

The Bank recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood.

The Board is of the view that during the year under review, the Bank has communicated effectively with the market through a number of company announcements and press releases.

The Bank also communicates with its shareholders through the Bank's Annual General Meeting (AGM). Further detail is provided under the section entitled General Meetings. All Directors attend the AGM and are available to answer questions, if necessary.

The Chairman and the CEO also ensure that sufficient contact is maintained with major shareholders to understand issues and concerns. During these meetings no market sensitive information is disclosed.

The Chairman also ensures that arrangements are made for all Directors to attend the AGM and for the Chair of the Audit Committee, and for the Nominations and Remuneration Committee to be available to answer questions at the AGM.

Apart from the AGM, the Bank communicates with its shareholders by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis and through an annual newsletter to shareholders.

Corporate Governance Statement of Compliance (continued)

The Bank also issues the Interim Directors' Statement for Quarter 1 and Quarter 3 of its financial year. In addition, the Bank's website (www.bov.com) contains information about the Bank and its business, including an Investor Relations Section.

Furthermore, the Bank holds a meeting for stockbrokers and financial intermediaries, usually on a quarterly basis, to coincide with the publication of its Financial Statements and the Interim Directors' Statement. Other meetings with stockbrokers and financial intermediaries are held as necessary. From time to time, the Bank also holds meetings with the Malta Association of Small Shareholders.

The Office of the Company Secretary maintains two-way communication between the Bank and its investors. Individual shareholders can raise matters relating to their shareholding and the business of the Group, at any time throughout the financial year and are given the opportunity to ask questions at the AGM or submit written questions in advance. In terms of Article 18.3 of the Articles of Association of the Bank and Article 129 of the Companies Act, 1995 (Chapter 386, Laws of Malta), the Directors may call an Extraordinary General Meeting on the requisition of shareholders holding not less than one-tenth of the paid-up share capital of the Company.

Principle 11: Conflicts of Interest

Should a perceived, potential or actual conflict arise during the tenure of a directorship, a Director must disclose and record the conflict in full and on time to the Board and subsequent reporting to the Compliance Department is required. A Director shall not participate in a discussion concerning matters in which s/he has a conflict of interest unless the Board finds no objection to the presence of such Director. In any event, the Director shall refrain from voting on the matter.

A Director having a continuing material interest that conflicts with the interests of the Group should take effective steps to eliminate the grounds of conflict. Each Director should declare to the Group his or her interest in the share capital of the Group and should only deal in such shares as allowed by law and in accordance with internal policies.

In 2023, the Board of Directors approved a Policy whereby a Director of the Bank who is involved in legal proceedings against the Bank, or any of the Bank's subsidiaries, while s/he is still a Director, is considered to have a material conflict of interest and therefore must immediately withdraw from participating in Board meetings of the Bank until the legal proceedings against the Bank are closed.

Directors' interest in the share capital of the Bank as of 31 December 2023 was as follows:

	Beneficial Interest*
Kenneth Farrugia*	94, 054 shares
Anatoli Grech*	6, 348 shares
Godfrey Swain	100, 000 shares
Diane Bugeja	29,310 shares
Robert Suban	14, 785 shares

* *Includes any shares held by spouses or partners.*

No Director has any other benefit or non-beneficial interest in the share capital of the Bank.

Principle 12: Corporate Social Responsibility

As a socially responsible institution, Bank of Valletta seeks to manage its banking activities with integrity and hold itself accountable to its stakeholders in relation to issues concerning sustainability, the environment and other ethical concerns.

Bank of Valletta is committed to supporting the growth and prosperity of the community in which it operates by making strategic investments and partnering with local organisations and charities and undertakes social initiatives. Similarly, BOV seeks to make a difference in the quality of life through various initiatives, some of which are described below:

The BOV CSR Programme's active participation as a citizen of the Maltese Community is based on 5 CSR Pillars:

- Environmental, Resource and Climate Sustainability;
- Education and Financial Literacy;
- Support to vulnerable members of society;
- Cultural Heritage & Environment Capital of the Maltese Islands; and
- Ethical and Responsible Behaviour.

Creating awareness about Environment, Social and Governance (ESG) was central to the Bank's operations while reducing its carbon footprint. Branches continued to be upgraded to reduce the impact on the environment and bicycle use was also promoted through a collaboration with bicycle advocacy group ROTA. The Dinja Waħda project in collaboration with Birdlife Malta focused on increasing the appreciation of the environment and ways to safeguard it among schoolchildren through a practical and fun approach.

Corporate Governance Statement of Compliance (continued)

The Bank supported major educational awards with the University of Malta, including the Dean's List, the Prize in Medicine and the Foundation for Social Wellness Awards while continuing to promote literacy from a very young age and promoting financial education through collaborations with the Malta Bankers' Association and Ġemma.

A study on child abuse in collaboration with the University of Malta yielded valuable information on this sensitive topic. The state-of-the-art St Michael's Hospice, that the Bank is supporting through a collaboration with Hospice Malta, is expected to be inaugurated in 2024. The L-Istrina BOV Piggy Bank Campaign continued to create awareness about solidarity from a young age and the BOV Volleyball Marathon raised funds for id-Dar tal-Providenza. The Bank also extended its support to major philanthropic organisations such as Caritas (Malta), the Richmond Foundation and the Malta Trust Foundation, among others.
The Bank extended its support to gifted children in the artistic and academical spheres through collaborations with the BOV Joseph Calleja Foundation and the Julian's Pathfinder Foundation.

The long term support of the restoration project of the Gran Salon yielded part of the original decorations dating back to the 17th Century. A number of restoration projects, including an 18th Century Crucifix, and various restoration projects underway. The Bank continued to support the major Heritage Trusts in Malta, such as Fondazzjoni Wirt Artna, Fondazzjoni Patrimonju Malti and Din l-Art Ħelwa.

The Bank collaborated with the Manoel Theatre and the Teatru Astra and Teatru Aurora in Gozo in the production of three (3) high calibre operas, while introducing youths to theatre productions through the support of TOI.

The Bank continued to retain its position as the major supporter of sporting initiatives in Malta stemming from the belief of the positive physical and mental benefits of sports, both for the direct and also indirect participants. Besides the major sporting organisations that are now synonymous with the Bank, such as the Malta Football Association, the Aquatic Sports Association of Malta and the Malta Basketball Association, the Bank struck a number of new collaborations that include Bowling, Netball and Handball.

Further details about how the Bank is continuing to play a leading role in the communities in which it operates, and the actions taken to bring about real change in our society can be found in the Corporate Social Responsibility section of this publication.

C. NON-COMPLIANCE WITH THE CODE

Principle 9 (Code Provision 9.2, 9.3 and 9.4)

Code Provision 9.2 provides that minority shareholders should be able to call special meetings on matters of importance to the company. However, a minimum threshold of share ownership, as established in the Memorandum or Articles of Association of the company, should be set up before a Group or an individual may call a special meeting. The Bank does not have such a threshold included in its Memorandum or Articles. Nevertheless, as required in terms of the Capital Markets Rules, shareholders holding not less than five percent (5%) of the voting issued share capital of the Bank may request the Bank to include items on the agenda of a general meeting, of the Bank and to table draft resolutions for items included in the agenda of such general meeting.

Code Provision 9.3 requires the Bank to have in place a mechanism to resolve conflicts between minority shareholders and controlling shareholders. Even though the Bank does not have such a mechanism in place, the Bank maintains an open dialogue with all its Qualifying and Non-Qualifying shareholders to ensure no such conflicts arise.

Code Provision 9.4 requires that minority shareholders should be allowed to formally present an issue to the Board of Directors. Although the Bank does not have a policy in terms of this Code Provision, the Bank maintains an open dialogue with the Malta Association of Small Shareholders.

These Code Provisions were not applicable to the Bank during the financial year.

D. INTERNAL CONTROL

Authority to manage the activities of the Bank is delegated to the CEO within the limits set by the Board.

The Board is ultimately responsible for the Bank's systems of internal control and for reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable as opposed to absolute assurance against material misstatement or loss. Through the Audit Committee, the Risk Committee and the Compliance and Anti-Financial Crime Committee, the Board reviews the process and procedures to ensure the effectiveness of the Group's systems of internal control, which are monitored by the Group Internal Audit Department.

The key features of the Group's systems of internal control are as follows:

Organisation

The Group operates through the Board of Directors of subsidiary companies and equity-accounted investee companies with clear reporting lines and delegation of powers.

Corporate Governance Statement of Compliance (continued)

Control Environment

The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Group policies and employee procedures are in place for the reporting and resolution of fraudulent activities. The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives.

Risk Identification

The Management of each of the Group members is responsible for the identification and evaluation of key risks applicable to their areas of business. The risk management model adopted by BOV is the classic "three lines of defence model", wherein, the first line of defence is constituted by the functions that own and manage risks, namely the business units; the second line is constituted by the functions that oversee risks, namely Risk Management, Compliance and Anti-Financial Crime; and the third line is constituted by Internal Audit, which is the function that provides independent assurance. The Risk Management function, within the second line of defence, falls under the responsibility of the Chief Risk Officer, and operates within a wider Bank structure that reflects the risk appetite and risk management philosophy articulated by the Board of Directors.

Reporting

Functional, operating and financial reporting standards are applicable to all entities of the Group. These are supplemented by operating standards set, as required, by the Bank's Board and the Executive Committee. Systems and procedures are in place to identify, control and to report on the major risks including credit risk, changes in the market prices of financial instruments, liquidity, operational error and fraud. Exposure to these risks is monitored by ALCO and by the Risk Committee. The Board receives periodic management information giving comprehensive analysis of financial and business performance including variances against budgets.

E. CAPITAL MARKETS RULE 5.97.5

Whilst Capital Markets Rule 5.97.5 is not applicable, the information relating to the shareholder register required by this Capital Markets Rule is found in the Directors' Report.

F. GENERAL MEETINGS

The general meeting is the highest decision-making body of the Bank. A general meeting is called by twenty-one (21) days' notice, and it is conducted in accordance with the Articles of Association of the Bank.

The AGM deals with what is termed as "ordinary business", namely, the receiving or adoption of the annual financial statements, the declaration of a dividend, if any, the appointment of the auditors, Board authorisation to fix the auditors' emoluments and the election of Directors. Other business which may be transacted at a general meeting (including at the AGM) will be dealt with as special business.

All shareholders registered in the Shareholders' Register on the Record Date as defined in the Capital Markets Rules have the right to attend, participate and vote in the general meeting. A shareholder or shareholders holding not less than five percent (5%) in nominal value of all the shares entitled to vote at the general meeting may request the Bank to include items on the agenda of a general meeting and/or table draft resolutions for items included in the agenda of a general meeting. Such requests are to be received by the Bank at least forty-six (46) days before the date set for the relative general meeting.

A shareholder who cannot participate in the general meeting can appoint a proxy by written or electronic notification to the Bank. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to items on the agenda of the general meeting and to have such questions answered by the Directors or by such persons as the Directors may delegate for that purpose.

Remuneration report as at 31 December 2023

Report of the Nominations and Remuneration Committee as at 31 December 2023

1. Terms of Reference and Membership of the Nominations and Remuneration Committee

The Nominations and Remuneration Committee (the Committee) works under the guidance of its Terms of Reference as approved by the Board of Directors. The Committee is responsible to propose Board candidates and assess Board performance, recommend changes where necessary, and assess adequacy of individual Board Members periodically. It is also responsible to ensure that succession is in place for the Executive Committee and key functions of the Group, reviews periodically the Board policy for selection and appointment of ExCo members and Key Function Holders, and to nominate suitable candidates for these positions and those of Senior Management.

The Committee is also charged with overseeing the development and implementation of the remuneration and related policies of the Group. It makes recommendations to the Board of Directors on the Remuneration Policy of the Group, supports the Board of Directors in overseeing the remuneration system's design and operation and ensure that remuneration is appropriate and consistent with the Bank's culture, long term business and risk appetite, performance and control environment as well as with any legal or regulatory requirements. The role of the Committee is to devise the appropriate remuneration packages needed to attract, retain and motivate Directors, as well as Key Function Holders required for the proper governance of the Group.

The Committee was co-chaired by Gordon Cordina and Antonio Piras between 01 January 2023 and 16 February 2023, after which the Committee was solely chaired by Gordon Cordina. Kevin J Borg and Diane Bugeja were members of the Committee. Kevin J Borg was a member throughout the full year (1 January to 31 December 2023), however in the case of Diane Bugeja, she was appointed member of the Committee on the 16 February 2023, instead of Antonio Piras. All Committee members are Independent Non-Executive Directors. The Chief Executive Officer attends meetings of the Committee. The Chief People and Culture Officer attends meetings of the Committee by invitation. None of the Executives participated in the discussion regarding their remuneration. The Company Secretary acts as secretary to the Committee.

2. Meetings

The Committee held twelve (12) meetings during the period under review. Gordon Cordina and Kevin J Borg attended all twelve (12) meetings. Antonio Piras attended 1 (out of 1) meeting, and Diane Bugeja attended 11 (out of 11) meetings.

3. Remuneration Statement

3.1 Bank of Valletta p.l.c. Remuneration Policy – Executive Management

The Board of Directors determines the framework of the overall remuneration policy for Executive Management based on recommendations from the Committee. The Committee, on the recommendations of the Chief Executive Officer, then establishes the individual remuneration arrangements of the Group's Executive Management, namely the members of the Executive Committee.

The Remuneration Policy applies consistently to all employees within the Group. Its objective is to align employees' remuneration with the Group's performance, business strategy and business models, risk appetite framework, values and long-term goals. The overriding principle of the Remuneration Policy is that individual performance is evaluated according to both quantitative/financial and qualitative/behavioural measures.

Further details about the Bank's Remuneration Policy are found in the Pillar 3 disclosures which are published on the Bank's website.

The Committee considers that the current Executive Management remuneration packages are based upon the appropriate local market equivalents and are adequate for the responsibilities involved. The Committee is of the opinion that the remuneration packages are such, as to enable the Bank to attract, retain and motivate executives having the appropriate skills and qualities, in order to ensure the proper management of the organisation. Such packages should therefore be kept under constant review.

Hereinafter, for the purposes of this Remuneration Statement, references to "Senior Executives" shall mean the Chief Executive Officer and the other members of the Executive Committee.

Senior Executives enjoy the health insurance arrangements and death in service benefits as all Bank employees. Senior Executives are also entitled to the use of a company car. Certain members of the Executive Committee have a clause in their contract, wherein should their contract be terminated without due reason, they may be eligible for monetary compensation.

The Chief Executive Officer's remuneration is reviewed and approved by the Committee and by the Board of Directors. The Chief Executive Officer is eligible for an annual bonus entitlement by reference to the attainment of pre-established objectives and targets as laid down in the Chief Executive Officer's contract of engagement or as may be determined by the Committee and by the Board of Directors.

The Members of the Executive Committee are eligible for an annual bonus entitlement. The Members of the Executive Committee are also eligible for an annual salary increase which is approved by the Committee.

The Committee is of the view that the amount of performance bonus paid out at all staff levels is not significant.

Remuneration report as at 31 December 2023 (continued)

No supplementary pension or other pension benefits are payable to the Senior Executives. Insofar as early retirement schemes are concerned, the Senior Executives are subject to the schemes which are set out and defined in the Collective Agreement (for Managerial and Clerical Grades) as may be applicable to employees from time to time.

The Bank officially launched its first workplace pension - BOV VOPS in October 2022, a Voluntary Occupational Pension Scheme that falls under the second pillar. It is one of the initiatives spearheaded by the People and Culture function to strengthen employee retention and engagement.

The salient features and benefits of BOV VOPS are the following:

- The Bank will match every employee's contribution up to €2,400 in a given calendar year. This commitment is guaranteed for at least five (5) years;
- The employee will be eligible for 25% tax rebate on his/her contributions (max €750 on €3,000), under Pillar 2 (Work Place Pensions);
- Fringe Benefit Tax does not apply on BOV VOPS;
- Employees who have a workplace pension in place through their previous employer(s), are eligible to transfer their pot under BOV VOPS.

The BOV VOPS is classified as a Defined Contribution Pension Scheme. To date, over 850 employees have enrolled in the scheme and the total amount of defined contribution plan benefits paid by the Bank during 2023 in relation to the BOV VOPS is included in Note 7 (Employee Compensation and Benefits) of the Financial Statements.

Non-Executive Directors (excluding any Non-Executive Directors who are also employees of the Bank) are not eligible to participate in and to benefit from the BOV VOPS.

Total emoluments received by Senior Executives during FY2023 are reported under Section 3.3 within this Report, in terms of Code Provisions 8.A.5.

Variable Remuneration of Senior Executives (Executive Committee)

The Variable Remuneration of Senior Executives is determined by the Nominations and Remuneration Committee. Early in 2023, all Senior Executives were given Performance Objectives for the year which were approved by the Nominations and Remuneration Committee. The Bank's Risk function set out the performance metrics against which each Senior Executive was individually assessed. There are the following core elements to each individual performance assessment:

1. Corporate Performance Rating
   - Financial Performance;
   - ESG (relating to the implementation the Bank's ESG Plan for 2024 as part of its Strategy, meeting the relevant regulatory requirements);
   - Customer and Employee;
   - Governance adherence.

2. Individual Performance Rating

Moreover, all Senior Executives are scored on a number of Leadership Behavioural traits such as accountability, decisiveness and teamwork.

During Q1 2024, an assessment of the performance of the Senior Executives was carried out by the Chief Executive Officer and approved by the Nominations and Remuneration Committee, and notified to the Board of Directors. All reviews were conducted by the Chief Executive Officer. However, in the case of the Chief Risk Officer, Group Chief Internal Auditor and Group Chief Compliance Officer, further discussions were held with the respective Committee Chairs.

Variable Remuneration of Chief Executive Officer

Information on the performance assessment and the variable remuneration of the Chief Executive Officer is reported in the Directors' Remuneration Report, within this Annual Report in terms of Chapter 12 of the Capital Markets Rules.

3.2 Remuneration Policy – Directors

The Remuneration Policy for Directors was drawn up in accordance with Capital Markets Rules 12.26 and was approved during the Bank's Annual General Meeting. The maximum annual aggregate emoluments that may be paid to the Directors is approved by shareholders at the General Meeting in terms of Article 33.1 of the Bank's Articles of Association. The aggregate emoluments of all Directors of €450,000 per annum, was fixed at an Extraordinary General Meeting held on 27 July 2017. This amount excludes the salaries of Directors in the Bank's employment.

Remuneration report as at 31 December 2023 (continued)

During FY2023, a base annual fee of €22,500 was paid to each Non-Executive Director and €82,000 was paid to the Chairman of the Board. In addition to the base fee, Non-Executive Directors who are also appointed as members of one of the Board Committees receive additional compensation. The additional remuneration paid depends on whether the Non-Executive Director is Chair or a member of such Board Committee. During 2023, Non-Executive Directors who were appointed Chair of a Board Committee were granted an annual €8,000 Committee fee whilst Non-Executive Directors who were appointed Members of a Board Committee were granted an annual €5,000 Committee fee. Executive Directors are not entitled to any fees for sitting on the Bank's Board of Directors and for attending Board Committee meetings (as required). The total remuneration paid to Non-Executive Directors during FY2023 complies with the Remuneration Policy for Directors. The remuneration granted to Non-Executive Directors contributes to the long-term performance of the Bank in view that Non-Executive Directors contribute actively during Board and Board Committee discussions, and prepare themselves well ahead of meetings. There is positive engagement and interaction amongst Non-Executive Directors, as well as with the Bank's management and employees, which is consistently observed also during training sessions which are organised from time to time by the Bank specifically for Directors.

Service Contracts for Directors

Non-Executive Directors

The Non-Executive Directors have service contracts with the Bank, none of which provide for severance payments upon termination of their respective directorship. In terms of the said service contracts as well as pursuant to the Remuneration Policy for Directors, the Non-Executive Directors are entitled to certain benefits after the termination of their directorship, including discounts on products and services offered by the Group. Service contracts regulate the term of office of Non-Executive Directors, referring specifically to the concept of Rotation of Directors provided within the Memorandum and Articles of Association (as further explained under Principle 3 of the Corporate Governance Statement of Compliance). Non-Executive Directors are not paid any benefits linked to the termination of their office and they do not benefit from any pension or early retirement schemes by virtue of their office.

Executive Directors

The Chief Executive Officer is appointed as Executive Director, on an ex officio basis, by virtue of his role of Chief Executive Officer.

The second Executive Director on the Board is currently the Group Chief Compliance Officer, who has a term of office of three (3) years and shall thereafter be eligible for reappointment.

On a non-contractual basis, both the Chief Executive Officer and the Group Chief Compliance Officer may be eligible to a retirement gratuity of up to a three (3) times salary, subject to a prescribed level of service, by virtue of their being employees of the Bank.

Vacation of office of Directors shall be served in writing. Service contracts also provide for the Directors' powers and duties vis-à-vis the Bank and their obligation to dedicate sufficient time to carry out their responsibilities. Directors are obliged to avoid conflicts of interest and shall take reasonable steps to keep the Bank's matters confidential. Directors' emoluments are designed to reflect the time committed by Directors to the Bank's affairs, including the different Board Committees of which Directors are members, and their responsibilities on such Committees.

Share Options and Share-Incentive Schemes

None of the Non-Executive Directors, in the capacity as a Director of the Bank, is entitled to profit sharing, share options or pension benefits. During 2023, there were no changes in the terms and conditions of existing share options occurring during the financial year.

Pursuant to the Remuneration Policy for Directors, in the case of Executive Directors, subject to the de minimis rule, in order to align the interests of Executive Directors with the long-term interests of shareholders, at least fifty percent (50%) of the annual variable pay outcome will normally be paid out in ordinary shares of the Bank, with the balance normally be paid out in cash. For FY2023, given that the de minimis exceptions permitted by relevant banking regulations applies for the variable pay granted to Anatoli Grech, the variable pay awarded to Anatoli Grech shall be paid fully in cash and no part thereof will be deferred to a later year/s. In the case of Kenneth Farrugia, 50% of his variable pay shall be awarded in cash, whereas the remaining 50% shall be awarded in BOV shares and deferred over a five (5) year period.

In terms of non-cash benefits, Directors are entitled to health insurance. They are also entitled to a refund of out-of-pocket expenses. In addition, the Executive Directors only are entitled to the use of a company car.

One of the Non-Executive Directors, as well as both the Executive Directors, are employees of the Bank and therefore also receive remuneration by virtue of their employment.

Remuneration report as at 31 December 2023 (continued)

3.3 Code Provision 8.A.5

Senior Executives' Emoluments (Executive Committee)

Fixed Remuneration	Group Directors' Fees	Variable Remuneration	Share Options	VOPS	Fringe Benefits
€2,065,554*	€34,490**	€335,891	None	€20,600***	Non-cash benefits: health insurance and refund of out-of-pocket expenses: €8,909

* *This amount includes payments of €324,000 and €415,372 made to two (2) former Senior Executives in connection with the termination of their activities during FY2023.*

** *This amount represents emoluments received by Senior Executives in relation to their directorships on the Bank's subsidiary companies.*

*** *This amount represents contribution made by the Bank under the BOV Voluntary Occupation Pensions Scheme (VOPS) with respect to those Senior Executives who have registered under the BOV VOPS.*

Directors' Fees (Non-Executive Directors and Executive Directors)*

Fixed Remuneration	Group Directors Fees	Variable Remuneration	Share Options	Fringe Benefits
€401,788	€18,009	None	None	Non-cash benefits: health insurance and refund of out-of-pocket expenses: €23,148

* *In addition to the fees paid to Non-Executive Directors, this table also includes fees earned by Executive Directors in relation to their directorships on the Bank's subsidiary companies and their membership on Board Committees of the Bank's subsidiary companies.*

Directors' Remuneration Report in terms of Chapter 12 of the Capital Markets Rules

The Remuneration Policy for Directors (the "Policy") regulates the remuneration of the Non-Executive Directors as well as that of the Executive Directors. The Nominations and Remuneration Committee is tasked with keeping the Policy under review and considers whether it requires revision or updating in line with market demands in order to ensure that the Bank's Board of Directors attracts and retains, suitable members that provide the collective skills and experience required for the proper functioning of the Board. The Policy shall be reviewed and any material amendments to the Policy shall be submitted to a vote by the general meeting before adoption, and in any case at least every four (4) years.

The Remuneration Policy for Directors is available on the Bank's website on *https://www.bov.com/content/financial-reports*.

There were no deviations from the procedure for the implementation of the Remuneration Policy for Directors.

Information in terms on Appendix 12.1 of the Capital Markets Rules

Executive Directors

The Executive Directors' total remuneration as salaried employees is regulated pursuant to the Remuneration Policy for Directors, the Bank's Remuneration Policy and the Executive Director's respective contract of engagement. The Bank's policy is that the remuneration of Executive Directors ought to reflect mainly their executive positions within the Bank. Such remuneration consists of a fixed salary, variable remuneration and benefits as may be provided for in their employment contract with the Bank.

The Bank believes that a combination of fixed and variable remuneration aims to attract and retain suitable executives who have the necessary competence, skills, qualities and experience to enable them to discharge their duties according to the highest standards.

The fixed remuneration component gives due consideration to the level of responsibility which such position entails, whereas the variable component is subject to the performance assessment by the Nominations and Remuneration Committee. This assessment may include risk adjusted performance indicators and shall be aligned with the strategic objectives and delivery value to shareholders.

Any variable component of Executive Director remuneration is subject to malus and clawback provisions which allow a reduction or reversal of any variable remuneration. The Nominations and Remuneration Committee may enforce such provisions up to seven (7) years from the date of the performance assessment (which may be increased to ten (10) years if there is an on-going investigation) in case of:

- (Malus only) material misstatement of the Bank's financial results;
- (Malus only) material error;
- (Malus and clawback) circumstances warranting summary dismissal;
- (Malus and clawback) material failure of risk management;
- (Malus only) material downturn in economic activity.

During the period under review no malus and clawback provisions were exercised.

Remuneration report as at 31 December 2023 (continued)

Non-Independent Non-Executive Director by virtue of being salaried employee of the Bank

Besides being a Non-Executive Director on the Bank's Board of Directors, James Grech holds an indefinite salaried office with the Bank. However, James Grech is not considered to be an Executive Director because his position is not one of executive decision making with the Bank, and he is appointed to the Board by shareholders in general meeting.

	Kenneth Farrugia* €	Anatoli Grech** €	Miguel Borg*** €	James Grech €
Fixed pay	275,515	55,750	43,233	71,754
Long service bonus	N/A	N/A	N/A	2,990
Fringe benefits	11,415	3,832	1,174	5,014
VOPS	2,400	1,000	800	N/A
Allowance	N/A	N/A	5,410	N/A
BOV Directors' fees	N/A	N/A	N/A	25,000****
Other Group Companies directors' fees	11,500	4,135	2,374	N/A
Final salary***	N/A	N/A	265,372	N/A
Ex-gratia payment***	N/A	N/A	150,000	N/A
Total Fixed Remuneration	**300,830**	**64,717**	**468,363**	**104,758**
Variable pay				
-Cash	50,878*	16,089	N/A	4,981
-Value of Shares	50,878*	N/A	N/A	N/A
Aggregate	**402,586**	**80,806**	**468,363**	**109,739**
Fixed vs Variable Pay Ratio (%)	**75-25**	**80-20**	**100-0**	**95-5**

* *Kenneth Farrugia's variable remuneration for FY2023 covers the period 12 October 2022, this being Mr Farrugia's date of appointment as Chief Executive Officer, till 31 December 2023. In the Remuneration Report for 2022, the reported variable remuneration of Kenneth Farrugia was for his role of Chief Retail Banking Officer for the period 1 January to 11 October 2022.*

** *The remuneration (fixed and variable) including any other benefits, allowances and VOPS of Anatoli Grech is pro rata, with effect from his appointment date as Executive Director on the Bank's Board of Directors on the 1 August 2023.*

*** *The Final Salary and the Ex-Gratia payment represented a payment made to Miguel Borg in line with the contractual obligations in his contract of employment as Chief Risk Officer and a negotiated settlement payment thereof.*

**** *Includes remuneration as member of the Digitalisation, Strategy and Transformation Group, a temporary group set up to advise the Board on the Bank's strategic implementation plan.*

Shares and Share Options awarded in 2023

	Share Value €	Performance Period
Kenneth Farrugia		
Vested Shares	50,878	12 October 2022 to 31 December 2023

Moreover, on the 6 June 2023, the Bank acquired 4,801 shares at €1.23 per share for a total of €5,910, in fulfilment of the shares component of the deferred variable remuneration for FY 2022 of Miguel Borg.

In terms of the requirements within Appendix 12.1 of the Capital Markets Rules, the table hereunder represents the percentage annual change of remuneration of the executive directors and non-independent non-executive director by virtue of his being a salaried employee of the Bank, of the Bank's performance, and of average remuneration on a full-time equivalent basis of the Bank's and Group's employees (excluding directors) over the previous three (3) financial years.

Remuneration report as at 31 December 2023 (continued)

Performance Indicators	% Difference 2020 vs 2021	% Difference 2021 vs 2022	% Difference 2022 vs 2023
Annual Change of the Bank's Performance based on Cost to Income Ratio	8 percentage points	(17) percentage points	(17) percentage points*
Annual Change of the Bank's Performance based on Profit Before Tax	2698%	-18%	379%**
Annual Change of Remuneration for ***Rick Hunkin***	2%	-18%	N/A
Annual Change of Remuneration for ***Kenneth Farrugia***	N/A	N/A	424%
Annual Change of Remuneration for ***Miguel Borg***	6%	19%	72%
Annual Change of Remuneration for ***James Grech***	7%	-6%	12%
Annual Change of Remuneration for ***Anatoli Grech***	N/A	N/A	N/A
Annual Change of the Average Remuneration of the Bank's employees, on a full-time equivalent basis	3.20%	5.31%	13.10%***
Annual Change of the Average Remuneration of the Group's employees, on a full-time equivalent basis	2.70%	4.89%	15.12%***

* *The favourable change in cost to income ratio for FY2023 is due to a 74% increase in Interest income against an increase of 10% in total costs.*

** *The Bank's Profit Before Tax for FY2023 of €244.1m is driven by a full year of positive interest rate environment, stable operational costs and free of major litigation costs and settlements. The Bank's Profit before Tax for FY2022 was €50.9m.*

*** *The increase in average remuneration was computed after considering the total remuneration to employees (excluding Directors) divided by full-time equivalent employees for Bank and Group for 2022 and 2023. For the purposes of this computation, total remuneration paid to employees excluded Early Retirement Scheme lump sum payments and Voluntary Occupational Pension Scheme payments to allow for a meaningful comparison.*

Determining the Performance of the Executive Directors and of the Non-Independent Non-Executive Director by virtue of being salaried employee of the Bank

The performance assessment of Kenneth Farrugia was based on the evaluation of the targets achieved against the objectives laid down in his contract of engagement. These objectives are in line with the Bank's overall targets, strategy, risk appetite framework and long-term goals. These objectives together with their respective weighting are listed below:

Key Financial Performance Indicators	40%
ESG Objectives	20%
Regulatory Objectives	20%
Strategic Objectives	20%

As reported in the Remuneration Report of the previous year, during 2022 the performance assessment of Kenneth Farrugia was undertaken for his role of Chief Retail Banking Officer, and accordingly covered the period 1 January 2022 until 11 October 2022. Therefore, Kenneth Farrugia's performance assessment for 2023 covered the period since his appointment as Chief Executive Officer of the Bank on the 12 October 2022, until the 31 December 2023. The assessment of Kenneth Farrugia's performance was carried out by means of scores which Non-Executive Directors of the Board were invited to allocate to each of the KPIs specified in Kenneth Farrugia's contract. Upon the recommendation of the Nominations and Remuneration Committee, a final bonus payment of €101,756 was approved by the Board.

In accordance with the Remuneration Policy for Directors, the percentage of variable remuneration received by Kenneth Farrugia for 2023 was 25% of his fixed remuneration. As reported in the Remuneration Report of the previous year, Mr Farrugia's variable pay for 2023 covered the period from his date of appointment as Chief Executive Officer on the 12 October 2022, until 31 December 2023. Mr Farrugia's percentage of variable remuneration is therefore lower than 100% of fixed remuneration threshold.

The performance and the variable remuneration of Kenneth Farrugia were reviewed and approved by the Nominations and Remuneration Committee and by the Board of Directors.

The variable pay granted to Kenneth Farrugia for Financial Year 2023 shall be awarded 50% in cash, whereas the remaining 50% shall be awarded in BOV shares and deferred over a 5 year period.

An assessment of the performance of Anatoli Grech was carried out by the Chief Executive Officer, following discussions with the Chair of the Compliance and Anti-Financial Crime Committee, and approved by the Nominations and Remuneration Committee. The Board was notified of the performance assessment of Anatoli Grech. The performance assessment of the role of the Group Chief Compliance Officer, was based on a Corporate Performance element which includes four (4) core elements namely, financial performance, ESG objectives, customer, employee and governance adherence and a individual performance targets. The targets are designed to encourage sound and effective compliance risk management without compromising objectivity and independence.

Remuneration report as at 31 December 2023 (continued)

The variable pay granted to Anatoli Grech for Financial Year 2023 shall be paid fully in cash. The amount of variable pay to be received by Anatoli Grech amounts to approximately 20% of his fixed remuneration and is lower than the 100% of fixed pay threshold.

Given that the de minimis exceptions permitted by relevant banking regulations apply for the variable pay granted to Anatoli Grech for FY2023, the bonus awarded to him shall be paid fully in cash and no part thereof will be deferred to a later year/s.

In the case of James Grech, the variable remuneration as a salaried employee of the Bank, is governed by the Remuneration Policy of the Group. The Key Performance Indicators of Mr James Grech consisted of both team and individual objectives that in turn reflect performance and behavioural competencies. The performance assessment of James Grech was carried out by the Chief Officer Treasury to whom James Grech reports. The amount of variable pay to be received by James Grech amounts to approximately 5% of his fixed remuneration and is lower than the 100% of fixed pay threshold.

No deferral requirements applied to James Grech during performance year 2023.

Non-Executive Directors

The maximum annual aggregate emoluments that may be paid to the Directors is approved by shareholders at the General Meeting in terms of Article 33.1 of the Bank's Articles of Association. The aggregate emoluments of all directors of €450,000 per annum, was fixed at an Extraordinary General Meeting held on 27 July 2017. This amount excludes the salaries of Directors in the Bank's employment.

Information on annual emoluments paid to Non-Executive Directors is outlined in section 3.2 above.

Non-Executive Directors may receive various benefits as approved by the Nominations and Remuneration Committee. Currently, all Non-Executive Directors are entitled to health insurance and to a reimbursement of out-of-pocket expenses incurred by them. As per Bank's Remuneration Policy for Directors, Non-Executive Directors are not eligible to participate in the annual bonus plan or pension arrangement. In this regard, the ratio of Fixed vs Variable Pay for the Bank's Non-Executive Directors is 100% - 0%.

Non-Executive Directors' fees and benefits	FY2022 Fees	FY 2022 Fringe Benefits	Total 2022	FY2023 Fees	FY2023 Fringe Benefits	Total 2023	Percentage Annual Change of Aggregate Emoluments (2020 – 2021)	Percentage Annual Change of Aggregate Emoluments (2021 - 2022)	Percentage Annual Change of Aggregate Emoluments (2022 - 2023)
	€	€	€	€	€	€	%	%	%
Gordon Cordina *(Chairman)*	101,501	1,444	102,945	105,411	2,593	108,004	-2%	14%	5%
Diane Bugeja	30,500	2,264	32,764	34,861	2,856	37,717	-2%	1%	15%
James Grech	25,000	1,611	26,611	25,000	2,014	27,014	10%	10%	2%
Alfred Lupi* *(resigned 25 May 2023)*	35,500	3,191	38,691	14,127	1,482	15,609	-38%	12%	2%
Alfred Mifsud* *(resigned 27 April 2023)*	35,500	4,072	39,572	11,501	1,558	13,059	-3%	16%	3%
Anita Mangion	36,523	2,352	38,875	35,000	2,700	37,700	13%	39%	-3%
Antonio Piras* *(resigned 25 May 2023)*	34,000	-	34,000	11,829	-	11,829	-3%	19%	-12%
Elizabeth Camilleri	32,500	-	32,500	32,500	-	32,500	n/a	20%	0%
Godfrey Swain	32,500	2,029	34,529	32,500	2,356	34,856	n/a	35%	1%
Kevin J. Borg	27,500	2,571	30,071	27,500	2,974	30,474	n/a	16%	1%
Deborah Schembri** *(appointed 2 June 2022)*	14,018	1,274	15,292	36,679	2,752	39,431	n/a	n/a	50%
Nicola Angeli*** *(appointed 1 August 2023)*	-	-	-	16,538	-	16,538	n/a	n/a	n/a
Robert Suban*** *(appointed 25 May 2023)*	-	-	-	18,342	1,863	20,205	n/a	n/a	n/a
Total	**405,042**	**20,808**	**425,850**	**401,788**	**23,148**	**424,936**			

Remuneration report as at 31 December 2023 (continued)

* *Percentage annual change of aggregate emoluments (2022-2023) was based on annualised remuneration for 2023. Antonio Piras and Alfred Lupi resigned from Directors of the Bank on 25 May 2023. Alfred Mifsud resigned from Director of the Bank on the 27 April 2023. Therefore, directors' remuneration for 2023 was paid pro rata until date of resignation.*

** *Percentage annual change of aggregate emoluments (2022-2023) was based on annualised remuneration for 2023. Deborah Schembri was appointed on the Board on 2 June 2022. Therefore, Directors' remuneration for 2022 was paid pro rata as from date of appointment.*

*** *Robert Suban and Nicola Angeli were appointed Directors on the Board of Directors during the Bank's Annual General Meeting held on the 25 May 2023. Mr Angeli's appointment was subject to regulatory approval which was subsequently received on 1 August 2023.*

The Directors' remuneration takes into consideration the Board members' required competencies, skills, effort and scope of the Board work. It is intended to ensure that the Bank can attract and retain high-quality people, enabling the Bank to execute its business strategy and serve its long-term interests, including its sustainability goals.

The Bank has complied in full with the procedure for the implementation of the Remuneration Policy for Directors as defined in Chapter 12 of the Capital Markets Rules.

The Directors' Remuneration Report for 2022 was approved at the Annual General Meeting held on 25 May 2023, by show of hands. There were no issues raised on the Report during the said Annual General Meeting.

The Directors' Remuneration Report in terms of Chapter 12 of the Capital Markets Rules is being put forward to an advisory vote during the 2023 Annual General Meeting pursuant to the requirements of Capital Markets Rule 12.26L.

In accordance with Capital Markets Rule 12.26N, the External Auditors have checked that all information, as required in terms of Appendix 12.1 of Chapter 12 of the Capital Markets Rules, has been included in the Directors' Remuneration Report within this Remuneration Report.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Assurance Report

To the Shareholders of Bank of Valletta p.l.c.

Report required by Capital Markets Rules 5.98 and 12.26N issued by the Malta Financial Services Authority (the "MFSA")

We were engaged by the Directors of Bank of Valletta p.l.c. (the "Bank") to report on the disclosures of specific elements in the Corporate Governance Statement and the Remuneration Report (the "Disclosures") as at 31 December 2023, in the form of an independent reasonable assurance conclusion, as to whether they are, in all material respects, in compliance with the corporate governance regulations and information to be provided in the Remuneration Report set out in the Capital Markets Rules issued by the MFSA (the "Capital Market Rules"). More specifically, we are required to report on the Disclosures in the form of an independent reasonable assurance conclusion about whether:

(a) in light of our knowledge and understanding of the Bank and its environment obtained in the course of the statutory audit, we have identified material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 (dealing with the Bank's internal control and risk management systems in relation to the financial reporting process) and 5.97.5 (where a takeover bid applies). Where material misstatements are identified in relation to those requirements, we shall, in addition to our conclusion, provide an indication of the nature of such misstatements;

(b) the Disclosures include the other information required by Capital Markets Rule 5.97, insofar as it is applicable to the Bank; and

(c) the Disclosures include the information required by Appendix 12.1, '*Information to be provided in the Remuneration Report*', to Chapter 12 of the Capital Markets Rules (as applicable).

Responsibilities of the Directors

The Directors are responsible for preparing and presenting the Disclosures that are free from material misstatement in accordance with the requirements of the Capital Market Rules and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal control as they determine is necessary to enable the preparation and presentation of the Disclosures that are free from misstatement, whether due to fraud or error.

The Directors are also responsible for preventing and detecting fraud and for identifying and ensuring that the Bank complies with laws and regulations applicable to its activities. The Directors are responsible for ensuring that personnel involved in the preparation and presentation of the Disclosures are properly trained, systems are properly updated and that any changes in reporting relevant to the Disclosures encompass all significant business units.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Assurance Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Our Responsibilities

Our responsibility is to examine the Disclosures prepared by the Bank and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ("ISAE 3000") issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Disclosures are properly prepared and presented, in all material respects, in accordance with the requirements set out in the relevant Capital Markets Rules.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, together with the ethical requirements that are relevant to our assurance engagement in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. The IESBA Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected and our determination of the nature, timing and extent of those procedures, will depend on our judgment, including the assessment of the risks of material misstatement of the preparation and presentation of the Disclosures whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Disclosures in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Bank's internal control over the preparation and presentation of the Disclosures. Reasonable assurance is less than absolute assurance.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Assurance Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Our Responsibilities (continued)

We are not required to, and we do not, consider whether the Directors' statements on internal control and risk management systems cover all the risks and controls in relation to the financial reporting process or form an opinion on the effectiveness of the Bank's corporate governance procedures or its risks and control procedures, nor on the ability of the Bank to continue in operational existence. Our opinion in relation to the disclosures pursuant to Capital Markets Rules 5.97.4 and 5.97.5 (as appropriate) is based solely on our knowledge and understanding of the Bank and its environment obtained in forming our opinion on the audit of the financial statements.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the Disclosures nor of the underlying records or other sources from which the Disclosures were extracted.

Other Information

We also read the other information included in the Annual Report that contains the Disclosures, and our report thereon, in order to identify material inconsistencies, if any, with the Disclosures. We have nothing to report in this regard.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Assurance Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Conclusion (continued)

In our opinion:

(a) in light of our knowledge and understanding of the Bank and its environment obtained in the course of the statutory audit, we have not identified material misstatements with respect to the information requirements referred to in Capital Markets Rules 5.97.4 and 5.97.5;

(b) the Disclosures include the other information required by Capital Markets Rule 5.97; and,

(c) the Disclosures include the information required by Appendix 12.1 to Chapter 12 of the Capital Markets Rules.

The Principal authorised to sign on behalf of KPMG on the work resulting in this assurance report is Claude Ellul.

KPMG
Registered Auditors
92
Marina Street,
Pietà PTA 9044,
Malta

27 March 2024

Environmental Social and Governance (ESG) Risk Management and Disclosures

Addressing the pressing and intricate issue of climate change is not only a challenge for Malta but a global imperative. It demands a fundamental transformation to ensure that society does not contribute further to the accumulation of greenhouse gases in the atmosphere. The financial sector plays a pivotal role in assisting the economy in achieving this objective. Bank of Valletta is firmly grounded in how it evaluates and manages exposure to Climate-related and Environmental (C&E) related risks, as elaborated in various sections of this report.

1.1 BOV ESG Strategy

BOV's steadfast dedication to sustainability is at the core of the Bank's ESG strategy. In the preceding years, the Bank's strategy evolved and required adaptability in response to market shifts, technological advancements, regulatory changes, and geopolitical developments influencing the trajectory and timing of the transition to a low-carbon economy.

The Bank's core beliefs across Environmental, Social and Governance (ESG) are as follows:

Environment: As a prominent financial institution in Malta, BOV strategically prioritizes leading the transition to a low-carbon economy by offering sustainable financing. The Bank is dedicated to enhancing its operational capabilities to provide increased value to customers.

Social: On the social front, the Bank is dedicated to empowering financial literacy and providing support to vulnerable segments of society. Additionally, BOV remains committed to preserving and celebrating the unique cultural heritage and environmental assets of the Maltese Islands.

Governance: In terms of governance, the Bank's focus is on raising awareness and fostering positive action across all levels of the organization regarding ethical and fair conduct. BOV is also determined to accelerate the simplification, accessibility, and digitalization of all banking activities, aligning them with positive ESG outcomes.

As a prominent financial institution in Malta, BOV dedicated its efforts in 2023 to advance the shift towards a low-carbon economy through its operations and by providing sustainable financing options through loans and advances to both retail and business customers. In 2023, the Bank provided support to clients across all sectors, acknowledging that the path to greener practices was heterogenous across sectors, with some facing more substantial challenges to transition. BOV recognize that this could serve as a lever to encourage transition amongst the Bank's value chain. Furthermore, the Bank actively worked to enhance its business capabilities, emphasizing a strong commitment to responsible banking, whilst recognizing the importance of considering consumer preferences, particularly regarding green financing solutions. The Bank kept its policies, targets, and progress under constant review, considering the rapidly changing external environment and its commitment to aiding its clients achieve their sustainability goals.

Concurrently, BOV is deeply committed to fostering an inclusive and healthy society. By prioritizing the well-being of colleagues, customers, and communities, the Bank believes it could deliver higher and more sustainable returns for investors, while concurrently meeting the diverse needs of stakeholders and fulfilling the interests of shareholders. Recognizing that progress may vary, the Bank remains prepared to adapt its approach to maximize the effectiveness and impact of its support.

1.1.1 Incorporation of ESG in the Bank's Strategy 2024-2026

Throughout the year under review, the Bank effectively executed its commitment to uphold core values of integrity, sustainability, and social responsibility by seamlessly integrating the ESG strategy into its short and medium business plans extending to 2026. In the environmental domain, notable accomplishments included enhancing climate mitigation within internal operations through its decarbonisation strategy, promoting a significant shift towards eco-friendly loans, and actively encouraging environmentally conscious behaviours among clients.

1.2 Governance

The oversight and management of sustainability concerns are fundamental elements within the Bank's governance framework, and they are seamlessly integrated into the Bank's standard operational structures. This includes the flow of information to several executive and management committees, each of which is an essential component of the Bank's formal governance system.

The governance structure of the Bank encompasses the Board, Executive Committees, and Management Committees, spanning both business and compliance divisions.

The Board and senior management are acutely cognizant of the risks associated with ESG, diligently supervising the frameworks, and ensuring their efficient implementation, addressing not only the technical aspects of C&E risks but also regulatory aspects. The primary purpose of the ESG-related committees is to supervise and contribute to the Bank's control framework. Each committee operates under specific terms of reference, outlining its responsibilities, decision-making authority, and the process for escalating significant issues.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

1.2.1 Board of Directors

Serving as the ultimate decision-making authority, the Board made crucial determinations on matters of paramount significance, encompassing strategy, finances, and regulations. In the course of 2023, the Board received regular updates on ESG matters, with a heightened emphasis on C&E risks. These updates were provided by both the ESG Committee and the ESG Management Forum.

1.2.2 ESG Committee

The ESG Committee plays a pivotal role in providing board-level oversight to monitor strategic C&E risks, contributing significantly to the enhancement of the governance structure across various ESG aspects. Under the leadership of the Bank's Chairman, the committee comprised three Non-Executive Directors and representatives from diverse organizational areas.

Throughout the year, the ESG Committee actively engaged in deliberations and presented reports on several key initiatives. On a quarterly basis, it was presented a dynamic sustainability dashboard, serving as an all-encompassing platform. This tool offers a detailed overview of the Bank's performance in addressing C&E risks, alongside its social responsibility initiatives. It is a testament to the Bank's commitment to transparency whilst adopting proactive measures to navigate and mitigate these challenges effectively. Instrumental for stakeholders, the sustainability dashboard provides insights into the Bank's steadfast commitment to environmental and social sustainability. It features data on carbon emissions reduction efforts and incorporates a real-time monitoring system based on the Risk Appetite Framework (RAF) Key Risk Indicators (KRIs). This system ensures a continuous assessment of the Bank's risk management strategies, aligning them with sustainability goals. Through the dashboard, the Bank not only demonstrates a proactive approach to addressing ESG concerns but also underscores its dedication to transparency, responsible governance, and sustainable banking practices.

Further, the Bank's Group Internal Audit presented to the ESG committee a thorough a valuable overview of the implementation of C&E practices across the Bank. Its analysis was focused on four key aspects of the Bank's ESG efforts. These included the progression of ESG initiatives and actions, the evolution of the ESG Strategy, especially concerning C&E Risks, the alignment with ECB expectations in process development, and the establishment of a robust governance framework supporting these processes. This comprehensive evaluation provided valuable insights into the Bank's commitment to advancing ESG principles and ensuring alignment with industry expectations.

Also, the Committee delved into the Bank's examination of the EBA's roadmap on ESG risks and sustainable finance, the integration of C&E risks into the credit underwriting framework, international and local environmental scanning, and research, as well as the formulation of the Bank's policies related to sustainability. This multifaceted approach underscores the Bank's commitment to thorough examination and proactive management of ESG considerations.

1.2.3 ESG Management Forum

In essence, the Bank's ESG Forum served as a comprehensive platform for strategic discourse, aligning the Bank's operations with regulatory frameworks, advancing its sustainability agenda, and fostering a proactive approach to environmental and social considerations within its business landscape. The ESG Management Forum serves as the catalyst for initiating discussions that later undergo careful deliberation by the ESG Committee and the Board. The Forum, which is led by the Bank's Head of the ESG department, engages with stakeholders from across the organization whilst ensuring active and inclusive participation in shaping the Bank's approach to ESG matters.

In the dynamic landscape of 2023, the Bank's ESG Forum emerged as a pivotal platform for comprehensive discussions on a myriad of crucial matters. The forum diligently delved into significant topics which were common elements to the ESG committee, such as the sustainability dashboard and internal audit analysis. Further, it discussed the implementation of regulations through projects such as CSRD and Pillar 3 Disclosures and meticulously examined the contents of the Bank's regulatory communication, scrutinizing the supervisory landscape, ensuring that the Bank's strategic initiatives were in harmony with their expectations. These discussions underscored the Forum's commitment to robust risk management and regulatory compliance. Other agenda items included operational and risk management practices implemented such those related to lending (C&E customer questionnaires and onboarding procedures), policies and procedures and the Bank's progress on its decarbonization pathway. The latter showcase the strategic commitment to reducing carbon footprint and aligning with broader sustainability objectives.

1.2.4 Decarbonisation Working Group

During the year under review, the Bank instituted the Decarbonisation Working Group (DWG) as a proactive force to lead initiatives targeting emission reduction, energy efficiency, and the advocacy for renewable energy. The DWG adopted a comprehensive approach, incorporating strategic goal setting, stakeholder engagement, progress monitoring, collaborative endeavours, and educational programs. The working group strategically delineated initiatives spanning various Bank's domains, mainly addressing scope 1, 2, and 3 within the GHG Protocol categories. It also focused on introducing measures within various departments of the Bank. In navigating this expansive scope, the DWG emerged as a pivotal driving force, steering the Bank towards an environmentally conscious and sustainable future.

1.2.5 ESG Department

The ESG Department assumes a pivotal role as the overseeing arm within the Risk Department, entrusted with the explicit vision of ensuring the meticulous execution of climate, environmental and social risk implementation across the organisation. In aligning with financial regulators and other pertinent regulations, the Unit has crystallized its mission to guarantee compliance and excellence in addressing the ESG criteria.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

At the forefront of advocacy, the ESG Department champions the infusion of ESG factors, emphasizing C&E risks across the entire spectrum of the Bank's activities. This proactive approach not only aligns with the broader sustainability vision but also ensures the attainment of environmental and social objectives and milestones. In a strategic move to fortify its capabilities, during 2023 the Department has bolstered its resources with the addition of two senior analysts. This augmentation signifies a dedication to maintaining a cutting-edge approach in navigating the evolving landscape of environmental and transitional concerns.

1.2.6 Continuity, Outsourcing & ESG Team

Under the purview of the Operational Chief Officer, the Bank has introduced a dedicated operational arm to proficiently manage and streamline the aspects of its ESG initiatives. This strategic step underscores the Bank's unwavering commitment to seamlessly infuse sustainability into its day-to-day operations, ensuring the effective execution of ESG principles, solidifying the Bank's commitment to operationalizing sustainability considerations in tandem with its overarching vision. Functioning as a catalyst for transformation within the Bank, this specialized unit concentrates on the practical implementation of sustainability principles. It takes charge of formulating and executing strategies to instil a comprehensive understanding of ESG considerations throughout the Bank. This team adopts a holistic approach, embedding ESG principles into the strategic fabric of the Bank's operational activities.

This initiative not only underscores the Bank's dedication to green sustainability principles but also manifests a proactive approach in navigating the intricacies of sustainable banking. Importantly, the Continuity, Outsourcing & ESG team actively oversees the Bank's internal decarbonization journey, conducting weekly follow-ups with internal stakeholders. Furthermore, this team is also entrusted with executing the operational facets of the ESG framework whilst ensuring coherence and alignment with broader organizational objectives.

1.2.7 Building the Bank's expertise in ESG

During 2023, the Bank's non-executive directors underwent a specialized training program led by external experts, focusing on ESG matters. This session aimed to address critical aspects, providing insights into the regulatory frameworks influencing the Bank's adherence to ESG principles. Emphasis was placed on the anticipated evolution of C&E regulations, with a particular focus on the board's pivotal role in steering this evolution which is directly impacting the Bank. This training initiative serves as a testament to the Bank's commitment to well-informed and proactive ESG governance, showcasing its dedication to aligning with evolving regulatory standards.

Nonetheless, throughout 2023, other Bank employees directly involved with climate-related and environmental matters have proactively immersed in international training opportunities, consistently enhancing their expertise in this area. This ongoing investment in knowledge and skill development highlights the Bank's unwavering commitment to advancing its environmental and social responsibilities. Additionally, an internal risk training complemented these efforts, ensuring a holistic approach to enhancing the Bank's capabilities and resilience in the ever-evolving landscape of ESG compliance and risk management.

1.3 Risk Management

Throughout 2023, the Bank maintained its adherence to customary procedures and protocols for evaluating and communicating material C&E risks. Additionally, efforts were made to introduce new measures or enhance existing ones, particularly in areas concerning social and governance considerations.

BOV established an environmental scanning framework, incorporating research insights and business input. Notably, the Bank considered the findings of KPMG's published research on 'Sustainability Preferences in Real Estate in Malta' (January 2023), and a more recent KPMG report highlighting the appetite of Maltese society for financing that enables green improvements to properties, contingent on increased knowledge about such products. This valuable insight was shared with the relevant areas, particularly within retail banking, to enhance awareness and inform decision-making processes. Moreover, the Bank analysed published research by other international bodies such as ECB, NGFS and UNEP, which supported risk management decisions. Moreover, the Bank aims to continue enhancing its horizon scanning to keep up to date with the latest ESG-related regulations.

1.3.1 Materiality Assessment

In 2022, the Bank adopted the risk terminology proposed by the Task Force on Climate-Related Financial Disclosures (TFCD) and other sources such as ECB and the EU Commission for qualifying and quantifying the impact of C&E physical and transition risks on the Bank. The assessment is designed for the specificities of Malta.

In its comprehensive materiality assessment, the Bank meticulously identified 23 transmission channels encompassing credit, operational, reputational, strategic and liquidity risks, spanning both physical and transition risks. Among these channels, nineteen were specifically attributed to either Physical or Transition risks, delineating their distinct impacts. However, an additional four channels—corporate creditworthiness, retail creditworthiness, government creditworthiness, and revenue at risk—were found to be common to both categories, underlining their pervasive influence across the spectrum of risk management. This meticulous delineation underscores the Bank's proactive approach in understanding and mitigating multifaceted risks within its operational framework.

Market risk is deemed immaterial given the absence of a trading book within the Bank. Nonetheless, the Bank's future analysis intends to analyse the impact of climate change on the Bank's interest rate assets. Specifically, for each one of the transmission channels, a tailored qualitative concentration analysis, sensitivity analysis and / or quantitative approach (qualitative scorecard) has been developed to assess the materiality of the climate related and environmental risk impact on each business unit of the Bank. The developed methodology is intended to ensure a systemic and consistent materiality assessment process on a yearly basis whilst doing the necessary update and review to adjust to the most recent C&E data.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Each transmission channel has also been assessed in terms of the time-horizon in which the risks would likely materialise within 2 years (short term), 2 to 5 years (medium term), or beyond 5 years (long term). The Bank expects that transition risk becomes material in the short-medium term (less than 2 years, or between 2 to 5 years) whereas the physical risk and their impact is likely to occur in the medium-long term (between 2 to 5 years or after).

Risk Type	Transmission Channel	Physical Risk	Transition Risk	Time Horizon
Credit Risk	Corporate creditworthiness	✓	✓	MT
	Change in collateral values due to damages	✓		MT
	Retail creditworthiness	✓	✓	LT
	Government creditworthiness	✓	✓	LT
Operational Risk	Lawsuits from NGOs/Activists		✓	ST
	Damage to branches and headquarters	✓		MT
	Staffing issues following a disaster	✓		ST
	Damages to power facilities	✓		MT
	Payment services disruptions	✓		MT
	Cloud services disruptions			MT
Reputational Risk	C&E Clause in product offering		✓	ST/MT
	Accusation of green washing and green hushing		✓	ST
	Exposure to sectors with high environmental impact		✓	ST
	Failure to comply with C&E regulation		✓	ST
	Board members exposure to ESG adverse companies		✓	LT
Liqudity Risk	HQLA devaluation	✓	✓	LT
	Cost of funding		✓	MT
	Bank Run	✓		LT
Strategic Risk	Revenue at risk	✓	✓	ST/MT

Risk materiality levels are briefly set out below:

- **Low risk:** Low pressure from C&E risks, significant room to manage or adapt to risks in the short term.
- **Moderate risk:** Limited pressure from C&E risks drivers, room to manage or adapt to these risks in the medium term.
- **High risk:** Risk pressure is present or likely to crystallize soon, room to adjust to risk but requiring more material changes (e.g., changes in business model, new policies, passing cost to customers).
- **Very high risk:** Material pressure from environmental risk is already visible, limited room to adjust or adapt.

Credit risk:

- **Corporate creditworthiness:** For this assessment, the Bank developed an industry score (based on physical risk and transitional risk) for the sectors being financed in its lending and proprietary portfolio. Data sources used are Moody's, Fitch, S&P, UNEP-FI, EU Taxonomy, EBA-CPRS and ECB. A conservative approach is adopted by an adjustment of Moody's score by one notch in the risk level when BOV's portfolio specificities could expose it to higher risk than the industry average, such as the real estate physical risk score. The Bank's clients are mostly local real estate developers with operations concentrated in Malta. The impact of physical risk on real estate in Malta is expected to be significant because Malta is facing significant land-use constraints which could jeopardize or significantly constrain future real estate developments. Score adjustments were also performed in terms of transition risk to the wholesale trade, physical risk to the wholesale trade, accommodation, and warehousing. The Bank has an exposure of €1,349.64 million (47.03% of the NFC exposure, composed of loans and advances) which is dominantly exposed to high physical risk whilst €1,514.90m million (52.79% of the NFC exposure, composed of loans and advances) which is exposed to moderate C&E risks. Only 0.24% and 1.47% of the exposure is exposed to very high physical risk and transition risk respectively. Furthermore, more than 50% of the NFC exposure is towards climate-sensitive sectors, i.e., operates in very high (1.67%) and high-risk (55.35%) sectors. In 2023, the Bank has re-defined its limits towards the sectors which are considered as very sensitive to C&E risks. Moreover, the Bank is monitoring the high-risk C&E sectors exposure concentration. The highest exposure concentration is in the sector of accommodation (23.09%), followed by real estate activities (21.97%), wholesale trade (12.41%) and energy sector (10.07%). As risk mitigation, the Bank during 2023 has started engagement with the corporates which are deemed to be contributed to highest financed emissions whilst also distributing a questionnaire to identify physical or transition risk concerns for the corporate. BOV has an exposure of 75.48% towards carbon-intensive sectors (published by ECB), of which 1.98% of the exposure is green financing.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

- **Real estate collaterals:** The Bank utilized various sources to assess the collateral value (immovable property) in terms of physical risk because of flood risk damages. However, the main source is the database of ThinkHazard, which examines the geographic likelihood of risk in the upcoming 10 years. No significant devaluation of real estate collaterals expected given the limited share of collaterals located in areas prone to flood. The Bank has 18.27% of its immovable collateralized property localized in high-risk areas (4.97% RRE, 13.30% CRE).

- **Retail creditworthiness:** The approach adopted by BOV to measure the structural impact of C&E risks on employment in Malta is based upon the Eurostat breakdown of Maltese employment by sector. The sector risk scores developed for corporate creditworthiness were used to identify the share of employment in various sectoral risk levels. The approach assumes that the Bank's retail clients' employment represents the Maltese economy. The assessment shows that it is unlikely that the Bank would suffer from a material degradation of repayment capacity of retail customers caused by C&E risks drivers given the limited share of Maltese employment in sectors exposed to high physical or transition risk, with almost no employment in very high climate risk sensitive sectors.

- **Government creditworthiness:** Like the retail creditworthiness, the approach to assess the impact of C&E on the Maltese economy is based upon Eurostat data. The Bank considers the breakdown of Maltese Gross Value Added (GVA) by sector applied to sectorial scores. It is unlikely that the Bank would suffer from a material degradation of repayment capacity of the Republic of Malta caused by C&E risks drivers given that limited reliance of the Maltese economy on sectors are expected to be materially impacted, with almost no GVA from very high climate risk sensitive sectors.

Operational risk: Within the Bank's operational framework, a thorough assessment of transition and predominantly physical risks associated with its assets and operations is conducted. Climate and Environmental (C&E) risks are meticulously mapped to the Bank's operational risk taxonomy. This process entails scoring the materiality of these risks utilizing the current operational risk five-point scale, considering both the severity of impact and probability dimensions. Notably, Climate and Environmental Risk events are recognized as exerting a moderate impact on operational risks within this refined corporate context, thereby ensuring a comprehensive understanding and management of these critical factors.

Reputational risk: Reputational risk management at the Bank involves a meticulous qualitative assessment, leveraging the Climate and Environmental (C&E) risks taxonomy alongside press search analysis. Each identified risk event undergoes a thorough evaluation, scrutinizing its potential impact and likelihood through the lens of the operational risk five-point scale, which delineates severity of impact and probability dimensions. Noteworthy is the recognition that Climate and Environmental risk events typically entail a low impact on reputational risks within this evaluative framework, ensuring a characterised understanding and effective mitigation of these factors.

Liquidity risk: The Bank stressed its High-Quality Liquidity Assets (HQLA) to determine the impact on the LCR by physical and transition risk. A climate disaster in Malta could damage the state infrastructure, reduce economic activity, and consequently reduce the Maltese government's bond value. The Bank adopted an approach to analyze the sectors in its portfolio to determine if a change in market sentiment towards carbon-intensive assets following an introduction of climate-policy could lead to an abrupt repricing of investments. The Bank further assessed liquidity risk from a C&E risks perspective considering a sharp increase in deposits withdrawal and in credit line use due to a severe weather event. The low impact of C&E risks driver on liquidity risk is expected given the Bank's high liquidity position.

1.3.2 Policies

1.3.2.1 Risk Appetite Framework (RAF)

During 2023, the Bank re-defined its RAF KRIs in relation to sustainable finance targets towards retail and business green financing, which also aligns to the targets of the Bank's strategy 2024-2026. The Bank is actively bolstering sanctioned green financing, aspiring to achieve a strategic increase for each in comparison to their respective sanctioned loans. Furthermore, the Bank's strategic emphasis on fostering global climate action is evident in the KRI to augment green bond holdings as a percentage of the total bond proprietary portfolio. The Bank is committed to increase green financing towards corporates issuing green bonds that intensify climate change mitigation and/or climate change adaptation.

Within the RAF, key risk indicators (KRIs) extend beyond traditional financial metrics to encompass social and governance concerns, including but not limited to the gender pay gap and board gender diversity. Should any of these KRIs breach predefined limits, the Bank has instituted an internal escalation protocol mandating further investigation and ratification. These objectives are meticulously monitored through the Bank's sustainability dashboard, underscoring their significance within the realm of area-specific policies.

Under the ESG realm the Bank has the following targets:
- Target of at least 5% green business loans as a share of the total business loan sanctioned during the year.
- The Bank aims to have at least 3% of the Treasury bond portfolio in Green Investments
- Percentage of the average gender diversity pay gap to be lower than 5%.
- The Bank aims to have at least 33% female representation in the Board of Directors
- Target of at least 5% green personal loans as a share of the total personal loans sanctioned during the year.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

1.3.2.2 C&E elements in the Bank's Business Policies

The element of C&E risks management is also integrated in the Bank's Treasury Management Policy (TMP) and Corporate Credit Lending Policy. During 2023, both policies were reviewed to incorporate new targets and sustain monitoring practices. Policies contain the Bank's risk appetite towards very high-risk sectors financing (which excludes green financing); namely mining and quarrying, manufacture of basic metals and manufacture of coke and petroleum products. The policies also include minimum requirements for the automotive manufacturing sector. The Bank decided to only finance corporates which are reaching the emissions regulatory targets as specified by EU.

Moreover, the Bank has incorporated a green loan definition (aligned with EU Taxonomy) into its Corporate Lending Policy, defining it as a new business loan facility with a well-defined purpose and investment cost aimed at diminishing CO2 emissions.

Furthermore, BOV successfully integrated several key frontliners processes. Retail Banking initiated a process for the collection of Energy Performance Certificates (EPCs), by conducting training sessions, issuing internal circulars, and updated its Consumer Finance Home Loans Policy. Business Banking facilitated an interactive training session for front-line personnel regarding the EPC process and updated the Corporate Credit Lending Policy. Additionally, Business Banking designed a customer onboarding flowchart to identify high-risk sectors and customers, which was incorporated into internal procedures. Green financing procedures were implemented by Business Banking and were also included in the Corporate Credit Lending Policy, while Treasury has set targets for green bonds and integrated ESG ratings into credit evaluations. BOV established limits and criteria for financing very high-risk sectors and implemented an exclusion policy in Wealth Management, Private Banking, and Investment Centres.

The Bank's exclusion policy applies to any portfolio with direct investment in equities and/or bonds for which the Bank acts as portfolio manager. The exclusion policy also applies to any investment advice given by financial advisors. Financial advisors are prohibited from recommending investing in any entity present in the exclusion list.

Types of exclusions

In formulating the Exclusion Criteria, BOV has taken into account ESMA guidelines with respect to Paris-aligned Benchmarks in order to inform the spirit of this policy. The Exclusion Criteria focus on excluding investment in any company that meets any one of the following:

i. Involvement in **activities related to controversial weapons.**
ii. Involvement in **activities related to tobacco.**
iii. Deriving 5% or more of revenue from activities related to **thermal coal.**
iv. Deriving 50% or more of revenue from **activities related to oil and gas production.**
v. Deriving 5% or more of revenue from activities related to **oil sand.**

The above does not exclude the possibility of additional criteria from being imposed to take into account other Paris-aligned criteria as data becomes more readily available. Data availability precludes exclusion based on separate oil fuels and gaseous fuel revenue percentage figures. It also excludes exclusion based on revenues derived from electricity generation activities having a GHG intensity of more than 100g CO2 e/kWHh.

Securities are screened on a quarterly basis. Companies are placed on the Exclusion list if they are found to violate any one of the criteria (i) through (v) above. Companies in violation are removed from the Bank of Valletta's recommended list within 3 months.

Portfolio Managers and/or Financial Advisors may appeal to reinclude an excluded company by appealing to the Wealth Management Investment Committee. Any such appeal must be defended purely on Environmental, Social or Governance grounds. The Wealth Management Investment Committee decides on whether to uphold or reject any such appeal by simple majority and all decisions are final.

Overall, these measures underscore BOV's commitment to robust risk management and responsible banking practice.

1.3.3 Credit Risk Management Practices

1.3.3.1 Credit Underwriting

During 2023, the Bank proactively fortified its scrutiny of C&E risks by seamlessly integrating climate risk assessments into its credit risk management framework. A notable achievement within commercial banking was the successful implementation of initiative designed to holistically evaluate the broader spectrum of C&E risks inherent in the corporate lending portfolio.

A pivotal aspect of this initiative involved the introduction of a sector-specific questionnaire meticulously crafted for clients operating within six very-high and high-risk sectors (accommodation, power, real estate, transport, warehousing, and wholesale trade) crucial to the Bank's strategic interest. This strategic approach which has been initiated since July 2023 included the seamless integration of client questionnaires with group facilities of over €5 million explicitly tailored for gauging C&E risks, into the credit annual review process for sectors identified as high-risk. These questionnaires are systematically incorporated into the credit underwriting process. In alignment with regulatory directives, the Bank is supporting its customers and assisting them to complete and forward these climate questionnaires. This concerted effort not only reflects the Bank's commitment to robust risk management practices but also underscores its dedication to compliance with regulatory guidelines concerning C&E risks assessments.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

1.3.3.2 Customer Engagement

The Bank is taking proactive steps to meet with its top customers across various industries, actively addressing sustainability challenges, identifying opportunities, and aiding in the formulation of transition strategies. Through collaborative dialogue with key stakeholders, the Bank is advocating for sustainable practices and supporting the adoption of environmentally and socially responsible business models among its clientele. These interactions serve as platforms for the exchange of ideas, sharing of best practices, and the collaborative development of strategies that harmonize with both business objectives and overarching sustainability goals. This proactive engagement demonstrates the Bank's commitment to facilitating positive change and assisting its customers in navigating their pathway toward a more sustainable future.

1.3.3.3 Financial Products

The Bank, with foresight and responsibility, positioned itself as a catalyst for positive change, bridging the financial landscape with the burgeoning opportunities for sustainable development.

From a Retail standpoint, the Bank has consistently elevated its green product offerings. The BOV Eco personal loan extends highly favourable terms to empower customers in financing environmentally conscious products and services. Notably, the loan caters to a spectrum of eco-friendly assets, including hybrid cars, motorcycles, low CO2 emission motor vehicles, Class 'A' white goods, and even facilitates the financing of eco-related grants. In alignment with its commitment to sustainability, the Bank's BOV Eco personal loan integrates specialized schemes, such as the Malta Chamber of SMEs Special Scheme and the Malta Developers Association Special Scheme. These initiatives specifically assist customers in funding the acquisition of photovoltaic equipment and solar water heaters. The Malta Chamber of SMEs scheme collaborates with GRTU-authorized retailers under the Photo Voltaic Purchase Facilitation Scheme (PVPFS), while the MDA scheme involves retailers affiliated with the Malta Developers Association.

Furthermore, the Bank's remains committed to social responsibility through its comprehensive suite of retail products tailored for students, graduates, individuals with disabilities, and employed customers aspiring to advance their education. This holistic approach underscores the Bank's dedication to fostering green practices and addressing diverse social needs through its retail portfolio.

From a Business Banking perspective, the Bank offers a preferential interest rate within its pricing model for green property loans, whereby the loan is backed with a Bank approved Building Certification. Moreover, the Bank also offers the green discount on loans which contribute towards a decline in CO2 emissions, but do not fall under the green property loan category. These loans must be backed by a certified Engineer's report or verified by the Bank. Preferential interest rates are also applied for certain social and governance criteria, as specified by the Bank.

Going forward the Bank aims to enhance its green product offerings, reflecting its KPIs for retail and business green products, as part of the RAF's KPIs (refer to Section 1.3.2.1).

1.3.3.3 The Bank's internal climate stress test model

The internal climate stress test model is based on an econometric model deemed as a good practice by the ECB in their reports. The climate stress test model covers different climate scenarios both for the physical and the transition risks. The scenarios are aligned with the ECB's methodologies and takes into consideration the three scenarios that include an orderly transition, disorderly transition, or hothouse world.

1.4 ESG Metrics and Targets

1.4.1 BOV's Greenhouse Gases (GHG) Emissions

The GHG Protocol Corporate Accounting and Reporting Standard provides requirements and guidance for companies and other organizations preparing a corporate-level GHG emissions inventory. GHG Protocol categorizes all corporate emissions under three scopes, scope 1, 2 and 3.

Scope 1 relates to the direct emissions resulted from the operation, activities and processes (e.g. gas and transport fuels). Scope 2 relates to the indirect emissions derived from electricity used for a company's operation (lighting, appliances and equipment, cooling). BOV's scope 1 and 2 focuses exclusively on the vehicle fleet owned by the Bank, together with 68 BOV-operated buildings and 40 ATMs scattered across Malta. On the other hand, scope 3 relates to the indirect emissions from company's value chain, upstream and downstream, including specifically category 15[1] "Investment" or "financed emissions". Financed emissions are predominately linked to GHG emitted by entities that receive financial services, loans, or investments from the Bank. In alignment with these objectives, the Bank has undertaken the compilation of carbon emissions stemming from various sources. This encompasses emissions arising from the procurement of goods and services, electricity consumption in non-Bank controlled buildings, waste production, business-related travel by staff, and employee commuting activities.

During 2023, the Bank pursued further through its green transition plan by measuring its emissions from its operations. To gauge the Bank's impact on the environment and transform its business with sustainability-based decision-making, BOV continued to collect information to calculate its carbon emissions for all scopes (excluding financed emissions). The calculations were performed leveraging the GHG Protocol and the Partnership for Carbon Accounting Financials (PCAF) methodology for financed emissions.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

The table below lists the main activities contributing to the Bank's 2023 carbon footprint classified according to the relevant scope.

Emission scopes and sources identified for BOV's 2023 carbon footprint assessment.

Greenhouse Gas Emissions		
Indicator	**2023**	**Units**
Total GHG Emissions (Scope 1 + Scope 2)	**2,197.97**	**t CO2e**
Total GHG Emissions (Scope 1 + Scope 2 + Scope 3 excl Cat.15)	**24,218.65**	**t CO2e**
Scope 1	**108.75**	**t CO2e**
Stationary fuel combustion in BOV's owned or operated generators	8.24	t CO2e
Fugitive emissions	2.30	t CO2e
Mobile fuel combustion in BOV's owned or operated vehicles	98.21	t CO2e
Scope 2	**2,089.22**	**t CO2e**
Electricity used in buildings	2,052.33	t CO2e
Electricity used by ATMs.	36.89	t CO2e
Scope 3 (excluding Category 15):	**22,020.68**	**t CO2e**
Category 1: Purchased Goods and Services	20,970.12	t CO2e
Category 3: Fuel and Energy Related Activities	11.12	t CO2e
Category 5: Waste Generated in Operations	0.95	t CO2e
Category 6: Business Travel	41.79	t CO2e
Category 7: Employee Commuting	996.70	t CO2e

Note: Data for Scope 1 & 3 (excl. Cat.15) covers January to December 2023, while data for Scope 2 covers September 2022 to September 2023 due to data limitations.

[1] Category 15 presents the scope 3 emissions associated with the Bank's financed emissions. These emissions will be published in the subsequent publication with data as at June 2024, in line with Pillar 3 disclosure requirements.

1.4.1.1 Decarbonisation pathway

In the pursuit of its forward-looking decarbonization strategy, the Bank undertook a comprehensive array of initiatives stemming from the Decarbonisation Working Group and set a primary objective to reduce GHG emissions within the Bank's operations by around 20% up to 2026 compared to the base line year of 2021. This multifaceted approach underscored the Bank's unwavering commitment to sustainability and environmental responsibility.

The decarbonisation initiatives range from energy-efficient enhancements in Facilities, to responsible IT hardware disposal. Educational programs were introduced to raise awareness and cultivate responsible waste reduction, energy-saving practices among staff whilst promoting sustainable transportation options.

Infrastructure improvements included energy-efficient measures such as the implementation of recessed lighting and the adoption of a Building Management System (BMS). The Bank's commitment to sustainability extended to its IT infrastructure, with the introduction of a new primary datacentre. Upgrades like solar panels, the application of UV film on windows, and the acquisition of Energy Performance Certificates further underscored the Bank's dedication to improving energy efficiency and reducing its environmental impact.

Moreover, the Bank plans on installing EV chargers within its premises to further encourage the use of sustainable vehicles by its employees. Efforts are also made to minimize paper and mail usage, while branch networks are being modernized with smart lighting and enhanced insulation to contribute to a more sustainable and eco-friendly operation. The decarbonization strategy aims to significantly reduce the Bank's carbon footprint and actively promote environmental stewardship.

1.4.2 Article 8 of the Taxonomy Regulation

1.4.2.1 Introduction

With the ambitious goal of achieving net-zero greenhouse gas emissions by 2050, the European Union (EU) has set an interim target of reducing GHG emissions by 55% relative to 1990 levels by 2030. To facilitate this transition, the European Commission (EC) has introduced the EU taxonomy[2], a comprehensive classification system designed to identify economically sustainable activities. This taxonomy serves as a key tool in determining whether an economic activity qualifies as environmentally sustainable. The initial step involves assessing the eligibility of an economic activity, with numerous economic activities falling within the scope of the EU taxonomy. However, it's important to note that meeting the technical criteria necessary to be classified as environmentally sustainable, or 'taxonomy-aligned,' is a more selective process, reserved for those activities that satisfy the technical criteria.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

The EU Taxonomy establishes criteria in terms of six environmental objectives, namely,

i) Climate change mitigation;
ii) Climate change adaptation;
iii) Sustainable use and protection of water and marine resources;
iv) Transition to a circular economy;
v) Pollution prevention and control; and
vi) Protection and restoration of biodiversity and ecosystems.

For an economic activity to qualify as environmentally sustainable, it must be assessed to substantially contribute to one of these environmental objectives, whilst doing no significant harm ('DNSH') to the remaining objectives. The DNSH criteria is outlined in the Technical Screening Criteria established in the Delegated Acts to the EU Taxonomy regulation. Economic activity is also required to meet minimum safeguards established in the EU Taxonomy regulation.

The Disclosures Delegated Act[3] became applicable for the first time on 1 January 2022, with the first disclosures for the financial reporting period ended 31 December 2021, adopting a phased-in approach to the disclosure requirements of key performance indicators. In the previous two years, financial institutions were only required to disclose their proportion of exposures towards taxonomy-eligible and non-eligible activities. As from reporting period 31 December 2023, financial institutions are required to disclose the proportion of exposures towards taxonomy-aligned economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) covered by the Climate Delegated Act[4]. The Environmental Delegated Act[5] is applicable from 1 January 2024 and hence the related key performance indicators (KPIs) will be first disclosed as of 31 December 2024.

[2] *EU Taxonomy Regulation (EU) 2020/852*

[3] *Disclosures Delegated Regulation (EU) 2021/2178*

[4] *Climate Delegated Regulation (EU) 2022/1214 and Climate Delegated Regulation (EU) 2023/2485 (Applicable from January 2024)*

[5] *Environmental Delegated Regulation (EU) 2023/2486 (applicable from January 2024)*

1.4.2.2 Assets in Scope

The disclosed amounts pertain to on-balance sheet financial assets within the banking book, encompassing loans, advances, debt securities, and equity exposures towards corporate clients falling under the Non-Financial Reporting Directive (NFRD). Additionally, exposures towards residential mortgages, house renovation, and motor vehicles are also in scope.

Nonetheless, certain exposures are excluded from the reporting numerator of the ratios but are considered in the denominator. These exclusions comprise non-NFRD corporate clients, derivatives, on-demand interbank loans, and other assets, including cash-related assets. Notably, exposures to central governments, central banks, and supranational entities are entirely excluded from both the numerator and denominator of the ratios.

1.4.2.3 Scope of BOV Entities

The ratios below represent the exposures and balances relative to total assets for the primary operating entity within the BOV group as of December 31, 2023. On 21 December 2023, the European Commission published a Draft Commission Notice on the interpretation and implementation of a number of legal provisions of the Disclosures Delegated Act under Article 8 of the EU taxonomy Regulation. This notice provided clarifications on how the requirements of the Disclosures Delegated act are to be implemented. Given the limited time available between the publication of BOV's annual report and the publication of the European Commission notice, it has not been operationally possible to implement all aspects of the notice. Consequently, the separate KPI for the group's asset management activities have been excluded from this report. The group-level KPI pertaining to the weighted average of the KPIs for the credit institution and the asset management subsidiary has also been excluded from this report.

Next Submission will include the Individual KPI of asset management and the weighted average KPI at Group level.

1.4.2.4 Taxonomy eligibility and alignment of assets

When assessing the taxonomy eligibility and alignment of their on-balance sheet exposures towards corporate clients, financial institutions are only allowed to use actual information that has been disclosed by the clients reporting under the NFRD. As a financial institution, the Bank is required to use the most recently available actual eligibility and alignment information when disclosing its own eligibility and alignment ratio for the reporting period 31 December 2023.

Taxonomy eligibility and alignment of the Bank's exposures towards retail clients is reported in line with the Technical Screening Criteria outlined in Annex I of the Climate Delegated Act.

1.4.2.5 Taxonomy non-eligible and out of scope assets

Taxonomy non-eligible assets consist of the residual exposures to NFRD clients after deducting the Taxonomy-eligible exposures. Out of scope assets consist of exposures to non-NFRD corporate clients, derivatives, on demand inter-bank loans, other assets including cash related assets, central governments, central banks, and supranational exposures.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

The table below highlights the Bank's taxonomy-eligible and non-eligible assets as a proportion of total assets.

Taxonomy eligible, non-eligible and out-of scope exposures as a proportion of Total Assets	2023	
	€ million	%
Taxonomy eligible assets as a proportion of total assets	2,956	20.26%
Taxonomy non-eligible assets as a proportion of total assets	2,322	15.92%
Out of scope exposures	9,309	63.82%

1.4.2.6 Data Limitations

The Bank relies on external data sources to determine exposures that are subject to NFRD and to identify exposures that are Taxonomy eligible, and Taxonomy aligned. Given that undertakings are still adopting the Taxonomy Regulation requirements for their own disclosures, availability of data is expected to increase in future periods.

To ascertain the exposures to foreign undertakings falling within the scope of the NFRD, the Bank opted to utilize the services of an external data provider. This decision was made to ensure comprehensive coverage and adherence to regulatory guidelines. The identification process of undertakings subject to the NFRD, as facilitated by the external data source, aligns with the stipulations outlined in either Article 19a or Article 29a of Directive 2013/34/EU.

Furthermore, for exposures to local undertakings, the Bank adopted a dual approach. While leveraging the insights provided by the external data provider, the Bank also conducted internal assessments. Specifically, clients with more than 500 employees during the reporting period were internally identified as falling within the scope of the NFRD. This multifaceted approach aimed to ensure robustness in identifying entities subject to NFRD requirements, both domestically and internationally.

The Bank provided the counterparty NACE of its exposures to corporate entities to the external source. NACE is a statistical classification of economic activities/sectors. Taxonomy eligible as well as taxonomy aligned exposures were derived from the database of the external data provider based on this counterparty NACE. Data provided is actual data retrieved from the publicly available information of undertakings in scope of NFRD. NACE classification has some limitations since there are instances where the NACE of the counterparty and the facility are not aligned.

In line with Annex I of the Climate delegated act, retail exposures secured by residential immovable property and retail lending with loan purpose for building renovation and motor vehicles have been Taxonomy eligible. To establish Taxonomy alignment, the Bank used available internal data and only exposures for the purpose of purchasing photovoltaic panels could be identified as Taxonomy aligned. The Bank is still not in a position to report on the Taxonomy alignment of the other retail exposures since it has not yet been able to ensure that the DNSH criteria is fulfilled.

The Bank is continuously implementing processes and collecting new data with the aim of improving the availability and accuracy of the information being reported over time.

1.4.2.7 Key Performance Indicators (KPIs)

Undertakings are required to disclose the share of their turnover, capital expenditure (CapEX) and operating expenditure associated with taxonomy-eligible, and taxonomy aligned economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with Article 8 of the Taxonomy Regulation.

Starting from the reporting period ending on 31 December 2023, financial institutions are mandated to disclose a Green Asset Ratio (GAR), capturing the share of the Bank's environmentally sustainable assets (taxonomy aligned) relative to the total assets considered for the GAR ratio. The GAR ratio draws insights from CapEx and Turnover Key Performance Indicators (KPIs) provided by corporate clients. By leveraging these KPIs, financial institutions can effectively gauge the extent to which their assets align with environmental sustainability criteria.

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

	€ million	Total environmentally sustainable assets - Turnover	Total environmentally sustainable assets - CapEX	KPI Turnover	KPI CAPEX	% coverage (over total assets)***	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Main KPI	Green asset retion (GAR) stock	3.43	6.28	0.03%	0.06%	75.07%	38.89%	24.93%
		Total environmentally sustainable activities	**Total environmentally sustainable assets - CapEX**	**KPI Turnover**	**KPI CAPEX**	**% coverage (over total assets)*** **	**% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)**	**% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)**
Additional KPIs	GAR (flow)	0.34	0.34	0.03%	0.03%	60.44%	20.71%	39.56%
	Trading book*	-	-	-	-			
	Financial guarantees	-	-	-	-			
	Assets under management	0.40	1.85	1.22%	5.56%			
	Fees and commissions income	-	-	-	-			

* *For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions setout in Article 325a(1) of the CRR*

** *Fees and commissions income from the services other than lending and AuM*

Institutions shall disclose forwardlooking information for this KPIs, including information in terms of targets, together with relevant explanations on the methodology applied.

*** *% od assets covered by the KPI over banks' total assets*

Note 1: Across the reporting templates: cells shaded in grey should not be reported

Note 2: Fees and Commissions (sheet 6) and Trading Book (sheet 7) KPIs shall only apply starting 2026. SMEs' inclusion in these KPI will only apply subject to a positive result of an impact assessment.

The Bank's main KPI refers to the GAR for the stock exposures under Turnover and CapEX. €3.43 million and €6.28 million of the Banks total assets eligible for GAR calculation have been identified as environmentally sustainable under the Turnover and CapEX KPIs respectively. This is equivalent to 0.03% under Turnover and 0.06% under CapEX.

75% of the Bank's total on-balance sheet assets are considered eligible in the denominator of the GAR. The uncovered exposure mainly consists of exposures to central governments and supranational issuers which are not covered by the GAR calculation. Additionally, almost 39% of the Bank's on-balance sheet assets are excluded from the numerator of the GAR but included in the denominator. These consist of exposures to undertakings that are not subject to NFRD disclosure obligations within the EU and outside the EU, derivatives, on demand interbank loans and other assets included cash-related assets.

Additional KPIs disclosed above include the GAR for new exposures obtained during the current reporting period i.e. GAR (flow) and the GAR for off-balance sheet assets under management. €0.34 million of the Bank's total new assets eligible for GAR calculation have been identified as environmentally sustainable under the Turnover and CapEX KPIs respectively. For the current reporting period, the GAR flow is made up of retail exposures only. Naturally, such exposure does not differ under Turnover and CapEX. This is equivalent to 0.029% under Turnover.

Under turnover, €0.4 million of the Bank's off-balance sheet assets under management[6] have been identified as environmentally sustainable. This translates into a turnover of KPI equal to 1.22% of the Bank's off-balance sheet assets towards undertakings that are subject to NFRD. CapEX KPI for the Bank's Assets Under Management (AUM)is reported at 5.56% as at 31 December 2023.

[6] *Off-balance sheet exposures to undertakings that are subject to NFRD.*

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 1 – Covered assets GAR – Turnover

Since this is the first year of reporting the EU Taxonomy templates, there is no previous year comparison information to disclose.

Disclosure reference date T

	Million EUR	Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			TTRS	ES	UOP	T	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	T	E
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	5,278	2,952	3		0	3	39	0																			2,991	3		0	3
2	**Financial undertakings**	1,829						39																				39				
3	Credit institutions	1,629						39																				39				
4	Loans and advances	61																														
5	Debt securities, including UoP	1,568						39																				39				
6	Equity instruments	0																														
7	Other financial corporations	200																														
8	of which investment firms																															
9	Loans and advances																															
10	Debt securities, including UoP																															
11	Equity instruments																															
12	of which management companies																															
13	Loans and advances																															
14	Debt securities, including UoP																															
15	Equity instruments																															
16	of which insurance undertakings	2																														
17	Loans and advances	2																														
18	Debt securities, including UoP																															
19	Equity instruments																															
20	**Non-financial undertakings**	67	10	2		0	2		0																			10	2		0	2
21	Loans and advances	40																														
22	Debt securities, including UoP	25	10	2		0	2		0																			10	2		0	2
23	Equity instruments	2	0	0					0																			0	0			
24	**Households**	3,382	2,942	1			1																					2,942	1			1
25	of which loans collateralised by residential immovable property	2,847	2,847	0			0																					2,847	0			0
26	of which building renovation loans	18	18	1			1																					18	1			1
27	of which motor vehicle loans	64	64	0			0																					64	0			0
28	**Local governments financing**																															
29	Housing financing																															
30	Other local government financing																															

TTRS	Of which towards taxonomy relevant sectors (Taxonomy-eligible)
ES	Of which environmentally sustainable (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

	Million EUR	Disclosure reference date T																														
		Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			TTRS	ES	UOP	T	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	T	E
	GAR - Covered assets in both numerator and denominator																															
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	1	1	0			0																					1	0			0
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	5,672																														
33	**Financial and Non-financial undertakings**	2,797																														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	2,739																														
35	Loans and advances	2,657																														
36	of which loans collateralised by commercial immovable property	1,247																														
37	of which building renovation loans																															
38	Debt securities	73																														
39	Equity instruments	9																														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	58																														
41	Loans and advances	9																														
42	Debt securities	49																														
43	Equity instruments																															
44	**Derivatives**	8																														
45	**On demand interbank loans**	140																														
46	**Cash and cash-related assets**	2,349																														
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**	379																														
48	**Total GAR assets**	10,951	2,952	3		0	3	39	0																			2,991	3		0	3
49	**Assets not covered for GAR calculation**	3,637																														
50	**Central governments and Supranational issuers**	3,637																														
51	**Central banks exposure**	0																														
52	**Trading book**																															
53	**Total assets**	14,587	2,952	3		0	3	39	0																			2,991	3		0	3
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																															
54	Financial guarantees																															
55	Assets under management	33	5	0	0	0	0	0	0	0																		5	0	0	0	0
56	Of which debt securities	27	5	0	0	0	0		0	0																		5	0	0	0	0
57	Of which equity instruments	6	1	0	0	0	0	0	0	0																		1	0	0	0	0

TTRS	Of which towards taxonomy relevant sectors (Taxonomy-eligible)
ES	Of which environmentally sustainable (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 1 – Covered assets GAR – CapEX

Disclosure reference date T

	Million EUR	Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			TTRS	ES	UOP	T	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	T	E
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	5,278	2,955	6		0	5		0																			2,955	6		0	5
2	**Financial undertakings**	1,829																														
3	Credit institutions	1,629																														
4	Loans and advances	61																														
5	Debt securities, including UoP	1,568																														
6	Equity instruments	0																														
7	Other financial corporations	200																														
8	of which investment firms																															
9	Loans and advances																															
10	Debt securities, including UoP																															
11	Equity instruments																															
12	of which management companies																															
13	Loans and advances																															
14	Debt securities, including UoP																															
15	Equity instruments																															
16	of which insurance undertakings	2																														
17	Loans and advances	2																														
18	Debt securities, including UoP																															
19	Equity instruments																															
20	**Non-financial undertakings**	67	14	5		0	4		0																			14	5		0	4
21	Loans and advances	40																														
22	Debt securities, including UoP	25	14	5		0	4		0																			14	5		0	4
23	Equity instruments	2	0	0					0																			0	0			
24	**Households**	3,382	2,942	1			1																					2,942	1			1
25	of which loans collateralised by residential immovable property	2,847	2,847	0			0																					2,847	0			0
26	of which building renovation loans	18	18	1			1																					18	1			1
27	of which motor vehicle loans	64	64	0			0																					64	0			0
28	**Local governments financing**																															
29	Housing financing																															
30	Other local government financing																															
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	1	1	0			0																					1	0			0

TTRS	Of which towards taxonomy relevant sectors (Taxonomy-eligible)
ES	Of which environmentally sustainable (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

	Million EUR	Total [gross] carrying amount	Disclosure reference date T																													
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			TTRS	ES	UOP	T	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	E	TTRS	ES	UOP	T	E
	GAR - Covered assets in both numerator and denominator																															
32	Assets excluded from the numerator for GAR calculation (covered in the denominator)	5,672																														
33	Financial and Non-financial undertakings	2,797																														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	2,739																														
35	Loans and advances	2,657																														
36	of which loans collateralised by commercial immovable property	1,247																														
37	of which building renovation loans																															
38	Debt securities	73																														
39	Equity instruments	9																														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	58																														
41	Loans and advances	9																														
42	Debt securities	49																														
43	Equity instruments																															
44	Derivatives	8																														
45	On demand interbank loans	140																														
46	Cash and cash-related assets	2,349																														
47	Other categories of assets (e.g. Goodwill, commodities etc.)	379																														
48	Total GAR assets	10,951	2,956	6		0	5		0																			2,956	6		0	5
49	Assets not covered for GAR calculation	3,637																														
50	Central governments and Supranational issuers	3,637																														
51	Central banks exposure	0																														
52	Trading book																															
53	Total assets	14,587	2,956	6		0	5		0																			2,956	6		0	5
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																															
54	Financial guarantees																															
55	Assets under management	33	7	2	2	0	0		0	0																		7	2	2	0	0
56	Of which debt securities	27	6	2	2	0	0		0	0																		6	2	2	0	0
57	Of which equity instruments	7	1	0	0	0	0		0	0																		1	0	0	0	0

TTRS	Of which towards taxonomy relevant sectors (Taxonomy-eligible)
ES	Of which environmentally sustainable (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 2 - GAR sector information – Turnover

This template outlines the Taxonomy-eligible and aligned exposure to undertakings subject to NFRD with a breakdown by sector at NACE classification level 4. The Bank's environmentally sustainable assets are exposed to 'C-Manufacturing', 'H-Transport and storage', 'J-Information and communication' and 'Q- Human health and social work activities.' Template 2 shows only the sectors in which the Bank has exposures.

Template 2 – Climate change mitigation (CCM) and Climate Change Adaptation (CCA), columns a – h

		a	b	c	d	e	f	g	h
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	Breakdown by sector - NACE 4 digits level (code and label)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCA)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCA)
88	C - Manufacturing	5	1				0		
224	C21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations	0	0				0		
225	C21.1 - Manufacture of basic pharmaceutical products	0	0				0		
382	C29 - Manufacture of motor vehicles, trailers and semi-trailers	5	1				0		
383	C29.1 - Manufacture of motor vehicles	5	1				0		
390	C30 - Manufacture of other transport equipment	0	0				0		
396	C30.3 - Manufacture of air and spacecraft and related machinery	0	0				0		
622	H - Transporting and storage	5	2				0		
661	H53 - Postal and courier activities	5	2				0		
664	H53.2 - Other postal and courier activities	5	2				0		
684	J - Information and communication	0	0				0		
708	J61 - Telecommunications	0	0				0		
709	J61.1 - Wired telecommunications activities	0	0				0		
710	J61.1.0 - Wired telecommunications activities	0	0				0		
905	Q - Human health and social work activities	0	0				0		
915	Q87 - Residential care activities	0	0				0		
916	Q87.1 - Residential nursing care activities	0	0				0		

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 2 – Climate change mitigation (CCM) and Climate Change Adaptation (CCA), columns i-ab

		i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa	ab
		Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
Breakdown by sector - NACE 4 digits level (code and label)		[Gross] carrying amount Mn EUR	Of which environmentally sustainable (WTR)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (WTR)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CE)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CE)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (PPC)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (PPC)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (BIO)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (BIO)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
88	C - Manufacturing																	5	1		
224	C21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations																	0	0		
225	C21.1 - Manufacture of basic pharmaceutical products																	0	0		
382	C29 - Manufacture of motor vehicles, trailers and semi-trailers																	5	1		
383	C29.1 - Manufacture of motor vehicles																	5	1		
390	C30 - Manufacture of other transport equipment																	0	0		
396	C30.3 - Manufacture of air and spacecraft and related machinery																	0	0		
622	H - Transporting and storage																	5	2		
661	H53 - Postal and courier activities																	5	2		
664	H53.2 - Other postal and courier activities																	5	2		
684	J - Information and communication																	0	0		
708	J61 - Telecommunications																	0	0		
709	J61.1 - Wired telecommunications activities																	0	0		
710	J61.1.0 - Wired telecommunications activities																	0	0		
905	Q - Human health and social work activities																	0	0		
915	Q87 - Residential care activities																	0	0		
916	Q87.1 - Residential nursing care activities																	0	0		

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 2 - GAR sector information – CapEX, columns a-h

	Breakdown by sector - NACE 4 digits level (code and label)	a	b	c	d	e	f	g	h
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCA)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCA)
88	C - Manufacturing	8	2				0		
224	C21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations	0	0				0		
225	C21.1 - Manufacture of basic pharmaceutical products	0	0				0		
382	C29 - Manufacture of motor vehicles, trailers and semi-trailers	5	1				0		
383	C29.1 - Manufacture of motor vehicles	5	1				0		
390	C30 - Manufacture of other transport equipment	3	1				0		
396	C30.3 - Manufacture of air and spacecraft and related machinery	3	1				0		
622	H - Transporting and storage	5	3				0		
661	H53 - Postal and courier activities	5	3				0		
664	H53.2 - Other postal and courier activities	5	3				0		
684	J - Information and communication	0	0				0		
708	J61 - Telecommunications	0	0				0		
709	J61.1 - Wired telecommunications activities	0	0				0		
710	J61.1.0 - Wired telecommunications activities	0	0				0		
905	Q - Human health and social work activities	0	0				0		
915	Q87 - Residential care activities	0	0				0		
916	Q87.1 - Residential nursing care activities	0	0				0		

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 2 - GAR sector information – CapEX, columns i-ab

		i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa	ab
		Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	Breakdown by sector - NACE 4 digits level (code and label)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (WTR)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (WTR)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CE)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CE)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (PPC)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (PPC)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (BIO)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (BIO)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	[Gross] carrying amount Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
88	C - Manufacturing																	8	2		
224	C21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations																	0	0		
225	C21.1 - Manufacture of basic pharmaceutical products																	0	0		
382	C29 - Manufacture of motor vehicles, trailers and semi-trailers																	5	1		
383	C29.1 - Manufacture of motor vehicles																	5	1		
390	C30 - Manufacture of other transport equipment																	3	1		
396	C30.3 - Manufacture of air and spacecraft and related machinery																	3	1		
622	H - Transporting and storage																	5	3		
661	H53 - Postal and courier activities																	5	3		
664	H53.2 - Other postal and courier activities																	5	3		
684	J - Information and communication																	0	0		
708	J61 - Telecommunications																	0	0		
709	J61.1 - Wired telecommunications activities																	0	0		
710	J61.1.0 - Wired telecommunications activities																	0	0		
905	Q - Human health and social work activities																	0	0		
915	Q87 - Residential care activities																	0	0		
916	Q87.1 - Residential nursing care activities																	0	0		

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 3 - GAR KPI Stock – Turnover

Template 3 outlines the Taxonomy-eligible and aligned stock exposures for the reporting period 31 December 2023.

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

	% (compared to total covered assets in the denominator)	Disclosure reference date T																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total assets covered
		TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	26.96%	0.03%	0.00%	0.00%	0.03%	0.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	27.31%	0.03%	0.00%	0.00%	0.03%	36.18%
2	**Financial undertakings**	0.00%	0.00%	0.00%	0.00%	0.00%	0.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.35%	0.00%	0.00%	0.00%	0.00%	12.54%
3	Credit institutions	0.00%	0.00%	0.00%	0.00%	0.00%	0.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.35%	0.00%	0.00%	0.00%	0.00%	11.17%
4	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.42%
5	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.35%	0.00%	0.00%	0.00%	0.00%	10.75%
6	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
7	Other financial corporations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.37%
8	of which investment firms	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
10	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
12	of which management companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
13	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
16	of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
17	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
18	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
19	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
20	**Non-financial undertakings**	0.09%	0.02%	0.00%	0.00%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.09%	0.02%	0.00%	0.00%	0.02%	0.46%
21	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.27%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

% (compared to total covered assets in the denominator)	Disclosure reference date T																														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total assets covered
	TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
GAR - Covered assets in both numerator and denominator																															
22 Debt securities, including UoP	0.09%	0.02%	0.00%	0.00%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.09%	0.02%	0.00%	0.00%	0.02%	0.17%
23 Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.01%
24 **Households**	26.86%	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									26.86%	0.01%	0.00%	0.00%	0.01%	23.18%
25 of which loans collateralised by residential immovable property	26.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									26.00%	0.00%	0.00%	0.00%	0.00%	19.52%
26 of which building renovation loans	0.17%	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									0.17%	0.01%	0.00%	0.00%	0.01%	0.13%
27 of which motor vehicle loans	0.59%	0.00%	0.00%	0.00%	0.00%																					0.59%	0.00%	0.00%	0.00%	0.00%	0.44%
28 **Local governments financing**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
29 Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
30 Other local government financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
32 **Total GAR assets**	26.96%	0.03%	0.00%	0.00%	0.03%	0.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	27.32%	0.03%	0.00%	0.00%	0.03%	75.07%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 3 - GAR KPI Stock – CapEX

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

		Disclosure reference date T																													
	% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total assets covered
		TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	26.99%	0.06%	0.00%	0.00%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	26.99%	0.06%	0.00%	0.00%	0.05%	36.18%
2	**Financial undertakings**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	12.54%
3	Credit institutions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	11.17%
4	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.42%
5	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	10.75%
6	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
7	Other financial corporations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.37%
8	of which investment firms	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
10	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
12	of which management companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
13	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
16	of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
17	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
18	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
19	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
20	**Non-financial undertakings**	0.13%	0.05%	0.00%	0.00%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.13%	0.05%	0.00%	0.00%	0.04%	0.46%
21	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.27%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

% (compared to total covered assets in the denominator)	Disclosure reference date T																														
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total assets covered
	TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
GAR - Covered assets in both numerator and denominator																															
22 Debt securities, including UoP	0.12%	0.05%	0.00%	0.00%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.12%	0.05%	0.00%	0.00%	0.04%	0.17%
23 Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.01%
24 Households	26.86%	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									26.86%	0.01%	0.00%	0.00%	0.01%	23.18%
25 of which loans collateralised by residential immovable property	26.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									26.00%	0.00%	0.00%	0.00%	0.00%	19.52%
26 of which building renovation loans	0.17%	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									0.17%	0.01%	0.00%	0.00%	0.01%	0.13%
27 of which motor vehicle loans	0.59%	0.00%	0.00%	0.00%	0.00%																					0.59%	0.00%	0.00%	0.00%	0.00%	0.44%
28 Local governments financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
29 Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
30 Other local government financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
31 Collateral obtained by taking possession: residential and commercial immovable properties	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
32 Total GAR assets	26.99%	0.06%	0.00%	0.00%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	26.99%	0.06%	0.00%	0.00%	0.05%	75.07%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 4 - GAR KPI Flow – Turnover

Template 4 under Turnover and CapEX are identical because the flow assets relate to retail exposure, and these do not distinguish between Turnover and CapEX KPIs.

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

% (compared to flow of total eligible assets)	Disclosure reference date T																													
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total new assets covered
	TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
GAR - Covered assets in both numerator and denominator																															
1 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	24.72%	0.03%	0.00%	0.00%	0.03%	1.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	25.88%	0.03%	0.00%	0.00%	0.03%	39.73%
2 **Financial undertakings**	0.00%	0.00%	0.00%	0.00%	0.00%	1.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.16%	0.00%	0.00%	0.00%	0.00%	19.83%
3 Credit institutions	0.00%	0.00%	0.00%	0.00%	0.00%	1.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.16%	0.00%	0.00%	0.00%	0.00%	19.73%
4 Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5 Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	1.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.16%	0.00%	0.00%	0.00%	0.00%	19.73%
6 Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
7 Other financial corporations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.10%
8 of which investment firms	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9 Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
10 Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11 Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
12 of which management companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
13 Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14 Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15 Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
16 of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
17 Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
18 Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
19 Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
20 **Non-financial undertakings**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.43%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

	Disclosure reference date T																														
% (compared to flow of total eligible assets)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total new assets covered
	TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
GAR - Covered assets in both numerator and denominator																															
21 Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.42%
22 Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
23 Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
24 **Households**	24.72%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									24.72%	0.03%	0.00%	0.00%	0.03%	19.47%
25 of which loans collateralised by residential immovable property	20.52%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									20.52%	0.00%	0.00%	0.00%	0.00%	12.40%
26 of which building renovation loans	0.81%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									0.81%	0.03%	0.00%	0.00%	0.03%	0.49%
27 of which motor vehicle loans	3.37%	0.00%	0.00%	0.00%	0.00%																					3.37%	0.00%	0.00%	0.00%	0.00%	2.04%
28 **Local governments financing**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
29 Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
30 Other local government financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
31 **Collateral obtained by taking possession: residential and commercial immovable properties**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
32 **Total GAR assets**	24.72%	0.03%	0.00%	0.00%	0.03%	1.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	25.88%	0.03%	0.00%	0.00%	0.03%	60.44%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 4 - GAR KPI Flow – CapEX

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

	% (compared to flow of total eligible assets)	Disclosure reference date T																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total new assets covered
		TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	24.72%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	24.72%	0.03%	0.00%	0.00%	0.03%	39.73%
2	**Financial undertakings**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	19.83%
3	Credit institutions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	19.73%
4	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	19.73%
6	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
7	Other financial corporations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.10%
8	of which investment firms	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
10	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
12	of which management companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
13	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
16	of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
17	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
18	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
19	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
20	**Non-financial undertakings**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.43%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

		Disclosure reference date T																														
	% (compared to flow of total eligible assets)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total new assets covered
		TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E	
	GAR - Covered assets in both numerator and denominator																															
21	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.42%
22	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
23	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
24	**Households**	24.72%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									24.72%	0.03%	0.00%	0.00%	0.03%	19.47%
25	of which loans collateralised by residential immovable property	20.52%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									20.52%	0.00%	0.00%	0.00%	0.00%	12.40%
26	of which building renovation loans	0.81%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%									0.81%	0.03%	0.00%	0.00%	0.03%	0.49%
27	of which motor vehicle loans	3.37%	0.00%	0.00%	0.00%	0.00%																					3.37%	0.00%	0.00%	0.00%	0.00%	2.04%
28	Local governments financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
29	Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
30	Other local government financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
32	**Total GAR assets**	24.72%	0.03%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	24.72%	0.03%	0.00%	0.00%	0.03%	60.44%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

TE	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)
TA	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)
UOP	Of which Use of Proceeds
T	Of which transitional
E	Of which enabling

Template 5 - KPI off-balance sheet exposures - Turnover

% (compared to flow of total eligible assets)	Disclosure reference date T																													
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E
GAR - Covered assets in both numerator and denominator																														
1 Financial guarantees (FinGuar KPI)																														
2 Assets under management (AuM KPI)	16.31%	1.22%	-	0.04%	0.20%	0.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	16.49%	1.22%	-	0.04%	0.20%

Template 5 - KPI off-balance sheet exposures - CapEX

% (compared to flow of total eligible assets)	Disclosure reference date T																													
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	TE	TA	UOP	T	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	E	TE	TA	UOP	T	E
GAR - Covered assets in both numerator and denominator																														
1 Financial guarantees (FinGuar KPI)																														
2 Assets under management (AuM KPI)	20.09%	5.56%	0.00%	0.99%	0.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	20.09%	5.56%	0.00%	0.99%	0.81%

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Nuclear and Fossil Gas – related activities

Template 1 below outlines whether or not BOV is exposed to Nuclear and Gas activities. As at 31 December 2023, BOV had exposures towards counterparties which carry out fossil gas related activities. Due to the unavailability of the KPIs by the counterparties, the Bank is not able to disclose Taxonomy-eligible and non-eligible KPIs in Templates 4 and 5 below. Such exposures are presented as not-eligible and not-aligned, in line with the FAQs presented by the EC.

Template 1 – Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Template 4 – Taxonomy-eligible but not taxonomy-aligned economic activities

		Proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM+CCA)		Climate change mitigation		Climate change adaptation	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0		0		0	
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0		0		0	
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0		0		0	
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0		0		0	
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0		0		0	
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0		0		0	
7	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	0		0		0	
8	**Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	0		0		0	

Environmental Social and Governance (ESG) Risk Management and Disclosures (continued)

Template 5 – Taxonomy non-eligible economic activities

Row	Economic activities	Amount	Percentage
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
7	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	0	0
8	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	0	0

Statements of profit or loss

for the year ended 31 December 2023

	Note	The Group 2023	The Group 2022 restated[1]	The Bank 2023	The Bank 2022
		€000	€000	€000	€000
Interest and similar income					
- on loans and advances	2	323,404	196,277	323,404	196,277
- on debt, other fixed income instruments and derivatives	2	77,998	23,933	77,998	23,933
Interest expense	3	(49,403)	(18,311)	(49,403)	(18,311)
Net interest income		**351,999**	**201,899**	**351,999**	**201,899**
Fee and commission income		91,988	89,114	83,796	79,995
Fee and commission expense		(13,941)	(12,546)	(13,941)	(12,546)
Net fee and commission income	4	**78,047**	**76,568**	**69,855**	**67,449**
Dividend income		2,740	641	9,802	9,386
Trading profits	5	8,205	14,163	8,194	14,206
Net gain on investment securities and hedging instruments	6	11	86	11	86
Operating income		**441,002**	**293,357**	**439,861**	**293,026**
Employee compensation and benefits	7	(111,061)	(100,033)	(108,394)	(97,659)
General administrative expenses		(78,659)	(72,945)	(76,815)	(71,075)
Amortisation of intangible assets	20	(13,791)	(11,861)	(13,691)	(11,772)
Depreciation	21	(7,389)	(7,777)	(7,342)	(7,716)
Net impairment reversal	8	10,481	49,075	10,481	49,075
Operating profit before litigation settlement charge		**240,583**	**149,816**	**244,100**	**153,879**
Net litigation settlement charge	33	-	(102,958)	-	(102,958)
Operating profit		**240,583**	**46,858**	**244,100**	**50,921**
Share of results of equity-accounted investees, net of tax	18	11,030	2,217	-	-
Profit before tax	9	**251,613**	**49,075**	**244,100**	**50,921**
Income tax expense	10	(83,677)	(17,547)	(84,825)	(18,514)
Profit for the year		**167,936**	**31,528**	**159,275**	**32,407**
Earnings per share	11	**28.8 c**	**5.4 c**	**27.3 c**	**5.6 c**

[1] *Restated comparatives in the financial statements due to the adoption of IFRS 17 and IFRS 9 by the associates are detailed in Note 1.1.4.3.*

Statements of profit or loss and other comprehensive income

for the year ended 31 December 2023

	The Group		The Bank	
	2023	2022 restated	2023	2022
	€000	€000	€000	€000
Profit for the year	167,936	31,528	159,275	32,407
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Debt investments at FVOCI				
- change in fair value	1,615	(4,823)	1,615	(4,823)
tax thereon	(565)	1,688	(565)	1,688
	1,050	(3,135)	1,050	(3,135)
Items that will not be reclassified to profit or loss:				
Equity investments at FVOCI				
- change in fair value	(247)	(1,723)	(247)	(1,723)
tax thereon	86	603	86	603
Property revaluation	4,255	3,366	4,255	3,366
tax thereon and effect of changes in property tax rates	(426)	(337)	(426)	(337)
Release on sale of property	84	-	84	-
tax thereon	(8)	-	(8)	-
Remeasurement of actuarial losses on defined benefit plans	154	2,485	154	2,485
tax thereon	(54)	(870)	(54)	(870)
Other comprehensive income for the year, net of tax	4,894	389	4,894	389
Total comprehensive income	172,830	31,917	164,169	32,796

The notes are an integral part of these financial statements.

Statements of financial position

as at 31 December 2023

	Note	The Group 2023	The Group 31 Dec 2022 restated	The Group 1 Jan 2022 restated	The Bank 2023	The Bank 2022
		€000	€000	€000	€000	€000
ASSETS						
Balances with Central Bank of Malta, treasury bills and cash	13	2,353,317	3,389,261	4,626,066	2,353,317	3,389,261
Financial assets at fair value through profit or loss	14	113,853	146,363	138,986	113,562	146,211
Investments	15	4,366,633	3,831,892	2,531,780	4,366,633	3,831,892
Pledged investments	15	986,829	735,172	1,036,889	986,829	735,172
Loans and advances to banks	16	196,307	394,546	452,469	196,307	394,546
Loans and advances to customers at amortised cost	17	6,114,589	5,560,076	5,097,598	6,114,589	5,560,076
Investments in equity-accounted investees	18	110,098	100,206	99,735	72,870	72,870
Investments in subsidiary companies	19	-	-	-	6,230	6,230
Intangible assets	20	54,642	56,047	56,074	54,531	55,836
Property and equipment	21	134,172	132,691	130,622	134,125	132,605
Current tax		-	20,706	28,640	-	21,017
Deferred tax	23	34,025	67,898	84,563	33,937	67,872
Assets held for realisation	40	11,979	12,138	11,740	11,979	12,138
Other assets	24	12,746	7,227	5,423	12,746	7,227
Prepayments		17,758	18,521	12,091	15,682	16,112
Total Assets		**14,506,948**	**14,472,744**	**14,312,676**	**14,473,337**	**14,449,065**
LIABILITIES						
Derivative liabilities held for risk management	14	4,154	4,535	5,485	4,154	4,535
Amounts owed to banks	25	315,651	77,074	560,117	315,651	77,074
Amounts owed to customers	26	12,152,216	12,547,911	12,176,854	12,157,044	12,554,584
Current tax		28,079	-	-	28,912	-
Deferred tax	23	7,435	7,054	6,717	7,435	7,054
Other liabilities	27	198,178	191,552	203,141	197,651	191,284
Provisions	33	20,166	16,518	104,449	20,016	16,368
Derivatives designated for hedge accounting	29	-	2,167	12,157	-	2,167
Debt securities in issue	30	350,099	350,260	-	350,099	350,260
Subordinated liabilities	30	163,237	163,237	163,237	163,237	163,237
Total Liabilities		**13,239,215**	**13,360,308**	**13,232,157**	**13,244,199**	**13,366,563**
EQUITY						
Called up share capital	31	583,849	583,849	583,849	583,849	583,849
Share premium account		49,277	49,277	49,277	49,277	49,277
Revaluation reserves	32	59,628	57,212	58,438	59,516	57,100
Retained earnings	32	574,979	422,098	388,955	536,496	392,276
Total Equity		**1,267,733**	**1,112,436**	**1,080,519**	**1,229,138**	**1,082,502**
Total Liabilities and Equity		**14,506,948**	**14,472,744**	**14,312,676**	**14,473,337**	**14,449,065**
MEMORANDUM ITEMS						
Contingent liabilities	33	394,414	374,109	351,362	394,414	374,109
Commitments	34	2,315,962	1,918,119	1,898,310	2,315,944	1,918,119

The notes are an integral part of these financial statements.

These financial statements on pages 73 to 175 were approved by the Board of Directors and authorised for issue on 27 March 2024 and signed on its behalf by Dr Gordon Cordina (Chairman), Deborah Schembri (Director) and Kenneth Farrugia (Chief Executive Officer) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2023.

Statements in changes of equity

for the year ended 31 December 2023

The Group	Share Capital €000	Share Premium Account €000	Revaluation Reserves €000	Retained Earnings €000	Total €000
At 1 January 2022 as previously reported	583,849	49,277	58,438	434,721	1,126,285
Adjustment on initial application of IFRS 17 by equity accounted investees, net of tax	-	-	-	(45,766)	(45,766)
Restated balance as at 1 January 2022	**583,849**	**49,277**	**58,438**	**388,955**	**1,080,519**
Profit for the year (restated)	-	-	-	31,528	**31,528**
Other comprehensive income					
Debt investments at FVOCI					
- change in fair value, net of tax	-	-	(3,135)	-	**(3,135)**
Equity investments at FVOCI					
- change in fair value, net of tax	-	-	(1,120)	-	**(1,120)**
Property revaluation, net of tax	-	-	3,029	-	**3,029**
Remeasurement of actuarial losses on defined benefit plans, net of tax	-	-	-	1,615	**1,615**
Total other comprehensive income	-	-	(1,226)	1,615	**389**
Total comprehensive income for the year (restated)	-	-	(1,226)	33,143	**31,917**
Restated balance as at 31 December 2022	**583,849**	**49,277**	**57,212**	**422,098**	**1,112,436**
At 1 January 2023	583,849	49,277	57,212	422,098	**1,112,436**
Profit for the year	-	-	-	167,936	**167,936**
Other comprehensive income					
Debt investments at FVOCI					
- change in fair value, net of tax	-	-	1,050	-	**1,050**
Equity investments at FVOCI					
- change in fair value, net of tax	-	-	(161)	-	**(161)**
- gain on sale	-	-	(1,982)	1,982	**-**
Property revaluation, net of tax	-	-	3,829	-	**3,829**
Release on sale of property, net of tax	-	-	(320)	396	**76**
Remeasurement of actuarial losses on defined benefit plans, net of tax	-	-	-	100	**100**
Total other comprehensive income	-	-	2,416	2,478	**4,894**
Total comprehensive income for the year	-	-	2,416	170,414	**172,830**
Dividends to equity holders	-	-	-	(17,533)	**(17,533)**
At 31 December 2023	**583,849**	**49,277**	**59,628**	**574,979**	**1,267,733**

The notes are an integral part of these financial statements.

Statements in changes of equity

for the year ended 31 December 2023 (continued)

The Bank	Share Capital €000	Share Premium Account €000	Revaluation Reserves €000	Retained Earnings €000	Total €000
At 1 January 2022	**583,849**	**49,277**	**58,326**	**358,254**	**1,049,706**
Profit for the year	-	-	-	32,407	**32,407**
Other comprehensive income					
Debt investments at FVOCI					
- change in fair value, net of tax	-	-	(3,135)	-	**(3,135)**
Equity investments at FVOCI					
- change in fair value, net of tax	-	-	(1,120)	-	**(1,120)**
Property revaluation, net of tax	-	-	3,029	-	**3,029**
Remeasurement of actuarial losses on defined benefit plans, net of tax	-	-	-	1,615	**1,615**
Total other comprehensive income	-	-	(1,226)	1,615	**389**
Total comprehensive income for the year	-	-	(1,226)	34,022	**32,796**
At 1 January 2023	**583,849**	**49,277**	**57,100**	**392,276**	**1,082,502**
Profit for the year	-	-	-	159,275	**159,275**
Other comprehensive income					
Debt investments at FVOCI					
- change in fair value, net of tax	-	-	1,050	-	**1,050**
Equity investments at FVOCI					
- change in fair value, net of tax	-	-	(161)	-	**(161)**
- gain on sale	-	-	(1,982)	1,982	**-**
Property revaluation, net of tax	-	-	3,829	-	**3,829**
Release on sale of property, net of tax	-	-	(320)	396	**76**
Remeasurement of actuarial losses on defined benefit plans, net of tax	-	-	-	100	**100**
Total other comprehensive income	-	-	2,416	2,478	**4,894**
Total comprehensive income for the year	-	-	2,416	161,753	**164,169**
Dividends to equity holders	-	-	-	(17,533)	**(17,533)**
At 31 December 2023	**583,849**	**49,277**	**59,516**	**536,496**	**1,229,138**

The notes are an integral part of these financial statements.

Statements of cashflows

for the year ended 31 December 2023

		The Group		The Bank	
	Note	2023	2022	2023	2022
		€000	€000	€000	€000
Cash flows from operating activities					
Interest and commission receipts		418,039	292,044	409,842	282,958
Interest, commission and compensation payments		(22,657)	(22,542)	(22,657)	(22,542)
Receipt from sale of non-performing loans	8	26,000	-	26,000	-
Payments to employees and suppliers		(182,751)	(171,472)	(178,953)	(166,474)
Operating profit before changes in operating assets and liabilities		238,631	98,030	234,232	93,942
(Increase)/decrease in operating assets:					
Loans and advances to banks and customers		(521,286)	(391,817)	(521,286)	(391,817)
Reserve deposit with Central Bank of Malta	13	5,093	(8,866)	5,093	(8,866)
Fair value through profit or loss financial assets		22,280	(24,765)	22,286	(24,765)
Fair value through profit or loss equity instruments		72	(63)	201	(63)
Treasury bills with original maturity of more than 3 months		2,964	50,125	2,964	50,125
Other assets		(4,627)	(1,771)	(4,627)	(1,772)
Increase/(decrease) in operating liabilities:					
Amounts owed to banks and to customers		(301,710)	(89,253)	(303,555)	(91,715)
Other liabilities		(1,935)	(199,433)	(1,823)	(199,515)
Net cash from operating activities before tax		(560,518)	(567,813)	(566,515)	(574,446)
Tax (paid)/refunded		(1,593)	6,440	(1,535)	5,753
Net cash used in operating activities		(562,111)	(561,373)	(568,050)	(568,693)
Cash flows from investing activities					
Dividends received		3,878	2,387	9,802	9,386
Interest received from amortised and other fixed income instruments		50,073	30,940	50,073	30,940
Purchase of debt instruments	14,15	(1,876,446)	(1,535,766)	(1,876,446)	(1,535,766)
Proceeds from sale or maturity of debt instruments		1,094,631	511,350	1,094,631	511,350
Purchase of property and equipment and intangible assets		(17,583)	(16,567)	(17,575)	(16,259)
Proceeds from sale of equity instruments	14,15	7,897	-	7,897	-
Net cash used in investing activities		(737,550)	(1,007,656)	(731,618)	(1,000,349)
Cash flows from financing activities					
Interest paid on long-term liabilities	3	(5,781)	(5,781)	(5,781)	(5,781)
Proceeds from issue of senior non-preferred notes	30	-	350,000	-	350,000
Outflows from issue of senior non-preferred notes		(35,830)	(2,274)	(35,830)	(2,274)
Payment of lease liabilities	22	(1,763)	(1,739)	(1,756)	(1,726)
Dividends paid to equity holders	12	(17,533)	(10,019)	(17,533)	(10,019)
Net cash (used in)/from financing activities		(60,907)	330,187	(60,900)	330,200
Net change in cash and cash equivalents after fx changes		(1,360,568)	(1,238,842)	(1,360,568)	(1,238,842)
Effect of exchange rate changes on cash and cash equivalents		94	433	94	433
Net change in cash and cash equivalents before effect of exchange rate changes		(1,360,662)	(1,239,275)	(1,360,662)	(1,239,275)
Net change in cash and cash equivalents		(1,360,568)	(1,238,842)	(1,360,568)	(1,238,842)
Cash and cash equivalents at 1 January		3,579,302	4,818,144	3,579,302	4,818,144
Cash and cash equivalents at 31 December	36	**2,218,734**	**3,579,302**	**2,218,734**	**3,579,302**

The notes are an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICIES

1.1 Basis of preparation

Legal Notice 19 of 2009 as amended by Legal Notice 233 of 2016, Accountancy Profession (Accounting and Auditing Standards) (Amendments) Regulations, 2016, defines compliance with generally accepted accounting principles and practice as adherence to International Financial Reporting Standards (IFRS) as adopted by the EU for financial periods starting on or after 1 January 2008. These Regulations have come into force on 17 June 2016.

Article 4 of Regulation 1606/2002/EC requires that, for each financial period starting on or after 1 January 2005, companies governed by the law of an EU Member State shall prepare their consolidated financial statements in conformity with IFRS as adopted by the EU if, at their reporting date, their securities are admitted to trading on a regulated market of any EU Member State. This Regulation prevails over the provisions of the Companies Act, 1995, (Chapter 386, Laws of Malta) to the extent that the said provisions of the Companies Act, 1995, (Chapter 386, Laws of Malta) are incompatible with the provisions of the Regulation. Consequently, the separate and the consolidated financial statements are prepared in conformity with IFRS as adopted by the EU. These financial statements have also been prepared in accordance with the provisions of the Banking Act, 1994 (Chapter 371, Laws of Malta) and the Companies Act, 1995 (Chapter 386, Laws of Malta).

The financial statements have been prepared on the historical cost basis. Assets and liabilities are measured at historical cost except for the following that are measured at fair value: financial assets measured at fair value through other comprehensive income (FVOCI), financial instruments classified at fair value through profit or loss (FVTPL), derivatives and land and buildings. Additionally, assets held for realisation are measured at fair value less costs to sell if it is lower than their cost.

References to the 'Group' applies also to the 'Bank'.

1.1.1 Going concern

Stress testing scenarios were carried out to evaluate the appropriateness of the going concern basis in preparing the financial statements for 2023.

In making this assessment as at 31 December 2023, which is at least, but not limited to, twelve months from the end of the reporting period, the Directors considered the Group's business, profitability projections, funding and capital plans, together with a range of other factors such as the prolongation of the Russia/Ukraine conflict brought about and the outlook for the Maltese and European economy. The matters of primary consideration by the Directors are set out below:

Capital: The Group has developed capital plans under base and stress scenarios and the Directors believe that the Group has sufficient capital to meet its regulatory capital requirements throughout the period of assessment. Stress tests used (both for capital and liquidity) were based upon an assessment of reasonably possible downside that the Group may experience. Taking into consideration the capital regulatory requirements together with a management buffer, a surplus in all capital ratios is reported under all severities.

Funding and Liquidity: The Directors have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment. This statement is based on the development of different stress testing scenarios.

In the prior year, in order to meet regulatory requirements pertaining to MREL, the Bank had obtained approval from the Central Bank of Ireland for a base prospectus towards the establishment of a Euro Medium Note Programme of a maximum amount of €500 million. On 6 December 2022, the Bank issued €350 million Senior non-preferred notes (Refer to Note 30).

Based on the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment.

1.1.2 New and amended standards adopted by the Group

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

- Amendments to IAS 12 *Income taxes:* International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023)
- Amendments to IAS 12 *Income taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)
- Amendments to IFRS 17 *Insurance contracts*: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)
- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors:* Definition of Accounting Estimates (issued on 12 February 2021)

The impact of the application of IFRS 17 and IFRS 9 by the associates is disclosed in Note 1.1.4. The Bank considered whether its personal and business credit cards, which provide insurance coverage were within the scope of IFRS 17. The Bank concluded that these insurance coverage clauses do not create additional rights or obligations that would not have existed in the absence of those clauses. The insurance contract is between the customer and the insurer and hence the Bank has no insurance risk in this regard. The remaining amendments did not have a significant impact on the Group and the Bank's annual report as at 31 December 2023.

Notes to the financial statements

for the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

1.1.3 Standards issued but not yet effective

These standards and amendments include the following:

- On 22 September 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 1 January 2024 with earlier application permitted.

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

The amendments are effective for reporting periods beginning on or after 1 January 2024 and are applied retrospectively in accordance with IAS 8 and earlier application is permitted. Such amendments are not expected to have a significant impact on the Group.

1.1.4 The adoption of IFRS 17 and IFRS 9 by associate entities

The associates (refer to Note 18) of the Group have applied IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* for the first time on 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments and have had a material impact on the associates consolidated financial statements in the period of initial application.

1.1.4.1 Nature of the change in accounting policies impacting the associates

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

The Value of in-force business under IFRS 4 represented the net present value of future cash flows expected from contracts in force at the respective year-end, with movement in value recognised in other comprehensive income. Under IFRS 17, such an intangible asset is no longer recognisable, and instead recognises the Contractual Service Margin (CSM) released over time to reflect insurance contract services transferred to policyholders during the reporting period.

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

1.1.4.2 Transitional provisions

IFRS 17 must be applied retrospectively and consequently the associates have restated the opening Statement of financial position (i.e. at 1 January 2022) as well as the Statement of profit or loss for 2022 and Statement of financial position as at 31 December 2022. As permitted by the transitional provisions of IFRS 9, the associates availed themselves of the exemptions from full retrospective application and any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition due to IFRS 9 were recognised in the opening retained earnings of the current year. The transition adjustment due to IFRS 9 was not material to the Group.

1.1.4.3 Impact on BOV Group financial position and performance

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

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

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

Notes to the financial statements

for the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

1.1.5 Standards and amendments not yet endorsed by the EU

The following new standards and amendments have not yet been endorsed by the EU:

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

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)

1.2 Basis of consolidation

The Group financial statements comprise the financial statements of Bank of Valletta p.l.c., (the Bank), a public liability company domiciled and incorporated in Malta, and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g., those resulting from a lending relationship) become substantive and lead to the Group having power over an investee. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances, transactions, income and expenses are eliminated on consolidation. Non-controlling interests that represent ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at their present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. After initial recognition, non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

The excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities is recognised as goodwill and is included within the carrying amount of the investment and assessed for impairment as part of the investment. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable assets and liabilities, the difference is included as income in the determination of the Group's share of the profit or loss in the period in which the investment is acquired. Equity-accounted investees comprise interests in associates. The results and assets and liabilities of equity-accounted investees are incorporated in the consolidated financial statements using the equity method of accounting from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Equity-accounted investees are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies.

The material accounting policies adopted are set out in the following pages.

1.3 Financial instruments

1.3.1 Amortised cost and effective interest rate

Interest income and expense is recognised using the effective interest method, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or, when appropriate, a shorter period to that instrument's gross carrying amount. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the instrument but not future credit losses. The calculation includes payments and receipts that are an integral part of the effective interest rate, transaction costs and all other discounts or premiums upon initial recognition.

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The 'amortised cost' of a financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets adjusted for any expected credit loss allowance.

1.3.2 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Financial assets that are not purchased or originated credit-impaired (POCI) but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision), or

- POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

Notes to the financial statements

for the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

1.3.3 Initial Recognition

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument. All loans and advances to customers and to banks are recognised when cash is advanced to borrowers. All purchases and sales of securities are recognised and derecognised on settlement date, which is the date that an asset is delivered to or by the Group.

1.3.4 Measurement at initial recognition

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

An expected credit loss allowance (ECL) is also recognised after initial recognition for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in Note 39.2.1.2, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

1.4 Financial Assets

1.4.1 Classification and measurement of financial assets

The Group classifies its financial assets in the following measurement categories:
- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:
(i) the Group's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) on specified dates, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 39.2.1.1. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses on specified dates, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gain on investment securities and hedging instruments'. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit or loss within 'Trading profits' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net gain on investment securities and hedging instruments'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Financial assets and liabilities are designated at fair value through profit or loss on initial recognition where such designation results in more relevant information because it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Notes to the financial statements

for the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICIES (continued)

1.4 Financial Assets (continued)

1.4.1 Classification and measurement of financial assets (continued)

Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Cash flows that represent solely payments of principal and interest

'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis and is irrevocable. Other equity instruments are classified as measured at FVTPL.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised. Dividends are recognised in profit or loss (see Note 1.25) unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment. Gains and losses on equity investments at FVTPL are included in the 'Trading profits' line in the statement of profit or loss.

Notes to the financial statements

for the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICIES (continued)

1.4 Financial Assets (continued)

1.4.2 Modification of terms

When modification of a loan agreement occurs as a result of commercial restructuring activity rather than due to the credit risk of the borrower, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see 1.4.4) and a new financial asset is recognised at fair value. If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

Additionally, in the case of loans and advances which encountered actual or apparent financial difficulties, the Group may grant a concession where a customer's financial difficulty indicates that with the original terms and conditions of the contract satisfactory repayment may not be possible. Such concessions are recognised as revisions to the expected credit loss on the associated loan.

A concession refers to either of the following:

- a change in the previous terms and conditions of a contract the customer is considered unable to comply with due to its financial difficulties to allow for sufficient debt service ability, that would not have been granted had the customer not been in financial difficulties; or
- a total or partial refinancing of a troubled debt contract, that would not have been granted had the customer not been in financial difficulties.

1.4.3 Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 39.2.1.2 provides more detail of how the expected credit loss allowance is measured.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision;
- where a financial instrument includes both a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Modification of financial assets

When there is a modification of financial assets' terms (Note 1.4.2), the date of renegotiation is considered to be the date of initial recognition for impairment calculation purposes including for the purpose of determining whether a significant increase in credit risk has occurred.

Notes to the financial statements

for the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICIES (continued)

1.4 Financial Assets (continued)

1.4.4 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or when the group transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

1.4.5 Fair valuation of financial assets

Where possible, fair value is based on quoted bid prices in an active market. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

1.5 Financial liabilities

1.5.1 Classification and measurement of financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial liabilities are initially measured at fair value less, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to their issue. Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss, which are measured at fair value.
Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and those designated at fair value through profit or loss upon initial recognition. During the current and the previous year, the Group did not designate any financial liabilities as at fair value through profit or loss upon initial recognition. Derivatives are categorised as held for trading, unless they are designated and effective hedging instruments.

Financial liabilities that are measured at amortised cost using the effective interest method include amounts owed to banks, amounts owed to customers, senior non-preferred liabilities and subordinated liabilities.

The gain or loss on financial liabilities at fair value through profit or loss is recognised in profit or loss. For financial liabilities carried at amortised cost, the gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process whereby any difference between the proceeds net of transaction costs, and the settlement or redemption is recognised over the term of the financial liability.

Financial liabilities are classified in separate captions of the Statement of Financial Position based on the nature of the instrument and the counterparty. Financial liabilities where the creditor has a lower priority than others are classified as subordinated liabilities whilst Senior non-preferred liabilities that fulfil the minimum requirements for own funds and eligible liabilities (MREL) are presented in a separate caption.

1.5.2 Derecognition of financial liabilities

A financial liability is derecognised when it is extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

1.6 Interest rate benchmark reform

The amendments to various standards as a result of the interest rate reform – phase 2 were applied for the first time in 2021.

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:
- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

Notes to the financial statements

for the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICIES (continued)

1.7 Financial guarantee contracts and loan commitments

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

For financial guarantees issued or commitments the Group recognises a loss allowance.

Impairment allowances and provisions on loan commitments that comprise both a drawn and undrawn commitment are presented in accordance with the policy set out in the Note 1.4.3 Impairment.

1.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.9 Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. For a cash flow hedge of a forecast transaction, the Group makes an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The Group normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.
These hedging relationships are discussed below.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a Central Counterparty Clearing (CCP) by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as an adjustment to the recalculated effective interest rate of the item over its remaining life.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

Other non-trading derivatives

Other non-trading derivatives are recognised on balance sheet at fair value on initial recognition. If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of trading profits and net income from other financial instruments at FVTPL (refer to Note 5).

Notes to the financial statements

for the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICIES (continued)

1.10 Sale and repurchase agreements

Securities sold subject to a linked repurchase agreement (repos) are retained in the financial statements as financial assets at fair value through profit or loss or as investment securities as appropriate, and the counterparty liability is included in amounts owed to banks. Securities purchased under agreements to resell (reverse repos) are not recognised but the amounts paid are recorded as loans and advances to banks. The difference between sale and repurchase price or purchase and subsequent sale price is recognised over the life of the repo/reverse repo agreements using the effective interest method and is treated as interest.

1.11 Investments in subsidiaries and equity-accounted investees

Investments in subsidiaries and equity-accounted investees are initially included in the Bank's statement of financial position at cost and subsequently at cost less any impairment loss which may have arisen. Interest in equity-accounted investees are accounted for using the equity method at Group level. They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases. Dividends from the investments are recognised in the Bank's profit or loss when its right to receive dividend is established.

At the end of each reporting period, the Bank reviews the carrying amount of its investments in subsidiaries and equity-accounted investees to determine whether there is any indication of impairment and if any such indication exists, the recoverable amount of the asset is estimated.

1.12 **Property and equipment**

Property and equipment are classified into the following classes – land and buildings, IT infrastructure and equipment and other (primarily furniture and fittings) and are initially measured at cost.

Subsequent to initial recognition, freehold and long-term leasehold properties are stated in the statement of financial position at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by professionally qualified architects on a regular basis such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Other tangible assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

1.13 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

1.13.1 Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises, the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component. The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. After commencement date, the Group measures its right-of-use asset by applying the cost model and is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using its incremental borrowing rate. This rate was based on the swap rate curves as proxies for the risk-free rate, the MGS yield to include the local context and applying a risk margin.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

1.13.2 Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (below €5,000) and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the financial statements

for the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICIES (continued)

1.14 Intangible assets

Intangible assets comprise computer software. In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property and equipment and accounted for in accordance with the Group's accounting policy on property and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset. Computer software is externally generated.

Computer software is initially measured at cost. It is subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

1.15 Depreciation and amortisation

Depreciation on property and equipment commence when these assets are available for use and are charged to profit or loss so as to write off the cost or revalued amount of assets, other than land, less any estimated residual value, over their estimated useful life, using the straight-line method, on the following bases:

Property and equipment		
Freehold and long-term leasehold buildings	2%	per annum
IT infrastructure and equipment	10% - 25%	per annum
Other (primarily furniture and fittings)	5% - 33%	per annum
Right-of-use assets	Over the life of the lease	

The depreciation method applied, the residual value and the useful life are reviewed at the end of each reporting period and adjusted if appropriate.

Amortisation on intangible assets commence when these assets are available for use and are charged to profit or loss so as to write off the cost or revalued amount of assets, less any estimated residual value, over their estimated useful life, using the straight line method, on the following bases:

Intangible assets		
Computer software	10% - 20%	per annum

The amortisation method applied, the residual value and the useful life are reviewed at the end of each reporting period and adjusted if appropriate.

1.16 Impairment of property and equipment and intangible assets

At the end of each reporting period the Group reviews the carrying amount of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists the recoverable amount is estimated in order to determine the extent of the impairment loss and the carrying amount of the asset is reduced to its recoverable amount in line with IAS 36. An impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the loss is recognised in other comprehensive income to the extent that it does not exceed the amount in the revaluation surplus for that asset.

1.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Refer to note 1.4.3 for ECL related provisions.

1.18 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand or with a contractual period to maturity of less than 3 months; advances to banks repayable within 3 months from the date of the advance; balances with the Central Bank of Malta, excluding reserve deposit requirements, and treasury bills with an original maturity of less than 3 months. Amounts owed to banks that are repayable on demand or with a contractual period to maturity of less than 3 months and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flow.

Notes to the financial statements

for the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICIES (continued)

1.19 Dividends payable

Interim dividends and special dividends approved by the Directors are recognised when paid. Final dividends are recognised as liability upon approval by the shareholders at the Annual General Meeting. Special dividends may be declared separately from the typical dividend cycle (interim and final) and are usually a one-off payment distributed to shareholders from the profit of the period and/or from retained earnings.

1.20 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in, its absence, the most advantageous market to which the Group has access at the date. The fair value of a liability reflects its non-performance risk.

Fair value reflects conditions, including but not limited to liquidity in the market, at a specific date and may therefore differ significantly from the amounts which will actually be received on the maturity or settlement date. The Bank's portfolio remains deployed across a wide spread of holdings of moderate duration debt securities issued by quality, credit rated, sovereign, supranational, corporate and financial institutions, as further disclosed in Notes 14 and 15 to the financial statements.

The best evidence of fair value of an instrument is a quoted price in an actively traded market for that instrument. The determination of what constitutes an active market is subjective and requires the collation of data and the exercise of judgement.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Bank determines whether active market conditions exist by taking into consideration various characteristics, including:
- a significant decline in volume and level of trading activity;
- significant variations in available prices either over time or among market participants;
- the absence of or stale prices;
- unusually wide bid/offer spreads; and
- exceptionally minimal transactions when compared with the quantum of the issue in question.

Where it is concluded that an active market does not exist a valuation technique is used. The latter gives consideration to transaction prices in inactive markets, however it makes use of other observable market data which include a combination of the following:
- the risk premium of more active instruments of the same issuer, the same type of debt, the same currency and with the same or similar maturity;
- the spreads payable on Credit Default Swaps of the issuer;
- the risk premium over and above the risk free bonds for similarly rated issuers in the same industry sector;
- yield curve or Discounted Cash Flow (DCF) calculations to maturity using appropriate interest rate/discount factors;
- liquidity adjustments to reflect ability to sell asset over a reasonable timeframe; and
- other overall reasonableness tests.

The main assumptions and estimates which management considers when using valuation techniques are the likelihood and expected timing of future cash flows on the instrument, selecting an appropriate discount rate for the instrument and a risk premium. The valuation techniques used by the Group incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments.

1.21 Taxation

Income tax expense comprises current and deferred tax and is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case it is dealt with in other comprehensive income or in equity, as appropriate.

Current tax
Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. Current tax also includes any tax arising from dividends. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustments in relation to the prior periods.

Deferred tax
Deferred tax is determined under the liability method in respect of all temporary differences between the carrying amount of an asset or liability in the financial statements and its tax base. Deferred tax liabilities are generally recognised for all taxable temporary differences subject to certain exceptions and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Notes to the financial statements

for the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICIES (continued)

1.21 Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is not recognised for temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

1.22 Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised.

Dividend income from investments is recognised when the right to receive payment has been established.

Interest income and expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or, when appropriate, a shorter period to that instrument's net carrying amount. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the instrument but not future credit losses. The calculation includes payments and receipts that are an integral part of the effective interest rate, transaction costs and all other discounts or premiums.

Generally, fee and commission income, is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses are expensed as the services are received.

1.23 Foreign currency translation

For the purpose of the consolidated and separate financial statements, the presentation currency is the Euro. The functional currency of the Bank and of all its subsidiaries is the Euro.

In preparing the financial statements of the individual group entities, transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the rates of exchange ruling at the end of the reporting period. Gains and losses arising from such translation are dealt with in profit or loss and presented with trading income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euro at the exchange rate ruling on the date the fair value was measured. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are not retranslated.

1.24 Employee benefits

The Group and the Bank contribute towards the state pension in accordance with local legislation. The only obligation of the Group and the Bank is to make the required contribution. Costs are expensed in the period in which they are incurred in profit or loss.

1.24.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.24.2 Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised in Employee compensation and benefits in the Statement of Profit or Loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.24.3 Defined benefit plans

For the Group's and the Bank's defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with estimations being carried out at each reporting date. Past service cost is recognised as an expense at the earlier of the following dates (a) when the plan amendment or curtailment occurs and (b) when the entity recognises related restructuring costs or termination benefits. The amount recognised in the Statement of Financial Position represents the present value of the expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Notes to the financial statements

for the year ended 31 December 2023

1. MATERIAL ACCOUNTING POLICIES (continued)

1.24 Employee benefits (continued)

1.24.3 Defined benefit plans (continued)

The service cost and the net interest on the net defined benefit liability are recognised in profit or loss. Remeasurements of the net defined benefit liability, comprising actuarial gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss in a subsequent period. Such remeasurements are recognised immediately in retained earnings. Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from experience adjustments and the effects of changes in actuarial assumptions. Actuarial assumptions are an entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Due to the nature of the actuarial assumptions, in accordance with the provisions of IAS 19, Employee Benefits, the Group and the Bank did not involve a qualified actuary in the measurement of their post-employment benefit obligations.

1.24.4 Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

1.25 Judgements in applying accounting policies and key sources of estimation uncertainty

The amounts recognised in the financial statements are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of financial statements. The judgements made by management in applying the Group's and the Bank's accounting policies that have the most significant effect on the amounts recognised in the financial statements, together with information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period have been disclosed in the financial statements.

1.25.1 Credit Impairment

Estimates and underlying assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are either disclosed below or in Note 39.2.1.2.5. This discloses the determination of inputs in the IFRS 9 ECL measurement model, including key assumptions used in incorporation of forward-looking information.

1.25.2 Fair value of financial instruments not quoted in active markets

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. Periodically, the Group calibrates these valuation techniques and tests them for validity. Where possible the valuation techniques used by the Group make use of observable data and incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. Management is required to make certain assumptions and estimates in arriving at an appropriate fair value, based on available observable market data. A change in assumptions could affect the reported fair value of these financial instruments. Further disclosures are provided in Note 39.

1.25.3 Fair value of land and buildings

The fair value of the Group's and the Bank's land and buildings is determined by using valuation techniques as further disclosed in Note 21. In arriving at an estimate of fair value at the end of the reporting period, the Group and the Bank make use of significant unobservable inputs. A change in such inputs could affect the reported fair value of these land and buildings.

1.25.4 Classification of facilities as forborne

Management follows the European Banking Authority technical standard in identifying performing/non-performing exposures and in determining forborne exposures. Judgement is exercised in determining whether the modification of the original terms of a facility are granted, because of financial difficulties, which would result in the exposure being classified as forborne.

Notes to the financial statements

for the year ended 31 December 2023

2. INTEREST AND SIMILAR INCOME

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
On loans and advances to banks	3,674	946	3,674	946
On loans and advances to customers	234,458	191,602	234,458	191,602
On balances with Central Bank of Malta	84,009	3,638	84,009	3,638
On treasury bills	1,263	91	1,263	91
	323,404	196,277	323,404	196,277
On debt, other fixed income instruments and derivatives				
- fair value through other comprehensive income	4,906	5,328	4,906	5,328
- amortised cost	64,406	29,855	64,406	29,855
- fair value through profit or loss	30	3,139	30	3,139
- interest rate swaps	1,773	-	1,773	-
	71,115	38,322	71,115	38,322
Amortisation of discounts and premiums				
- fair value through other comprehensive income	(1,003)	(1,192)	(1,003)	(1,192)
- amortised cost	7,886	(13,197)	7,886	(13,197)
	6,883	(14,389)	6,883	(14,389)
Net interest income on debt and other fixed income instruments using the effective interest rate method	77,998	23,933	77,998	23,933
	401,402	220,210	401,402	220,210

3. INTEREST EXPENSE

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
On amounts owed to banks	4,791	599	4,791	599
On interest rate swaps	-	2,811	-	2,811
On amounts owed to customers	3,162	6,140	3,162	6,140
On debt securities in issue	35,669	2,534	35,669	2,534
On subordinated liabilities	5,781	5,781	5,781	5,781
Negative interest on loans to banks, treasury bills and balances with Central Bank of Malta	-	446	-	446
	49,403	18,311	49,403	18,311

4. NET FEE AND COMMISSION INCOME

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
On loans and advances, similar activities and local business	48,044	44,035	48,085	44,096
On life assurance, fund management and similar activities	20,463	22,692	12,230	13,512
On other activities	9,540	9,841	9,540	9,841
	78,047	76,568	69,855	67,449

The fees and commission presented in this note include income of €33.4 million (2022: €30.0 million) relating to financial assets and financial liabilities not measured at FVTPL.

A significant portion of the fees and commissions earned by the Group are recognised at the point in time when the transaction takes place. These include service charges, processing fees and card related income.

The other fee and commission income earned from contracts with customers is measured based on the consideration specified in the contract with a customer. The Group recognises revenue over time as the services are provided.

Notes to the financial statements

for the year ended 31 December 2023

5. TRADING PROFITS

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Net income on foreign exchange activities	4,945	8,630	4,939	8,663
Fair value movements and net gains on sale of financial instruments designated at fair value through profit or loss	3,255	5,530	3,250	5,540
Fair value movements and net gains on sale of financial instruments mandatorily measured at fair value through profit or loss	5	3	5	3
	8,205	14,163	8,194	14,206

6. NET GAIN ON INVESTMENTS AND HEDGING INSTRUMENTS

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Amortised cost instruments				
- net loss on disposal	(2)	(4)	(2)	(4)
	(2)	(4)	(2)	(4)
Financial assets at FVOCI - debt instruments				
- net gain on disposal	83	-	83	-
- net revaluation loss attributable to hedged risk	(479)	(10,451)	(479)	(10,451)
	(396)	(10,451)	(396)	(10,451)
Derivative financial instruments				
- net gain on derivative financial instruments held for hedging	409	10,541	409	10,541
	11	86	11	86

7. EMPLOYEE COMPENSATION AND BENEFITS

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Employee compensation and benefits				
- wages and salaries	88,984	78,037	86,531	75,839
- social security costs	5,168	5,010	5,016	4,869
- retirement benefits	5,945	7,380	5,945	7,380
- contribution plan benefits	1,507	860	1,460	841
- other staff costs	9,457	8,746	9,442	8,730
	111,061	100,033	108,394	97,659
The average number of employees are analysed as follows:				
Managerial	899	873	876	851
Supervisory and clerical	1,133	1,137	1,102	1,108
Others	73	72	68	61
	2,105	2,082	2,046	2,020

Notes to the financial statements

for the year ended 31 December 2023

8. NET IMPAIRMENT REVERSAL

8.1

	Note	The Group 2023 €000	The Group 2022 €000	The Bank 2023 €000	The Bank 2022 €000
Loans and advances to customers					
- increase in expected credit losses		(57,961)	(41,002)	(57,961)	(41,002)
- bad debts written off		(7,345)	(11,383)	(7,345)	(11,383)
		(65,306)	(52,385)	(65,306)	(52,385)
Loans and advances to customers					
- decrease in expected credit losses		58,604	85,658	58,604	85,658
- recoveries of amounts previously written off		3,694	15,149	3,694	15,149
		62,298	100,807	62,298	100,807
Net impact from Non-Performing Loans ('NPL') sale	8.2	17,533	-	17,533	-
Investments					
- (increase)/decrease in expected credit losses		(320)	653	(320)	653
- write off		(3,724)	-	(3,724)	-
Net impairment reversal		10,481	49,075	10,481	49,075

Net impairment reversal for the year includes post-model adjustment reversal of €18.2 million (2022: Net impairment reversal €38.2 million) (Note 39.2.1.2.5).

8.2 NPL Sale derecognition and write-offs

During the year ended 31 December 2023, the Group has entered into an assignment agreement (the "Assignment") pursuant to which it has assigned its rights, title, interest, and benefits to the portfolio of long-standing non-performing loans ("the Portfolio") to a third-party acquirer (the "Acquirer") for a consideration of €26.0 million (the "Transaction"). Most of the Portfolio comprised of commercial loans across a number of different industries although it also included retail exposures. The consideration reflects, amongst other things, the reduced creditworthiness of the underlying borrowers, the recovery risk inherent in the Portfolio and the cost to acquire and manage the Portfolio over the recovery period.

The primary purpose of the transaction is to generate income from non-performing loans ("NPLs") which may have either been completely written off or provided for, in large part, in previous years. The net book value of the Portfolio, as at the last reporting date, December 2022, was €8.5 million, representing €41.3 million in gross carrying amount less €32.8 million in expected credit losses. In this regard, the Transaction has a net positive impact of €17.5 million on the Group's and Bank's profitability for the financial year 2023, representing the difference between the accumulated expected credit losses and the actual realised loss following the Transaction. The sale also included off-balance sheet amounts which had been written-off in previous years.
Refer to Notes 39.2.2.1 and 39.2.2.2 for further detail relating to the derecognition of the principal balances and the release of Expected Credit Losses in relation to the NPL transaction.

9. PROFIT BEFORE TAX

	The Group 2023 €000	The Group 2022 €000	The Bank 2023 €000	The Bank 2022 €000
Profit before tax is stated after charging:				
Total remuneration payable to the external auditors of the parent company inclusive of VAT				
- the audit of financial statements	967	878	923	836
- other assurance services	114	404	100	388
- tax advisory services	6	14	5	8
- other non-audit services	27	73	27	73
	1,114	1,369	1,055	1,305
Directors' emoluments:				
- fees	443	474	425	443
- directors' salaries as full-time bank employees	512	880	512	880
	955	1,354	937	1,323
Compensation to other key management personnel is analysed as follows:				
- other fees	112	106	-	-
- short term employee benefits	1,575	1,647	1,554	1,619
- post employment benefits	21	12	21	12
- termination benefits	745	-	745	-
	2,453	1,765	2,320	1,631
Total remuneration of directors and other key management personnel	3,408	3,119	3,257	2,954

Notes to the financial statements

for the year ended 31 December 2023

10. INCOME TAX EXPENSE

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Through profit and loss				
Current	49,911	(539)	50,997	402
Deferred	33,766	18,086	33,828	18,112
	83,677	17,547	84,825	18,514

The charge for income tax is based on the taxable profit for the period at a rate of 35%. The income tax expense and the product of accounting profit multiplied by the statutory domestic income tax rate are reconciled as follows:

	The Group		The Bank	
	2023	2022 restated	2023	2022
	€000	€000	€000	€000
Profit before tax	251,613	49,075	244,100	50,921
Tax at the applicable rate of 35%	88,065	17,176	85,435	17,822
Tax effect of:				
Exempt and untaxed dividends	(120)	(112)	(192)	(505)
Share of results of equity-accounted investees	(3,864)	(776)	-	-
Withholding tax on property sales	(259)	(101)	(259)	(101)
Depreciation on premises	624	906	624	906
Non-deductible expenses	(1)	13	(1)	13
Other differences	(768)	441	(782)	379
Income tax expense	83,677	17,547	84,825	18,514
Other comprehensive income				
- current	479	-	479	-
- deferred	488	(1,084)	488	(1,084)
	967	(1,084)	967	(1,084)

The credit in the current tax through other comprehensive Income is offset by the current tax expense in profit or loss.

11. EARNINGS PER SHARE

	The Group		The Bank	
	2023	2022 restated	2023	2022
	cents per share	cents per share	cents per share	cents per share
Earnings per share	28.8c	5.4c	27.3c	5.6c

The earnings per share for the Group and Bank have been calculated on the profits of the Group and the Bank, as shown in the statements of profit or loss, divided by number of shares in issue.

Earnings per share was calculated on profit attributable to shareholders of the Group of €167,936,000 (2022 restated: €31,528,000) and the Bank €159,275,000 (2022: €32,407,000) divided by 583,849,270 shares outstanding as at 31 December 2023.

Notes to the financial statements

for the year ended 31 December 2023

12. DIVIDENDS

The amounts of dividends recognised as distributions to equity holders during the period, and the related amount per qualifying share, are as follows:

	The Bank			
	2023 cents per share	2022 cents per share	2023 €000	2022 €000
Gross of income tax				
- interim dividend	4.62	-	26,974	-
	4.62	-	26,974	-
Net of income tax				
- interim dividend	3.00	-	17,533	-
	3.00	-	17,533	-

During the comparative year, the Directors did not declare any dividends.

In the current period, the Directors authorised an interim cash ordinary dividend of €0.0462 gross per share amounting to €27.0 million (net ordinary dividend of €0.0300 per share amounting to €17.5million) to be paid to shareholders. Payment was affected in the current period on 6 December 2023. Dividend was paid out of profits taxed at 35%.

The Directors have approved a proposal to shareholders of a final cash ordinary dividend of gross €0.0700 per share amounting to €40.9 million (net dividend of €0.0455 per share - €26.6 million) be paid to shareholders.

The payment of this dividend is subject to regulatory approval and to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the register of members as at the “record date”. The record date for the purposes of Article 2.1 of the Bank’s Articles of Association is 30 days immediately preceding the date set for the Annual General Meeting.

13. BALANCES WITH CENTRAL BANK OF MALTA, TREASURY BILLS AND CASH

		The Group		The Bank	
	Note	2023 €000	2022 €000	2023 €000	2022 €000
Balances with Central Bank of Malta		2,277,670	3,065,473	2,277,670	3,065,473
Malta Government Treasury Bills		-	238,028	-	238,028
Cash	36	75,647	85,760	75,647	85,760
		2,353,317	3,389,261	2,353,317	3,389,261

Balances with Central Bank of Malta include Reserve Deposit, in terms of Regulation (EC) No. 1745/2003 of the European Central Bank amounting to €119.4 million (2022: €124.5 million) in respect of both the Group and the Bank. During the second half of the comparative year 2022, Balances with Central Bank of Malta and Malta Government Treasury Bills were no longer subject to a negative interest following the increase in interest rates.

The Group and Bank did not hold any Malta Government Treasury Bills as at the end of 2023.

Notes to the financial statements

for the year ended 31 December 2023

14. DERIVATIVE LIABILITIES HELD FOR RISK MANAGEMENT

Financial assets at fair value through profit or loss

	The Group		The Bank	
	2023	**2022**	**2023**	**2022**
	€000	**€000**	**€000**	**€000**
Financial assets mandatorily measured at FVTPL:				
Debt and other fixed income instruments (note 14.1)	21	26	21	26
Derivative financial instruments (note 14.3)	7,922	28,866	7,922	28,866
	7,943	28,892	7,943	28,892
Financial assets designated at FVTPL:				
Debt and other fixed income instruments (note 14.1)	21	1,046	21	1,046
Equity and other non-fixed income instruments (note 14.2)	40,584	37,700	40,293	37,548
Loans and advances to customers (note 17)	65,305	78,725	65,305	78,725
	105,910	117,471	105,619	117,319
	113,853	146,363	113,562	146,211

Financial liabilities at fair value through profit or loss

Financial liabilities classified as held for trading:				
Derivative financial instruments (note 14.3)	4,154	4,535	4,154	4,535

14.1 Debt and other fixed income instruments

	The Group		The Bank	
	2023	**2022**	**2023**	**2022**
	€000	**€000**	**€000**	**€000**
Issued by public bodies				
- local general government	-	1,040	-	1,040
- foreign general government	15	10	15	10
	15	1,050	15	1,050
Issued by other issuers				
- foreign banks	27	22	27	22
	27	22	27	22
	42	1,072	42	1,072
Listing status				
- listed on Malta Stock Exchange	-	1,040	-	1,040
- listed elsewhere	42	32	42	32
	42	1,072	42	1,072
Summary of movements during the year:				
At the beginning of the year	1,072	1,148	1,072	1,148
Movement in accrued interest receivable	(27)	1	(27)	1
Redemptions	(1,000)	-	(1,000)	-
Movement in fair value	(1)	(77)	(1)	(77)
Exchange adjustment	(2)	-	(2)	-
At the end of the year	42	1,072	42	1,072

Notes to the financial statements

for the year ended 31 December 2023

14. DERIVATIVE LIABILITIES HELD FOR RISK MANAGEMENT (continued)

14.2 Equity and other non-fixed income instruments

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Issued by other issuers				
- local banks	203	183	203	183
- foreign other	39,877	37,147	39,878	37,147
- local other	504	370	212	218
	40,584	37,700	40,293	37,548
Listing status				
- listed on Malta Stock Exchange	707	554	415	402
- foreign unlisted	39,877	37,146	39,878	37,146
	40,584	37,700	40,293	37,548
Summary of movements during the year:				
At the beginning of the year	37,700	31,784	37,548	31,621
Acquisitions	129	63	-	63
Disposals	(201)	-	(201)	-
Movement in fair value	3,639	4,605	3,629	4,616
Exchange adjustment	(683)	1,248	(683)	1,248
At the end of the year	40,584	37,700	40,293	37,548

14.3 Derivative financial instruments

Fair value of assets	7,922	28,866	7,922	28,866
Fair value of liabilities	4,154	4,535	4,154	4,535

The above comprise over-the-counter forward exchange contracts and interest rate swaps that have not been designated as hedging instruments stated at fair value, with notional amounts analysed with remaining life as follows:

- less than 3 months	263,131	126,317	263,131	126,317
- between 3 months and 1 year	119,358	452,615	119,358	452,615
- more than 1 year	132,560	194,429	132,560	194,429
	515,049	773,361	515,049	773,361

Derivative financial instruments include offset amounts (refer to Note 39.8).

Notes to the financial statements

for the year ended 31 December 2023

15. INVESTMENTS

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Debt and other fixed income instruments				
- measured at FVOCI (note 15.1)	75,951	82,210	75,951	82,210
- measured at amortised cost (note 15.2)	5,266,958	4,467,433	5,266,958	4,467,433
Equity and other non-fixed income instruments (note 15.3)				
- measured at FVOCI	10,553	17,421	10,553	17,421
	5,353,462	4,567,064	5,353,462	4,567,064

Investments with a nominal value of €630.1 million (2022: €640.1 million) have been pledged against the provision of credit lines by the Central Bank of Malta. Investments were valued at €649.9 million as at 31 December 2023 (2022: €664.0 million).

Investments with a nominal value of €40.0 million (2022: €40.0 million) have been pledged in favour of Depositor Compensation Scheme. Investments were valued at €40.2 million as at 31 December 2023 (2022: €40.3 million).

Investments with a nominal value of €295.1 million (2022: €32.0 million) have been pledged which are covered by the TBMA/ISMA Global Repurchase Master Agreement (refer to Note 39.5). Investments were valued at €296.7 million as at 31 December 2023 (2022: €30.9 million).

15.1 Debt and other fixed income instruments measured at FVOCI

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Issued by public bodies				
- local general government	13,418	15,926	13,418	15,926
- local public sector	62,533	66,284	62,533	66,284
	75,951	82,210	75,951	82,210
Listing status				
- listed on Malta Stock Exchange	75,951	82,210	75,951	82,210
	75,951	82,210	75,951	82,210
Summary of movements during the year:				
At the beginning of the year	82,210	106,327	82,210	106,327
Movement in interest receivable accrued	(94)	(81)	(94)	(81)
Redemptions and disposals	(3,072)	(14,333)	(3,072)	(14,333)
Movement in fair value	(692)	(14,102)	(692)	(14,102)
Loss on disposal	(51)	-	(51)	-
Impairment reversal	21	14	21	14
Exchange adjustment	(2,371)	4,385	(2,371)	4,385
At the end of the year	75,951	82,210	75,951	82,210

As at 31 December 2023 the loss allowance on Debt Instruments at FVOCI amounts to €20,536 (2022: €21,367).

Notes to the financial statements

for the year ended 31 December 2023

15. INVESTMENTS (continued)

15.2 Debt and other fixed income instruments measured at amortised cost

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Issued by public bodies				
- local general government	1,640,030	1,175,138	1,640,030	1,175,138
- foreign general government	2,312,296	2,418,976	2,312,296	2,418,976
	3,952,326	3,594,114	3,952,326	3,594,114
Issued by other issuers				
- foreign banks	1,207,968	743,253	1,207,968	743,253
- foreign other	106,084	127,628	106,084	127,628
- other local	580	2,438	580	2,438
	1,314,632	873,319	1,314,632	873,319
	5,266,958	4,467,433	5,266,958	4,467,433
Listing status				
- listed on Malta Stock Exchange	1,640,611	1,177,576	1,640,611	1,177,576
- listed elsewhere	3,495,976	3,090,750	3,495,976	3,090,750
- foreign unlisted	130,371	199,107	130,371	199,107
	5,266,958	4,467,433	5,266,958	4,467,433

At 31 December 2023, the fair value of debt and other fixed income instruments measured at amortised cost, without deducting transaction costs, amounted to €5,104.5 million (2022: €4,094.4 million).

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Summary of movements during the year:				
At the beginning of the year	4,467,433	3,443,199	4,467,433	3,443,199
Movement in interest receivable accrued	19,359	4,324	19,359	4,324
Acquisitions	1,876,446	1,535,766	1,876,446	1,535,766
Redemptions	(1,096,636)	(498,205)	(1,096,636)	(498,205)
Write-offs	(5,000)	-	(5,000)	-
Amortisation	7,886	(13,197)	7,886	(13,197)
Realised loss on disposals	(2)	(4)	(2)	(4)
Impairment loss	(330)	64	(330)	64
Exchange adjustment	(2,198)	(4,514)	(2,198)	(4,514)
At the end of the year	5,266,958	4,467,433	5,266,958	4,467,433

15.3 Equity and other non-fixed income instruments measured at FVOCI

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Issued by other issuers				
- local other	8,097	16,096	8,097	16,096
- foreign other	1,376	-	1,376	-
- local banks	40	91	40	91
- local public	1,040	1,234	1,040	1,234
	10,553	17,421	10,553	17,421
Listing status				
- listed on Malta Stock Exchange	9,177	17,421	9,177	17,421
-foreign listed	1,376	-	1,376	-
	10,553	17,421	10,553	17,421
Summary of movements during the year:				
At the beginning of the year	17,421	19,143	17,421	19,143
Acquisitions	1,276	-	1,276	-
Disposals	(7,897)	-	(7,897)	-
Movement in fair value	(247)	(1,722)	(247)	(1,722)
At the end of the year	10,553	17,421	10,553	17,421

Notes to the financial statements

for the year ended 31 December 2023

16. LOANS AND ADVANCES TO BANKS

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Repayable on call and at short notice	128,151	308,922	128,151	308,922
Term placements with other banks	68,156	83,657	68,156	83,657
Cheques in course of collection	-	1,967	-	1,967
	196,307	394,546	196,307	394,546

Balances with a carrying amount of €4.3 million (2022: €2.0 million) were held as collateral against derivative contracts.

17. LOANS AND ADVANCES TO CUSTOMERS

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Repayable on call and at short notice	507,481	475,245	507,481	475,245
Term loans and advances	5,710,654	5,217,748	5,710,654	5,217,748
	6,218,135	5,692,993	6,218,135	5,692,993
Less impairment losses	(103,546)	(132,917)	(103,546)	(132,917)
Net loans and advances at amortised cost	6,114,589	5,560,076	6,114,589	5,560,076
Loans and advances designated at fair value through profit or loss (note 14)	65,305	78,725	65,305	78,725
Total loans and advances	6,179,894	5,638,801	6,179,894	5,638,801
Expected credit loss allowances	103,546	132,917	103,546	132,917
	103,546	132,917	103,546	132,917

18. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

	The Group		The Bank	
	2023	2022 restated	2023	2022
	€000	€000	€000	€000
At the beginning of the year	100,206	99,735	72,870	72,870
Share of results, net of tax	11,030	2,217	-	-
Dividend received	(1,138)	(1,746)	-	-
At the end of the year	110,098	100,206	72,870	72,870
Amounts include:				
Local listed	27,412	24,234	22,304	22,304
Local unlisted	82,686	75,972	50,566	50,566
	110,098	100,206	72,870	72,870

On the historical cost basis, shares in equity-accounted investees of the Group, would have been included at a cost of €72.9 million (2022: €72.9 million).

The fair value of the equity-accounted investees that is publicly quoted amounted to €42.9 million (2022: €45.7 million) at 31 December 2023. The cost of this investment is €22.3 million (2022: €22.3 million).

The fair value of the publicly quoted investee is calculated using observable inputs and is regarded as Level 1 under the fair value hierarchy of IFRS 13.

Notes to the financial statements

for the year ended 31 December 2023

18. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES (continued)

18.1 Details of associates

Details of the associates held by the Group and the Bank are as follows:

Name of company	Equity Interest 2023 %	2022 %	Class	Incorporated in	Nature of Business
MAPFRE Middlesea p.l.c.	31.08	31.08	Ordinary	Malta	Insurance
MAPFRE MSV Life p.l.c.*	50.00	50.00	Ordinary	Malta	Life Assurance

Name of company	Group's share of results 2023 €000	2022 restated €000
MAPFRE Middlesea p.l.c.	4,316	1,039
MAPFRE MSV Life p.l.c.	6,714	1,178
	11,030	2,217

*A further 15.54% (2022:15.54%) is held indirectly via another equity-accounted investee. Although the Bank has an effective participating interest of 65.54% (2022: 65.54%), it does not exercise control over the financial and operating decisions of the associate as it only has the right for equal representation on the Board of Directors of the associate together with the other shareholders. Furthermore, as from 1 October 2011 the Bank is deemed to exercise significant influence on MAPFRE MSV Life p.l.c. as opposed to joint control as a result of a shareholders' agreement which gives the other shareholder control and as from the financial year 30 September 2012 it is being treated as an equity-accounted investee.

The financial statements of the equity-accounted investees are prepared to 31 December. The registered addresses of the associates are as follows:

MAPFRE Middlesea p.l.c.	Middlesea House, Floriana FRN 1442, Malta
MAPFRE MSV Life p.l.c.	The Mall, Mall Street, Floriana FRN 1470, Malta

Summarised financial information extracted from the published preliminary statement of annual results of the associates as at 31 December 2023 in respect of the equity-accounted investees:

	2023 €000	2022 restated €000
Total assets	2,413,265	2,370,347
Total liabilities	2,242,402	2,212,022
Revenues	140,581	131,407
Profit for the year	15,943	5,615
Other Comprehensive Income	219	(713)

	The Group 2023 €000	2022 restated €000
Share of net assets of equity-accounted investees	110,098	100,206
Share of results of equity-accounted investees	11,030	2,217

The share of results of equity-accounting investees, net of tax in the Statement of Profit or Loss includes both the profit and other comprehensive income components of the associates.

The carrying amount of the equity-accounted investees is equal to the equity interest of the Bank in the net assets of the respective investees.

Notes to the financial statements

for the year ended 31 December 2023

18. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES (continued)

18.2 Key judgements made by equity-accounted investees

The associates of the Group have applied IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* for the first time on 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments and have had a material impact on the associates consolidated financial statements in the period of initial application.

The Associates make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The below notes present information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the associates' financial statements.

Long-term contracts - Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities

Insurance contract assets, insurance contract liabilities and reinsurance contract liabilities are subject to an annual valuation using generally accepted accounting and actuarial practice.

Different principles and valuation methodologies are adopted depending on the type and generation of products. The key assumptions used in determining the measurement of insurance contract assets, insurance contact liabilities and reinsurance contract liabilities with DPF are described in Note 24 of the financial statements of MAPFRE Middlesea p.l.c.

Short-term business insurance contract - liabilities for incurred claims

Liability of incurred claims (LIC) of short-term business insurance contracts, measured under the PAA model, comprise of the estimates of future cash flows. The estimates of future cash flows is derived using a standard actuarial claims projection technique, the Chain Ladder method, other than for the claims reserves as explained below. The key assumptions underlying this technique is that past claims development experience can be used to project future claims development.

Claims reserves which are not projected using actuarial techniques, particularly those involving fatalities and/or serious bodily injuries, are reserved at the case-by-case reserve estimate. The measurement of claim payments due by the Group involves the assessment of future settlements and is therefore dependent on assumptions around determining such reserves based on, among others, legal precedent and current trends in compensation awards.

More detail on the key assumptions used in determining the LIC in respect of short-term insurance contracts under PAA are described in Note 24 to the financial statements of MAPFRE Middlesea p.l.c.

Notes to the financial statements

for the year ended 31 December 2023

19. INVESTMENTS IN SUBSIDIARY COMPANIES

Name of company	Equity interest 2023 %	Equity interest 2022 %	Class	Incorporated in	Nature of Business
BOV Asset Management Limited	100	100	Ordinary	Malta	Fund Management
BOV Fund Services Limited	100	100	Ordinary	Malta	Fund Administration

Name of company	The Bank 2023 €000	The Bank 2022 €000
BOV Asset Management Limited	5,481	5,481
BOV Fund Services Limited	749	749
Cost/Carrying amount	6,230	6,230

The registered address of the above unlisted undertakings is as follows:

BOV Asset Management Limited	58, Triq San Zakkarija, Il-Belt Valletta VLT1130
BOV Fund Services Limited	58, Triq San Zakkarija, Il-Belt Valletta VLT1130

All subsidiaries prepared their financial statements to the same date, 31 December.

20. INTANGIBLE ASSETS

	The Group 2023 €000	The Group 2022 €000	The Bank 2023 €000	The Bank 2022 €000
Software				
Cost				
1 January	112,924	105,467	112,624	105,467
Additions	12,386	11,834	12,386	11,534
Assets retired from active use	(5,772)	(4,377)	(5,772)	(4,377)
31 December	119,538	112,924	119,238	112,624
Accumulated amortisation				
1 January	56,877	49,393	56,788	49,393
Charge for the year	13,791	11,861	13,691	11,772
Accumulated amortisation on assets retired from active use	(5,772)	(4,377)	(5,772)	(4,377)
31 December	64,896	56,877	64,707	56,788
Carrying amount at 31 December	54,642	56,047	54,531	55,836
Future capital expenditure:				
- contracted but not provided for in the financial statements	321	329	321	329
- authorised by the directors but not contracted	10,481	34,190	10,481	34,190

Notes to the financial statements

for the year ended 31 December 2023

21. PROPERTY AND EQUIPMENT

Reconciliation of Carrying Amount

	Land and buildings	IT infrastructure and equipment	Other	Total
The Group	**€000**	**€000**	**€000**	**€000**
Cost or valuation				
Balance at 1 January 2022	133,191	32,956	25,539	191,686
Additions	3,718	1,312	1,660	6,690
Assets retired from active use	(68)	(2,278)	(481)	(2,827)
Disposals	(1)	-	(89)	(90)
Revaluation	3,365	-	-	3,365
Balance at 31 December 2022	140,205	31,990	26,629	198,824
Balance at 1 January 2023	140,205	31,990	26,629	198,824
Additions	2,825	1,066	3,549	7,440
Transfer from Assets held for realisation	177	-	-	177
Assets retired from active use	(285)	(716)	(436)	(1,437)
Disposals	(2,551)	-	(208)	(2,759)
Revaluation	4,255	-	-	4,255
Balance at 31 December 2023	144,626	32,340	29,534	206,500
Accumulated depreciation				
Balance at 1 January 2022	20,809	21,679	18,576	61,064
Depreciation for the year	2,721	3,481	1,575	7,777
Accumulated depreciation on assets retired from active use	(68)	(2,159)	(481)	(2,708)
Balance at 31 December 2022	23,462	23,001	19,670	66,133
Balance at 1 January 2023	23,462	23,001	19,670	66,133
Depreciation for the year	2,605	3,162	1,622	7,389
Accumulated depreciation on assets retired from active use	(285)	(16)	(320)	(621)
Disposals	(448)	-	(125)	(573)
Balance at 31 December 2023	25,334	26,147	20,847	72,328
Carrying amount at:				
Balance at 31 December 2022	**116,743**	**8,989**	**6,959**	**132,691**
Balance at 31 December 2023	**119,292**	**6,193**	**8,687**	**134,172**

Notes to the financial statements

for the year ended 31 December 2023

21. PROPERTY AND EQUIPMENT (continued)

Reconciliation of carrying amount (continued)

As at 31 December 2023, Property and Equipment includes right-of-use assets of €6.6 million (2022: €8.6 million) related to office premises and motor vehicles (note 22).

The Bank	**Land and buildings €000**	**IT infrastructure and equipment €000**	**Other €000**	**Total €000**
Cost or valuation				
Balance at 1 January 2022	133,153	32,250	23,679	189,082
Additions	3,718	1,302	1,660	6,680
Assets retired from active use	(68)	(2,278)	(435)	(2,781)
Disposals	(1)	-	(89)	(90)
Revaluation	3,365	-	-	3,365
Balance at 31 December 2022	140,167	31,274	24,815	196,256
Balance at 1 January 2023	140,167	31,274	24,815	196,256
Additions	2,821	1,062	3,549	7,432
Transfer from Assets held for realisation	177	-	-	177
Assets retired from active use	(285)	(716)	(391)	(1,392)
Disposals	(2,551)	-	(208)	(2,759)
Revaluation	4,255	-	-	4,255
Balance at 31 December 2023	144,584	31,620	27,765	203,969
Accumulated depreciation				
Balance at 1 January 2022	20,742	20,763	17,093	58,598
Depreciation for the year	2,722	3,432	1,562	7,716
Accumulated depreciation on assets retired from active use	(68)	(2,160)	(435)	(2,663)
Balance at 31 December 2022	23,396	22,035	18,220	63,651
Balance at 1 January 2023	23,396	22,035	18,220	63,651
Depreciation for the year	2,605	3,120	1,617	7,342
Accumulated depreciation on assets retired from active use	(285)	(17)	(274)	(576)
Disposals	(448)	-	(125)	(573)
Balance at 31 December 2023	25,268	25,138	19,438	69,844
Carrying amount at:				
Balance at 31 December 2022	**116,771**	**9,239**	**6,595**	**132,605**
Balance at 31 December 2023	**119,316**	**6,482**	**8,327**	**134,125**

As at 31 December 2023, Property and Equipment includes right-of-use assets of €6.6 million (2022: €8.6 million) related to office premises and motor vehicles (see note 22).

Notes to the financial statements

for the year ended 31 December 2023

21. PROPERTY AND EQUIPMENT (continued)

21.1 Reconciliation of carrying amount

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Carrying amount of land and buildings occupied for own use	119,292	116,743	119,316	116,771
Future capital expenditure:				
- contracted but not provided for in the financial statements	2,365	1,492	2,365	1,492
- authorised by the directors but not contracted for	15,023	22,746	15,005	22,738

Land and buildings are revalued by professionally qualified architects in accordance with the policy documented in Note 1. The carrying amounts of land and buildings that would have been included in the financial statements had these assets been carried at cost less accumulated depreciation are:

2023: Group and Bank €50.3 million (2022: Group and Bank €49.8 million).

Property valuations are mainly valued using the 'comparative investment approach' whereby market value is arrived at by capitalising at an appropriate yield rate, the annual income produced, should the property be leased out to third parties. The income is arrived at by analysing a number of estate agent listings for comparative properties and determining a mean rental value rate. The valuation techniques were consistent with those applied for the year ended 31 December 2022. Revaluations are carried out on a regular basis in accordance with the Group's accounting policies.

Property fair value measurement is classified as Level 3. Significant unobservable inputs used in the valuation of these properties is the rental income for office space and the percentage capitalisation rate which indicates the multiplier relationship between Net Rental Income and Property Value. Further details about these significant inputs are summarised in the table below:

	Significant unobservable input	Narrative sensitivity
Buildings in Commercial Area	Price per square metre, ranging from €55/sqm to €960/sqm	The higher the price per square metre the higher the fair value
	Capitalisation rate, ranging from 5.31% to 8.30%	The higher the capitalisation rate the lower the fair value
Buildings in Residential Area	Price per square metre, ranging from €120/sqm to €529/sqm	The higher the price per square metre the higher the fair value
	Capitalisation rate, ranging from 5.75% to 8.10%	The higher the capitalisation rate the lower the fair value

Notes to the financial statements

for the year ended 31 December 2023

22. LEASES

The Group's lease arrangements comprise long-term leasehold properties, other immovable property leaseholds, equipment leases and property space for ATMs. The Group does not recognise low value items (below €5,000) or short-term arrangements of one year or less.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets relate to office premises and motor vehicles that are presented within property and equipment (see note 21)

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Balance at 1 January 2022	7,679	814	8,493
Additions	1,504	332	1,836
Depreciation charge for the year	(1,356)	(263)	(1,619)
Disposals	-	(89)	(89)
Balance at 31 December 2022	7,827	794	8,621
Balance at 1 January 2023	7,827	794	8,621
Additions	517	50	567
Depreciation charge for the year	(1,404)	(224)	(1,628)
Disposals	(918)	(51)	(969)
Balance at 31 December 2023	6,022	569	6,591

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Balance at 1 January 2022	7,679	793	8,472
Additions	1,503	333	1,836
Depreciation charge for the year	(1,356)	(250)	(1,606)
Disposals	-	(89)	(89)
Balance at 31 December 2022	7,826	787	8,613
Balance at 1 January 2023	7,826	787	8,613
Additions	517	50	567
Depreciation charge for the year	(1,404)	(219)	(1,623)
Disposals	(918)	(51)	(969)
Balance at 31 December 2023	6,021	567	6,588

See note 28 for maturity analysis of lease liabilities as at 31 December 2023.

Notes to the financial statements

for the year ended 31 December 2023

22. LEASES (continued)

ii. Amounts recognised in profit or loss

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Interest on lease liabilities 2022	194	14	208
Expenses relating to short-term leases 2022	88	-	88
	282	14	296
Interest on lease liabilities 2023	190	11	201
Expenses relating to short-term leases 2023	534	13	547
	724	24	748

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Interest on lease liabilities 2022	194	13	207
Expenses relating to short-term leases 2022	88	-	88
	282	13	295
Interest on lease liabilities 2023	190	10	200
Expenses relating to short-term leases 2023	534	13	547
	724	23	747

iii. Amounts recognised in statement of cash flows

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Total cash outflow for leases 2022	1,460	279	1,739
Total cash outflow for leases 2023	1,525	238	1,763

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Total cash outflow for leases 2022	1,460	266	1,726
Total cash outflow for leases 2023	1,525	231	1,756

iv. Extension options

Some property leases contain extension options exercisable by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options, and if it is reasonably certain to exercise the extension option, the Group includes this period in the lease term and the potential future lease payments in the lease liability.

Notes to the financial statements

for the year ended 31 December 2023

23. DEFERRED TAX

The Group's deferred tax assets and liabilities on the statement of financial position have not been off-set to the extent that there is no legally enforceable right of set-off with the tax authorities.

The Bank is expected to have sufficient profits in the future to absorb the deferred tax asset recognised.

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Deferred taxation is analysed as follows:				
Net deferred tax asset arising on:				
Fair value movement of financial instruments	281	281	281	281
Impairment allowances	42,876	52,250	42,876	52,250
Allowance for employee benefits	3,411	3,548	3,411	3,548
Excess of capital allowances over depreciation	(15,870)	(16,218)	(15,870)	(16,218)
Defined benefit plans	2,415	2,469	2,415	2,469
Provisions and other temporary differences	912	310	824	284
Unabsorbed tax losses	-	25,258	-	25,258
	34,025	67,898	33,937	67,872
Deferred tax liability arising on:				
Property revaluation	7,435	7,054	7,435	7,054

	The Group				
	At 31 December 2022	Recognised in profit or loss	Recognised in OCI	Recognised in other equity	At 31 December 2023
	€000	€000	€000	€000	€000
Movement in temporary differences relating to:					
Fair value movement of financial instruments	281	-	-	-	281
Impairment allowances	52,250	(9,374)	-	-	42,876
Allowance for employee benefits	3,548	(137)	-	-	3,411
Excess of capital allowances over depreciation	(16,218)	348	-	-	(15,870)
Defined benefit plans	2,469	-	(54)	-	2,415
Property revaluation	(7,054)	45	(426)	-	(7,435)
Provisions and other temporary differences	310	610	(8)	-	912
Unabsorbed tax losses	25,258	(25,258)	-	-	-
	60,844	(33,766)	(488)	-	26,590

	The Group				
	At 31 December 2021	Recognised in profit or loss	Recognised in OCI	Recognised in other equity	At 31 December 2022
	€000	€000	€000	€000	€000
Movement in temporary differences relating to:					
Fair value movement of financial instruments	281	-	-	-	281
Impairment allowances	65,669	(13,419)	-	-	52,250
Allowance for employee benefits	2,943	605	-	-	3,548
Excess of capital allowances over depreciation	(15,669)	(549)	-	-	(16,218)
Defined benefit plans	3,339	-	(870)	-	2,469
Property revaluation	(6,717)	-	(337)	-	(7,054)
Provisions and other temporary differences	28,000	(27,690)	-	-	310
Unabsorbed tax losses	-	22,967	2,291	-	25,258
	77,846	(18,086)	1,084	-	60,844

Notes to the financial statements

for the year ended 31 December 2023

23. DEFERRED TAX (continued)

	The Bank				
	At 31 December 2022	Recognised in profit or loss	Recognised in OCI	Recognised in other equity	At 31 December 2023
	€000	€000	€000	€000	€000
Movement in temporary differences relating to:					
Fair value movement of financial instruments	281	-	-	-	281
Impairment allowances	52,250	(9,374)	-	-	42,876
Allowance for employee benefits	3,548	(137)	-	-	3,411
Excess of capital allowances over depreciation	(16,218)	348	-	-	(15,870)
Defined benefit plans	2,469	-	(54)	-	2,415
Property revaluation	(7,054)	45	(426)	-	(7,435)
Provisions and other temporary differences	284	548	(8)	-	824
Unabsorbed tax losses	25,258	(25,258)	-	-	-
	60,818	(33,828)	(488)	-	26,502

	The Bank				
	At 31 December 2021	Recognised in profit or loss	Recognised in OCI	Recognised in other equity	At 31 December 2022
	€000	€000	€000	€000	€000
Movement in temporary differences relating to:					
Fair value movement of financial instruments	281	-	-	-	281
Impairment allowances	65,669	(13,419)	-	-	52,250
Allowance for employee benefits	2,943	605	-	-	3,548
Excess of capital allowances over depreciation	(15,669)	(549)	-	-	(16,218)
Defined benefit plans	3,339	-	(870)	-	2,469
Property revaluation	(6,717)	-	(337)	-	(7,054)
Provisions and other temporary differences	28,000	(27,716)	-	-	284
Unabsorbed tax losses	-	22,967	2,291	-	25,258
	77,846	(18,112)	1,084	-	60,818

24. OTHER ASSETS

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Settlement account	7,504	5,963	7,504	5,963
Deferred expenditure	368	281	368	281
Other assets	4,874	983	4,874	983
	12,746	7,227	12,746	7,227

The Settlement account consists of card settlements.

25. AMOUNTS OWED TO BANKS

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Term deposits	290,603	55,878	290,603	55,878
Repayable on demand	25,048	21,196	25,048	21,196
	315,651	77,074	315,651	77,074

Balances with a carrying amount of €10.0 million (2022: €25.7 million) were held as collateral against derivative contracts.

Notes to the financial statements

for the year ended 31 December 2023

26. AMOUNTS OWED TO CUSTOMERS

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Term deposits	177,354	430,195	177,354	430,195
Repayable on demand	11,974,862	12,117,716	11,979,690	12,124,389
	12,152,216	12,547,911	12,157,044	12,554,584

27. OTHER LIABILITIES

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Post-employment and termination liabilities (see note 35)	16,741	17,282	16,741	17,282
Cash collateral for commitments	66,095	68,361	66,095	68,361
Deposits from companies in formation	2,589	4,235	2,589	4,235
Bills payable	41,025	40,633	41,025	40,633
Accruals and deferred income	26,345	24,096	26,021	23,875
Payment orders outwards	12,464	4,910	12,464	4,910
Lease liability (see note 28)	6,893	8,918	6,891	8,910
Taxation payable	7,650	4,368	7,650	4,368
Other	18,376	18,749	18,175	18,710
	198,178	191,552	197,651	191,284

28. LEASE LIABILITY

At 31 December 2023, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Maturity analysis - Contractual undiscounted cash flows			
Less than one year	1,160	202	1,362
Between one and five years	3,093	374	3,467
More than five years	3,722	18	3,740
Total undiscounted lease liabilities at 31 December 2023	7,975	594	8,569
Lease liabilities included in statement of financial position at 31 December 2023:			
Current	1,007	197	1,204
Non-current	5,307	382	5,689
	6,314	579	6,893

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Maturity analysis - Contractual undiscounted cash flows			
Less than one year	1,160	202	1,362
Between one and five years	3,093	373	3,466
More than five years	3,722	18	3,740
Total undiscounted lease liabilities at 31 December 2023	7,975	593	8,568
Lease liabilities included in statement of financial position at 31 December 2023:			
Current	1,007	195	1,202
Non-current	5,307	382	5,689
	6,314	577	6,891

Notes to the financial statements

for the year ended 31 December 2023

28. LEASE LIABILITY (continued)

At 31 December 2022, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Maturity analysis - Contractual undiscounted cash flows			
Less than one year	1,416	244	1,660
Between one and five years	4,261	524	4,785
More than five years	4,246	68	4,314
Total undiscounted lease liabilities at 31 December 2022	9,923	836	10,759
Lease liabilities included in statement of financial position at 31 December 2022:			
Current	1,239	234	1,473
Non-current	6,870	575	7,445
	8,109	809	8,918

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Maturity analysis - Contractual undiscounted cash flows			
Less than one year	1,416	244	1,660
Between one and five years	4,261	515	4,776
More than five years	4,246	68	4,314
Total undiscounted lease liabilities at 31 December 2022	9,923	827	10,750
Lease liabilities included in statement of financial position at 31 December 2022:			
Current	1,239	233	1,472
Non-current	6,870	568	7,438
	8,109	801	8,910

29. DERIVATIVES DESIGNATED FOR HEDGE ACCOUNTING

	The Group		The Bank	
	2023	2022	2023	2022
	€000	€000	€000	€000
Derivative financial instruments designated as fair value hedges				
-Gross amounts of financial instruments	1,727	2,167	1,727	2,167
-Related financial instruments that are offset	(1,727)	-	(1,727)	-
Net amount	-	2,167	-	2,167

Refer to note 6: Net gain on Investments and hedging instruments for the net gain/loss on the bond and hedging instrument.

The above comprise over-the-counter interest rate swaps, stated at fair value with notional amounts analysed by the remaining life as follows:

-more than 1 year	58,680	60,879	58,680	60,879
	58,680	60,879	58,680	60,879

Notes to the financial statements

for the year ended 31 December 2023

30. DEBT SECURITIES IN ISSUE AND SUBORDINATED LIABILITIES

		The Group		The Bank	
	Note	2023	2022	2023	2022
		€000	€000	€000	€000
Debt securities in issue					
Senior non-preferred notes	30.1	350,099	350,260	350,099	350,260
		350,099	350,260	350,099	350,260
Subordinates liabilities					
3.50% Euro subordinated unsecured bonds	30.2	113,130	113,130	113,130	113,130
3.75% Euro subordinated unsecured bonds	30.2	50,107	50,107	50,107	50,107
		163,237	163,237	163,237	163,237

30.1 Senior non-preferred notes

On 6 December 2022, the Bank has issued €350 million Callable Senior Non-Preferred Notes (traded on the Irish Stock Exchange) with a final maturity date of 6 December 2027 and a fixed coupon of 10% per annum. The fair value as of 31 December 2023 is €379.8 million (2022: €358.1 million). The Senior Non-Preferred Notes constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank and rank in priority to all subordinated claims but are junior in right of payment to all preferred claims and all ordinary unsecured claims. The Notes were rated by Fitch as BBB-.

30.2 Subordinated liabilities

The 3.5% Euro subordinated bonds are redeemable at par on 8 August 2030 and are listed on the Malta Stock Exchange. The fair value of these unsecured bonds as of 31 December 2023 is €100.7 million (2022: €94.2 million).

The 3.75% Euro subordinated bonds are redeemable at par on 15 June 2031 and are listed on the Malta Stock Exchange. The fair value of these unsecured bonds as of 31 December 2023 is €46.0 million (2022: €45.0 million).

The bonds are unsecured and subordinated to the claims of all holders of senior indebtedness.

31. SHARE CAPITAL AND SHARE PREMIUM

	The Bank	
	2023	2022
	€000	€000
Share Capital		
Authorised:		
1,000,000,000 Ordinary shares of €1.00 each	1,000,000	1,000,000
(2022: 1,000,000,000 Ordinary shares of €1.00 each)		
Issued and paid up:		
583,849,000 Ordinary shares of €1.00 each fully paid	583,849	583,849
(2022: 583,849,000 Ordinary shares of €1.00 each)		

Notes to the financial statements

for the year ended 31 December 2023

32. OTHER RESERVES

Retained Earnings

Retained earnings represent the profits retained over the years and primarily comprise the profit attributable to equity holders and transfers to share capital in respect of the bonus issue. This reserve includes the amount held in respect of General Banking Reserves.

General Banking Reserves

The revised Banking Rule 09 requires banks in Malta to hold additional reserves for general banking risks against non-performing loans. This reserve is deductible from distributable funds. As at the reporting date this reserve amounts to €3.4 million (2022: €3.6 million).

Revaluation Reserves

Revaluation reserves represent fair value movements on land and buildings and financial assets at FVOCI net of tax, which are recognised in Other Comprehensive Income.

	The Group	The Bank
	€000	€000
On land and buildings:		
Balance at 31 December 2021	49,022	49,022
Property revaluation	3,366	3,366
Deferred tax and effect of changes in property tax rates	(337)	(337)
Balance at 31 December 2022	**52,051**	**52,051**
Property revaluation	4,255	4,255
Deferred tax and effect of changes in property tax rates	(426)	(426)
Release on sale of property	(356)	(356)
tax thereon	36	36
Balance at 31 December 2023	**55,560**	**55,560**
On fair-value-through-other comprehensive income:		
Balance at 31 December 2021	9,416	9,304
Fair value adjustments	(6,546)	(6,546)
tax thereon	2,291	2,291
Balance at 31 December 2022	**5,161**	**5,049**
Fair value adjustments	1,368	1,368
tax thereon	(479)	(479)
Gain on sale	(3,049)	(3,049)
tax thereon	1,067	1,067
Balance at 31 December 2023	**4,068**	**3,956**
Total	**59,628**	**59,516**

Notes to the financial statements

for the year ended 31 December 2023

33. PROVISIONS AND CONTINGENCIES

33.1 Provisions

The Bank considers the provisions recognised to be the best estimate of the amounts likely required to settle its claims and are presented as follows:

The Group

Provisions	Financial guarantees and loan commitments provisions €000	Custody and trust litigation provision €000	Other litigation provision €000	Total €000
Carrying amount at 1 January 2023	15,556	-	962	16,518
Movement	2,257	-	1,391	3,648
Carrying amount at 31 December 2023	**17,813**	**-**	**2,353**	**20,166**

The Bank

Provisions	Financial guarantees and loan commitments provisions €000	Custody and trust litigation provision €000	Other litigation provision €000	Total €000
Carrying amount at 1 January 2023	15,556	-	812	16,368
Movement	2,257	-	1,391	3,648
Carrying amount at 31 December 2023	**17,813**	**-**	**2,203**	**20,016**

The Group

Provisions	Financial guarantees and loan commitments provisions €000	Custody and trust litigation provision €000	Other litigation provision €000	Total €000
Carrying amount at 1 January 2022	22,949	80,945	555	104,449
Movement	(7,393)	(80,945)	407	(87,931)
Carrying amount at 31 December 2022	**15,556**	**-**	**962**	**16,518**

The Bank

Provisions	Financial guarantees and loan commitments provisions €000	Custody and trust litigation provision €000	Other litigation provision €000	Total €000
Carrying amount at 1 January 2022	22,949	80,945	555	104,449
Movement	(7,393)	(80,945)	257	(88,081)
Carrying amount at 31 December 2022	**15,556**	**-**	**812**	**16,368**

Notes to the financial statements

for the year ended 31 December 2023

33. PROVISIONS AND CONTINGENCIES (continued)

33.1 Provisions (continued)

The amount in respect of financial guarantee contracts and loan commitments issued represent the expected credit loss as of 31 December 2023. The custody and trust litigation provision in the comparative year consists of movement relating to the Deiulemar case whilst other litigation provision movement represents the increase/(decrease) in liabilities or the release of liability following settlement of other litigation claims.

There have been significant developments in the comparative year in relation to the principal legal case of the Group and Bank, that relating to custody and trusts. In November 2014, court action was instituted against the Bank by the curators of Deiulemar group which was declared insolvent when the shares in the ultimate holding company were held in trust by the Bank with a claim of €363 million. In February 2022, the first court in Torre Annunziata decided against the Bank and in favour of the Deiulemar bankruptcy and ordered the Bank to pay a sum equivalent to around €370 million. The Bank proceeded to immediately appeal this judgement on the strong merits of its legal case. However, subsequently in May 2022, the Bank reached an out-of-court settlement agreement of €182.5 million, without any admission of fault, bringing all legal claims surrounding the issue to an end. The Bank shall not have any further ongoing contingent or actual liability relating to this claim. This resulted in the reversal of €80.9 million provision as disclosed in Note 33 and a resultant impact of €103.0 million including legal fees in 2022 statement of profit or loss. A total of €363 million in securities previously held with an Italian bank following a garnishee order were released in the comparative year and are now free from any encumbrance.

33.2 Contingent liabilities

In its 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 collaborates 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. Except as disclosed hereunder, it is not practicable to provide an aggregate estimate of other potential liability for the Group's and the Bank's legal proceedings, legal and regulatory reviews as a class of contingent liabilities.

Contingencies

	The Group		The Bank	
	2023	**2022**	**2023**	**2022**
	€000	**€000**	**€000**	**€000**
Acceptances and endorsements	60	19	60	19
Guarantees	375,277	354,907	375,277	354,907
Other contingent liabilities	19,077	19,183	19,077	19,183
	394,414	**374,109**	**394,414**	**374,109**

34. COMMITMENTS

	The Group		The Bank	
	2023	**2022**	**2023**	**2022**
	€000	**€000**	**€000**	**€000**
Documentary credits	41,500	28,849	41,500	28,849
Undrawn formal standby facilities, credit facilities and other commitments to lend	2,271,758	1,887,449	2,271,758	1,887,449
Capital expenditure contracted but not provided for in the financial statements	2,704	1,821	2,686	1,821
	2,315,962	**1,918,119**	**2,315,944**	**1,918,119**

Notes to the financial statements

for the year ended 31 December 2023

35. EMPLOYEE BENEFITS

35.1 Post-employment benefits

35.1.1 Defined benefit plan – Pension Top-up

The Group and the Bank contributes to a post-employment benefit plan ("the plan") which is applicable to eligible individuals. The benefits provided to the individuals in terms of the plan are computed on a specified formula which takes into consideration, amongst other things, the employees' salary on retirement and the pension entitlement in terms of Maltese law.

The provision is computed in accordance with the accounting policy for post-employment benefit plans and represents the Group's and the Bank's obligation:

(i) discounted to the net present value at the rate which has been determined by reference to market yields at the end of the reporting period on high-quality corporate bonds;
(ii) after considering the life expectancy of such employees based on the latest publicly available mortality tables;
(iii) the expected terminal salaries; and
(iv) the Bank's expectations of the employees' retirement date.

The year-end obligation in relation to the plan is mainly in relation to retired employees.

The plan exposes the Group and the Bank to the following main risks:
(i) interest risk, since a decrease in market yields will increase the plan liability; and
(ii) longevity risk, since an increase in the life expectancy of the plan participants will increase the plan liability.

The significant actuarial assumptions applied by the Group and the Bank in respect of the plan are as follows:

	The Group and the Bank	
	2023	**2022**
Weighted discount rates - Euro corporate yield per Bloomberg	3.13%	3.55%
Life expectancy (years):		
Males	81	81
Females	86	85

The Group and the Bank are providing sensitivity analysis in connection with each significant actuarial assumption applied in respect of the plan. These analyses are prepared as of the end of the reporting period, showing how the liability would have been affected by hypothetical changes in the relevant actuarial assumptions that were reasonably possible at that date, while holding all other assumptions constant. The analysis presented below are for illustrative purposes only and may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another. In presenting the sensitivity analysis, the present value of the obligation has been calculated using the projected unit credit method at the end of the reporting period. The amounts generated from the analysis represent forward-looking estimates and hence, actual results in the future may differ materially from those projected results. In accordance with the transitional provisions in the revised IAS 19, the Group and the Bank have not disclosed comparative information in this respect.

- If the discount rate is 100 basis points higher (lower) with all other assumptions held constant, the defined benefit obligation decreases by €0.5 million (decreases by €0.6 million).

- If the life expectancy increases (decreases) by two years for both men and women with all other assumptions held constant, the defined benefit obligation increases by €2.3 million (increases by €2.2 million).

The weighted average duration of the liability in respect of the plan at 31 December 2023 is 6 years (2022: 7 years).

The Bank does not fund these pensions by assigning specific assets as there is sufficient liquidity to meet the required payments as these arise. In view of the non-complexity of the inputs involved, no actuary was deemed necessary in estimating this obligation.

Furthermore, the Group and the Bank make payments to certain eligible employees in consideration of the liquidation of a defunct pension scheme.

35.1.2 Defined contribution plan – Voluntary Occupational Pensions Scheme

The Voluntary Occupational Pension Scheme was introduced in 2022 in which the Group and the Bank assists eligible employees that opt for the scheme in saving for their retirement (Note 7).

Notes to the financial statements

for the year ended 31 December 2023

35. EMPLOYEE BENEFITS (continued)

35.2 Termination benefits

The Bank has retained the Gradual Retirement and Retirement Gratuity Schemes similar to prior years. The Gradual retirement consists of reduced number of hours worked whilst applicants eligible for the Retirement Gratuity Scheme shall be given a lump sum payment of one time their terminal salary and a proportion of the terminal annual salary depending on the aggregate years of service.

Furthermore, the Group and Bank have introduced a new Voluntary Retirement Scheme for eligible employees as of 1 April 2022 in which formal notice is required within a stipulated period. The scheme shall remain open indefinitely whilst remaining at the Group and Bank's discretion. Accepted applicants under the respective scheme shall be given a lump sum payment of three times their terminal salary reduced pro-rata up to the age of 61.

35.3 Summary of movements in post-employment and termination benefits

	The Group and the Bank	
	2023	**2022**
	€000	**€000**
Present value at 1 January	17,282	18,042
Payments effected	(6,337)	(5,650)
Recognised in profit or loss:		
- Interest expense	129	(67)
- Terminal benefits	5,816	7,447
Remeasurement of actuarial (losses)/gains recognised in other comprehensive income resulting from:		
- Experience adjustments	(384)	(229)
- Changes in financial assumptions	226	(2,574)
- Changes in demographic assumptions	9	313
Present value at 31 December	**16,741**	**17,282**

36. NOTES TO THE STATEMENTS OF CASH FLOWS

		The Group		The Bank	
	Note	**2023**	**2022**	**2023**	**2022**
		€000	**€000**	**€000**	**€000**
Cash	13	75,647	85,760	75,647	85,760
Balances with Central Bank of Malta (excluding Reserve Deposit)		2,158,243	2,940,953	2,158,243	2,940,953
Treasury bills (with original maturity of less than 3 months)		-	235,064	-	235,064
Money at call and short notice		196,767	392,596	196,767	392,596
Amounts owed to banks		(211,923)	(75,071)	(211,923)	(75,071)
Cash and cash equivalents included in the statements of cash flows		**2,218,734**	**3,579,302**	**2,218,734**	**3,579,302**
Balances with contractual maturity of more than 3 months		(104,188)	2,911	(104,188)	2,911
		2,114,546	3,582,213	2,114,546	3,582,213
Equivalent items reported in the statements of financial position:					
Balances with Central Bank of Malta, Treasury bills and cash (excluding Reserve Deposit)		2,233,890	3,264,741	2,233,890	3,264,741
Loans and advances to banks		196,307	394,546	196,307	394,546
Amounts owed to banks		(315,651)	(77,074)	(315,651)	(77,074)
		2,114,546	3,582,213	2,114,546	3,582,213

Notes to the financial statements

for the year ended 31 December 2023

37. RELATED PARTY TRANSACTIONS

During the current and prior year, the Group and the Bank entered into transactions during the course of their normal business, with equity-accounted investees, subsidiaries, the Government of Malta ("The Government") (which has a 25% holding in the Bank), Government related entities, key management personnel, and other related parties. Government related entities are those where, in the opinion of the Bank, the Government is either deemed to exercise control, that is, it has the power to govern the financial and operating policies of the entity or linked to the Government but not controlled by the Government.

Key management personnel includes the Chairman, Directors, the members of the Management Board and their respective spouses, spousal equivalent and dependants. Other related parties are those companies over which the key management personnel hold control or significant influence (directorship).

Transactions with related parties are made on an arm's length basis.

The Bank also entered into related party transactions on an arm's length basis with its subsidiaries and equity-accounted investees. Transactions between the Bank and its subsidiaries have been eliminated on consolidation.

The amounts due to or from related parties are settled in cash and the amount of related party transactions and outstanding balances at the reporting date are disclosed below:

The Group	**2023**			**2022**		
	Related party balances	**Total activity/ balance**	**% of total**	**Related party balances**	**Total activity/ balance**	**% of total**
	€000	**€000**		**€000**	**€000**	
Interest and similar income:						
- on loans and advances						
The Government	89,048			4,609		
Government related entities	19,297			13,905		
Key management personnel	29			29		
Other related parties	310			335		
	108,684	323,404	34%	18,878	196,277	10%
Interest and similar income:						
- on debt and other fixed income instruments						
The Government	16,690	77,998	21%	9,184	23,933	38%
Interest expense						
Equity-accounted investees	179			958		
The Government	11			105		
Government related entities	336			42		
Key management personnel	1			2		
	527	49,403	1%	1,107	18,311	6%
Fee and commission income						
Equity-accounted investees	2,947			4,877		
The Government	2,547			3,654		
Government related entities	1,482			1,957		
Key management personnel	4			2		
Other related parties	16			25		
	6,996	91,988	8%	10,515	89,114	12%

Notes to the financial statements

for the year ended 31 December 2023

37. RELATED PARTY TRANSACTIONS (continued)

The Group	2023 Related party balances €000	Total activity/ balance €000	% of total	2022 Related party balances €000	Total activity/ balance €000	% of total
Short term employee compensation and benefits including post-employment benefits						
Key management personnel	3,408	111,061	3%	3,119	100,033	3%
General administrative expenses						
Equity-accounted investees	376			311		
Key management personnel	77			51		
Other related parties	47			62		
	500	78,659	1%	424	72,945	1%
Movement in impairment allowances						
The Government	41			(59)		
Government related entities	(240)			3,082		
Key management personnel	16			(15)		
Other related parties	(2)			(23)		
	(185)	10,481	-2%	2,985	49,075	6%
Balances with Central Bank of Malta treasury bills and cash						
The Government	2,277,670	2,353,317	97%	3,303,501	3,389,261	97%
Financial assets at fair value through profit or loss						
The Government	-	113,853	0%	1,040	146,363	1%
Investments						
The Government	1,653,448	5,353,462	31%	1,191,064	4,567,064	26%
Loans and advances to customers (net)						
The Government	71,528			35,954		
Government related entities	419,507			381,306		
Key management personnel	3,541			3,967		
Other related parties	2,389			10,094		
	496,965	6,114,589	8%	431,321	5,560,076	8%
Impairment allowances						
The Government	(68)			(109)		
Government related entities	(378)			(138)		
Key management personnel	(7)			(23)		
Other related parties	(26)			(24)		
	(479)	(103,546)	0%	(294)	(132,917)	0%
Amounts owed to customers						
Equity-accounted investees	33,615			164,344		
The Government	565,550			441,086		
Government related entities	254,546			236,340		
Key management personnel	8,532			6,876		
Other related parties	3,417			3,224		
	865,660	12,152,216	7%	851,870	12,547,911	7%

Notes to the financial statements

for the year ended 31 December 2023

37. RELATED PARTY TRANSACTIONS (continued)

The Group	2023 Related party balances €000	Total activity/ balance €000	% of total	2022 Related party balances €000	Total activity/ balance €000	% of total
Total Assets less Liabilities						
Equity-accounted investees	(33,615)			(164,344)		
The Government	3,437,028			4,090,364		
Government related entities	164,583			144,828		
Key management personnel	(4,998)			(2,932)		
Other related parties	(1,054)			6,846		
	3,561,944			4,074,762		
Commitments						
Equity-accounted investees	317			317		
The Government	72,009			72,958		
Government related entities	91,976			105,909		
Key management personnel	884			181		
Other related parties	142			1,086		
	165,328	2,315,962	7%	180,451	1,918,119	9%

The Bank	2023 Related party balances €000	Total activity/ balance €000	% of total	2022 Related party balances €000	Total activity/ balance €000	% of total
Interest and similar income:						
- on loans and advances						
The Government	89,048			4,609		
Government related entities	19,297			13,905		
Key management personnel	11			14		
Other related parties	282			335		
	108,638	323,404	34%	18,863	196,277	10%
Interest and similar income:						
- on debt and other fixed income instruments						
The Government	16,690	77,998	21%	9,184	23,933	38%
Interest expense						
Equity-accounted investees	179			958		
The Government	11			105		
Government related entities	336			42		
Key management personnel	-			1		
	526	49,403	1%	1,106	18,311	6%
Fee and commission income						
Equity-accounted investees	2,947			4,877		
Subsidiaries	2,270			1,682		
The Government	2,547			3,654		
Government related entities	1,482			1,957		
Key management personnel	3			2		
Other related parties	13			25		
	9,262	83,796	11%	12,197	79,995	15%
Dividend income						
Equity-accounted investees	1,562			2,046		
Subsidiaries	5,500			6,700		
	7,062	9,802	72%	8,746	9,386	93%

Notes to the financial statements

for the year ended 31 December 2023

37. RELATED PARTY TRANSACTIONS (continued)

The Bank	2023 Related party balances €000	Total activity/ balance €000	% of total	2022 Related party balances €000	Total activity/ balance €000	% of total
Short term employee compensation and benefits including post-employment benefits						
Key management personnel	3,257	108,394	3%	2,954	97,659	3%
General administrative expenses						
Equity-accounted investees	376			311		
Key management personnel	77			26		
Other related parties	47			21		
	500	76,815	1%	358	71,075	1%
Movement in impairment allowances						
The Government	41			(59)		
Government related entities	(240)			3,082		
Key management personnel	(2)			-		
Other related parties	2			(25)		
	(199)	10,481	-2%	2,998	49,075	6%
Balances with Central Bank of Malta treasury bills and cash						
The Government	2,277,670	2,353,317	97%	3,303,501	3,389,261	97%
Financial assets at fair value through profit or loss						
The Government	-	113,562	0%	1,040	146,211	1%
Investments						
The Government	1,653,448	5,353,462	31%	1,191,064	4,567,064	26%
Loans and advances to customers (net)						
The Government	71,528			35,954		
Government related entities	419,507			381,306		
Key management personnel	2,132			2,733		
Other related parties	1,847			10,094		
	495,014	6,114,589	8%	430,087	5,560,076	8%
Impairment allowances						
The Government	(68)			(109)		
Government related entities	(378)			(138)		
Key management personnel	(6)			(4)		
Other related parties	(22)			(24)		
	(474)	(103,546)	0%	(275)	(132,917)	0%
Other assets						
Subsidiaries	151	74,344	0%	78	124,366	0%
Amounts owed to customers						
Equity-accounted investees	33,615			164,344		
Subsidiaries	4,828			6,673		
The Government	565,550			441,086		
Government related entities	254,546			236,340		
Key management personnel	7,908			6,143		
Other related parties	1,521			3,224		
	867,968	12,157,044	7%	857,810	12,554,584	7%

Notes to the financial statements

for the year ended 31 December 2023

37. RELATED PARTY TRANSACTIONS (continued)

The Bank	2023 Related party balances €000	Total activity/ balance €000	% of total	2022 Related party balances €000	Total activity/ balance €000	% of total
Total Assets less Liabilities						
Equity-accounted investees	(33,615)			(164,344)		
Subsidiaries	(4,677)			(6,595)		
The Government	3,437,028			4,090,364		
Government related entities	164,583			144,828		
Key management personnel	(5,782)			(3,414)		
Other related parties	304			6,846		
	3,557,841			4,067,685		
Commitments						
Equity-accounted investees	317			317		
The Government	72,009			72,958		
Government related entities	91,976			105,909		
Key management personnel	281			160		
Other related parties	142			1,086		
	164,725	2,315,944	7%	180,430	1,918,119	9%

	The Group 2023 €000	The Group 2022 €000	The Bank 2023 €000	The Bank 2022 €000
All outstanding balances are secured except for the following:				
Loans and advances to customers:				
- Key management personnel	52	66	46	60
	52	66	46	60
Details of guarantees received are disclosed below:				
Loans and advances to customers:				
- Amounts guaranteed by The Government	371,383	323,246	371,383	323,246

The above facilities do not involve more than the normal risk of repayment or present other unfavourable features and were made in the ordinary course of business on substantially the same terms as for comparable transactions with persons of a similar standing, or where applicable, other employees.

Notes to the financial statements

for the year ended 31 December 2023

37. RELATED PARTY TRANSACTIONS (continued)

Loans to and commitments on behalf of directors and other key management personnel (including connected persons):

	The Group		The Bank	
	Loans and advances €000	Commitments €000	Loans and advances €000	Commitments €000
Directors				
At 31 December 2021	1,969	114	915	85
Additions	282	32	39	24
	2,251	146	954	109
Less reductions/repayments	(99)	(18)	(36)	(10)
At 31 December 2022	2,152	128	918	99
Additions	92	576	55	5
	2,244	704	973	104
Less reductions/repayments	(789)	(46)	(540)	(48)
At 31 December 2023	**1,455**	**658**	**433**	**56**
Other key management personnel				
At 31 December 2021	2,000	216	2,000	216
Additions	163	7	163	7
	2,163	223	2,163	223
Less reductions/repayments	(349)	(169)	(349)	(169)
At 31 December 2022	1,814	54	1,814	54
Additions	671	180	671	180
	2,485	234	2,485	234
Less reductions/repayments	(788)	(11)	(788)	(11)
At 31 December 2023	**1,697**	**223**	**1,697**	**223**

38. SEGMENTAL INFORMATION BY CLASSES OF BUSINESS

The Group's reportable segments as at 31 December 2023 and 31 December 2022 are as follows:

Reportable segments	Operations
Retail Banking	Loan products, cards, payment and other transactions for all client segments of the Bank. It also includes all deposit products for non-corporate and non-institutional client segments, internet/mobile banking activities, ATM activities and all Bank retail branches operations.
Wealth Management	Discretionary advisory and wealth management services, insurance and stock broking services, asset and fund management, prestige and private banking.
Business Banking	Financing and business deposit products for all business client segments including business and corporate centers.
Treasury	Proprietary investments, derivatives, and other investment related revenues. It also includes custody services and investment operations.
Associates and Others	Share of profits from associates, custody services, and other non-client specific investments. This includes the management of the Bank's property, plant and equipment, investments, other assets, long-term liabilities and other liabilities.

Notes to the financial statements

for the year ended 31 December 2023

38. SEGMENTAL INFORMATION BY CLASSES OF BUSINESS (continued)

38.1 Information by segment

Interest income is the main revenue generating activity for all segments. The customer-oriented segments also have income derived from fees and commissions and earnings arising on foreign exchange transactions.

	Retail Banking		Wealth Management		Business Banking		Treasury		Associates, Investments & Others		Total Reportable Segments	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022 restated	2023	2022 restated
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Interest income	147,194	95,976	-	-	171,273	99,262	82,935	24,972	-	-	401,402	220,210
Interest expense	(16,060)	(4,625)	(420)	-	(16,266)	(2,277)	(10,766)	(3,094)	(5,891)	(8,315)	(49,403)	(18,311)
Fee and commission income	44,273	43,222	19,158	21,651	24,812	21,799	913	447	2,832	1,995	91,988	89,114
Fee and commission expense	(12,981)	(10,530)	(1)	(23)	-	(161)	(35)	(1,140)	(924)	(692)	(13,941)	(12,546)
Trading profits/(losses)	3,326	-	130	(40)	1,072	-	417	8,670	-	-	4,945	8,630
Gains/(losses) from financial assets	-	-	5	(1,157)	-	-	625	3,377	2,641	3,399	3,271	5,619
Dividend income	-	-	-	-	-	-	1,178	641	1,562	-	2,740	641
Depreciation/ amortisation	(12,588)	(12,239)	(3,125)	(2,476)	(4,243)	(3,736)	(721)	(630)	(503)	(557)	(21,180)	(19,638)
Other costs	(108,032)	(95,504)	(25,435)	(24,497)	(42,736)	(40,309)	(5,945)	(6,155)	(7,572)	(6,513)	(189,720)	(172,978)
Impairment reversal/ (charge)	3,229	1,288	-	-	11,315	47,708	(4,063)	79	-	-	10,481	49,075
Operating profit/ (loss) before litigation settlement	48,361	17,588	(9,688)	(6,542)	145,227	122,286	64,538	27,167	(7,855)	(10,683)	240,583	149,816
Net litigation settlement charge	-	-	-	-	-	-	-	-	-	(102,958)	-	(102,958)
Operating profit/(loss) before share of results of equity-accounted investees	48,361	17,588	(9,688)	(6,542)	145,227	122,286	64,538	27,167	(7,855)	(113,641)	240,583	46,858
Group share results after tax of equity-accounted investees	-	-	-	-	-	-	-	-	11,030	2,217	11,030	2,217
Group profit before taxation for the year											251,613	49,075

	Retail Banking		Wealth Management		Business Banking		Treasury		Associates, Investments & Others		Total Reportable Segments	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022 restated	2023	2022 restated
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
ASSETS	3,274,385	2,963,486	3,147	1,316	2,957,522	2,697,029	7,944,226	8,409,882	28,756	112,087	14,208,036	14,183,800
Property and equipment and intangible assets	184	236	139	289	13,233	13,337	-	-	155,432	156,471	168,988	170,333
Additions to property and equipment and intangible assets	22	26	16	8	1,551	1,443	-	-	18,237	16,928	19,826	18,405
Carrying value of equity-accounted investees	-	-	-	-	-	-	-	-	110,098	100,206	110,098	100,206
Total Assets	3,274,591	2,963,748	3,302	1,613	2,972,306	2,711,809	7,944,226	8,409,882	312,523	385,692	14,506,948	14,472,744
LIABILITIES												
Total Liabilities	8,300,788	8,405,729	5,688	1,719	4,030,245	4,289,969	484,753	250,321	417,741	412,570	13,239,215	13,360,308

The revenue which is reported above represents revenue generated from external customers. There was no inter-segment revenue during the year and comparative year.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment's operating profit represents the profit earned by each segment.

There are no material activities which are carried out outside Malta.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT

39.1 Use of financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to increase its interest margins through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve both on-balance sheet loans and advances, as well as guarantees and other commitments such as performance and other bonds and letters of credit.

The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. Foreign exchange and interest rate exposures are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

Given that the difference between the Group and the Bank balances in respect of financial instruments, and the corresponding effect on the statement of profit or loss and other comprehensive income and reserves in respect thereof, are not material, references in this note to the Group are to be construed as references to the Bank, unless otherwise stated.

The principal areas of financial risk are detailed below:

39.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Financial assets which could potentially expose the Group to credit risk, mainly include balances with Central Bank of Malta, treasury bills and cash, derivative financial assets, debt and other fixed income instruments, and loans and advances to banks and customers.

39.2.1 Credit risk management and exposure

(i) Loans and advances

The purpose of credit risk management is to keep credit risk exposure to a permissible level relative to capital, to maintain the soundness of assets, and to ensure returns commensurate with risk. This leads to a loan portfolio that achieves high returns on capital and assets.

Credit risk is managed and controlled throughout the Bank on the basis of established credit processes, and within a framework of credit policy and delegated authorities based on responsibility, skill and experience.

Credit grading and monitoring systems are in place to accommodate the early identification and management of deterioration in loan quality. In addition, the credit management process is underpinned by an independent system of credit review.

Credit risk analysis is carried out on two levels: the single name; and the Bank's lending portfolio review. The Bank uses a number of tools to limit its exposure to undue credit risk. These include the application of:

- High-level credit policies designed to ensure a balanced and managed approach to the identification and mitigation of credit risk;
- Lending guidelines defining the responsibilities of lending officers that seek to provide a disciplined and focused benchmark for credit decisions;
- Independent reviews of credit exposures;
- Sector caps, encompassing both industry and specific product types, to communicate the Board's risk appetite for specific types of business;
- Establishment and maintenance of large exposures and provisioning policies in accordance with regulatory reporting requirements; and
- Communication and provision of general guidance on all credit-related risk issues, including regulatory changes to promote consistent and best practice throughout the Bank.

Where possible the Bank aims to reduce and control risk concentrations. Broadly stated, concentration results when the Bank has a high level of exposure to a single or related group of borrowers, credit exposures secured by a single security, or credit exposures with common characteristics within an industry, such that adverse developments in this exposure would be damaging to the Bank.

Given the size and nature of the domestic financial sector and the local economy, the Bank is exposed to concentration risk in its credit business. The Bank has systems in place to identify material concentrations in the loan portfolio, and to ensure adherence to prudential limits set by the Board of Directors and/or the regulator to single borrowers or groups of related borrowers and other significant risk concentrations. The CEO and the Board of Directors are regularly informed on the concentration of the Bank's portfolio.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

	The Group	
	2023	**2022**
	€000	**€000**
Households and Individuals	3,230,103	2,964,559
Accommodation and food service activities	459,794	376,063
Wholesale and retail trade	451,710	354,506
Real estate activities	415,164	438,467
Financial and insurance activities	397,378	225,030
Transportation and storage	314,169	413,326
Construction	226,014	285,021
Electricity, Gas, Steam and Air Conditioning Supply	160,610	127,360
Human health and Social work activities	143,880	46,134
Manufacturing	118,642	53,401
Arts, Entertainment and Recreation	72,761	141,000
Information and communication	68,600	139,371
Agriculture, Forestry and Fishing	57,331	76,238
Professional, Scientific and Technical activities	54,132	27,631
Administrative and Support service activities	42,654	39,135
Education	27,028	35,134
Water supply, Sewerage waste management and remediation activities	14,166	9,837
Other services activities	13,215	13,528
Public administration and Defence, Compulsory social security	9,801	1,884
Mining and quarrying	6,288	4,093
Loans and advances to customers	6,283,440	5,771,718
Loans and advances to banks	196,307	394,546
	6,479,747	**6,166,264**

Loans and advances to customers comprises gross loans and advances at amortised cost and loans and advances designated at fair value through profit and loss as per note 17.

(ii) Other financial assets

The credit risk in respect of other financial assets is mitigated through limits set in the Treasury Management Policy. The Bank assigns limits on the level of credit risk undertaken in relation to any single counterparty or sovereign exposure in accordance with external ratings based on Fitch's ratings or on those of other major rating agencies.

Changes in credit ratings are monitored on a daily basis and are subject to frequent review, when considered necessary. The limits on the level of credit risk are reviewed consistently and approved by the Board of Directors at regular intervals. Actual exposures are monitored against limits on an on-going basis. The Bank enters into security transactions only with such authorised counterparties and it invests only in securities or paper with credit quality within specific parameters stated in the Treasury Management Policy.

The level of concentration in respect of other significant financial assets is disclosed in the remaining notes to the financial statements.

Collateral and other credit enhancements

Credit risk mitigation is one of the key elements of the Group's credit policy. This includes the requirement to obtain collateral, depending on the nature of the proposal, as set out in the Bank's policies and procedures. The nature and level of collateral required depends on a number of factors, including, but not limited to the amount of the exposure, the type of facility provided, the term of the facility, the amount of the counterparty's contribution and an evaluation of the level of the credit risk or probability of default involved (see note 39.2.1.5).

Settlement Risk

The Group's activity may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed. Settlement risk in respect of security transactions is mitigated through settlement limits assigned to counterparties based on external credit ratings or by effecting payment on a delivery versus payment (DVP) basis.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

Sovereign Debt

Sovereign risk refers to the risk that a government may default on its obligations and includes refinancing risk related to the inability to raise capital to repay maturing bonds. The Group monitors sovereign risks through sovereign credit ratings issued by credit rating agencies which include Fitch, Moody's, and Standard & Poor's. The Treasury Management Policy seeks to mitigate sovereign risk, whether directly or indirectly through exposures to corporate and financial institutions domiciled therein, through investment limits assigned on the basis of the long-term credit rating of such sovereigns. This is further supplemented by in depth economic reviews undertaken periodically and assessments of the fiscal, economic and socio-political aspects upon which such limits are accordingly aligned.

39.2.1.1 Credit Quality

Financial Assets by external rating agency designation

	Balances with CBM and Treasury Bills	Debt Securities	Loans and Advances to Banks	Derivatives	Total
The Group	**€000**	**€000**	**€000**	**€000**	**€000**
As at 31 December 2023					
AAA	2,277,670	987,475	497	61	3,265,703
AA- to AA+	-	1,033,068	30,774	-	1,063,842
A- to A+	-	2,782,942	109,620	5,995	2,898,557
BBB- to BBB+	-	533,937	45,655	290	579,882
Lower than BBB-	-	5,521	9,520	-	15,041
Unrated	-	8	241	1,576	1,825
	2,277,670	**5,342,951**	**196,307**	**7,922**	**7,824,850**
As at 31 December 2022					
AAA	3,065,473	1,221,231	3,943	4,062	4,294,709
AA- to AA+	-	820,064	46,845	-	866,909
A- to A+	238,028	2,104,631	184,882	19,000	2,546,541
BBB- to BBB+	-	383,553	68,682	5,363	457,598
Lower than BBB-	-	21,228	9,435	-	30,663
Unrated	-	8	80,759	441	81,208
	3,303,501	**4,550,715**	**394,546**	**28,866**	**8,277,628**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.1 Credit Quality (continued)

The tables below analyse debt securities by sector, classification and residency.

Sector

	The Group		
	Amortised cost	FVOCI	FVTPL
2023	€000	€000	€000
Banks	1,207,968	-	27
Government	3,952,325	13,418	15
Public	-	62,533	-
Others	106,665	-	-
	5,266,958	75,951	42

	The Group		
	Amortised cost	FVOCI	FVTPL
2022	€000	€000	€000
Banks	743,253	-	22
Government	3,594,113	15,926	1,050
Public	-	66,284	-
Others	130,067	-	-
	4,467,433	82,210	1,072

Residency

	The Group		
	Amortised cost	FVOCI	FVTPL
2023	€000	€000	€000
Malta	1,640,610	75,951	-
Monetary Union member states	2,328,493	-	15
Rest of the world	1,297,855	-	27
	5,266,958	75,951	42

	The Group		
	Amortised cost	FVOCI	FVTPL
2022	€000	€000	€000
Malta	1,177,576	82,210	1,040
Monetary Union member states	1,932,275	-	10
Rest of the world	1,357,582	-	22
	4,467,433	82,210	1,072

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.1 Credit Quality (continued)

Loans and advances to customers analysed into performing and non-performing exposures.

	The Group		The Group	
Total Gross/Forborne Exposures	**Total**	**Of which Forborne**	**Total**	**Of which Forborne**
	2023	**2023**	**2022**	**2022**
	€000	**€000**	**€000**	**€000**
Performing				
Stage 1	5,633,851	-	4,998,276	-
Stage 2	457,190	138,655	569,137	172,474
	6,091,041	138,655	5,567,413	172,474
Non-performing				
Stage 3	192,399	87,438	204,305	93,135
	192,399	87,438	204,305	93,135
Total Gross/Forborne Exposures	**6,283,440**	**226,093**	**5,771,718**	**265,609**

Gross Forborne Exposures are analysed as follows:

	Modification in Terms	**Refinancing**	**Modification in Terms**	**Refinancing**
	2023	**2023**	**2022**	**2022**
Performing	**€000**	**€000**	**€000**	**€000**
Personal	12,593	167	15,372	219
Business	124,634	1,261	155,632	1,251
	137,227	1,428	171,004	1,470
Non-performing				
Personal	14,829	681	19,941	469
Business	64,746	7,182	65,623	7,102
	79,575	7,863	85,564	7,571

The movement in forbearance activity during the period is as follows:

	Loans & Advances	
	2023	**2022**
	€000	**€000**
1 January	265,609	279,165
Additions	62,326	46,558
Retired from forborne	(101,842)	(60,114)
31 December	226,093	265,609

Analysis of past due balances

Past due up to 29 days	82,664	63,193
Past due 30 - 59 days	4,942	5,845
Past due 60 - 89 days	6,870	2,139
	94,476	71,177

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.1 Credit Quality (continued)

Analysis of past due balances comprise all loan exposures (including forborne exposures).

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	2023	2022
	€000	€000
Defaulted gross loans by segment:		
Business	154,342	155,105
Personal	38,057	49,200
	192,399	**204,305**

Defaulted facilities are those credit facilities with payments of interest and/or capital overdue by 90 days or more or where the Group has reasons to doubt the eventual recoverability of funds. A variety of types of collateral are accepted including property, securities, cash, guarantees and insurance, as disclosed in note 39.2.1.5.

Information about impairment allowances is disclosed in note 39.2.1.2 in respect of the Group's exposures as at 31 December 2023 and 31 December 2022.

39.2.1.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. Refer to note 39.2.1.2.1 for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. Refer to note 39.2.1.2.2 for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected losses on a lifetime bases. Refer to note 39.2.1.2.4 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 39.2.1.2.5 includes an explanation of how the Group has incorporated this in its ECL models.

Further explanation is also provided of how the Group determines appropriate groupings when ECL is measured on a collective basis (refer to note 39.2.1.2.8).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2 Expected credit loss measurement (continued)

39.2.1.2.1 Significant increase in credit risk

With the exception of instruments measured at FVTPL, exposures with low credit risk at the reporting date and any originated credit-impaired financial assets (note 39.2.1.2.2), the Group assesses whether financial instruments have experienced a significant increase in credit risk since initial recognition.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information. A quantitative backstop trigger (30 days in arrears) shift exposures from stage 1 to stage 2 as significant increase in credit risk is deemed to have occurred.

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Following the introduction of a new Internal Credit Rating system (ICRS) for the business portfolio in December 2022, during the year, the Bank also implemented ICRS on the retail portfolio which aided in enhancing granularity and differentiates credit risk through more gradings avoiding concentration in a few grades.

Stage Allocation

At the origination of a loan, all exposures (except for POCI), irrelevant of the credit grading, are allocated to stage 1 as the Bank accepts the credit risk profile at an agreed price. It follows that 12 months of expected credit losses are held against newly originated loans as long as the credit risk at origination does not increase significantly. A transfer to stage 2 is only triggered when SICR, compared to the credit risk at origination, occurs. Assessment of SICR has been enhanced to include a comparative assessment between the PD at a point in time and that at origination to determine whether credit risk has increased over time. The Bank also makes use of a second backstop trigger for SICR. The latter pushes exposures to underperforming (stage 2) whenever the PD is found to have doubled that at origination.

Exposures are subject to ongoing qualitative monitoring, which may also result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Commercial exposures	Personal exposures	All exposures
• Information obtained during periodic review of customer files - e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	• Internally collected data on customer behaviour - e.g. utilisation of credit card facilities • Affordability metrics	• Payment record - this includes overdue status as well as a range of variables about payment ratios • Utilisation of the granted limit • Requests for and granting of forbearance • Existing and forecast changes in business • Financial and economic conditions

The Group applies the low credit risk simplification for all investments which are of an investment grade, which comprises the vast majority of its treasury portfolio. The Group accordingly only assesses SICR for investments in those debt securities which are rated as sub-investment grade. For sub-investment grade securities, the Group considers a security to have experienced a significant increase in credit risk if the security has been the subject to a credit rating downgrade since initial recognition.

Effective June 2022, all post model adjustments triggered by COVID-19 pandemic totalling to €24.9 million were reversed.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2.1 Significant increase in credit risk (continued)

Other economic uncertainties and their impact on credit quality

Impact of the Russian/Ukrainian Crisis on Expected Credit Losses

An extensive exercise was carried out in the prior year by the Bank's Business and Risk units to identify the areas of risk emanating from the Russian/ Ukrainian conflict and the possible impacts to the Bank's business. Three potential areas of increased risk were identified:
- Directly impacted exposures who are directly impacted by the sanctions and measures put in place due to this conflict. The Bank has undergone an exercise to identify these, and the outcome was that no customers are directly impacted by the conflict as the Bank does not have a large amount of Russian or Ukrainian nationals and all of them are based in Malta.
- Secondary-impacted sectors are those sectors deemed as exposed to a high or medium risk given the industry in which they operate in and how the prices and availability of materials might have been impacted by this conflict.
- Macro-economic impact namely due to Inflationary pressures.

By virtue of this analysis, it was concluded that there are no indicators to substantiate an increase in specific risk emanating from the Russia/Ukraine war. The Bank will continue monitoring any developments within this area.

From a more macro-outlook, the share of Malta's import of goods from Russia and Ukraine is minimal at less than 1% of imports originating from these countries. Most imports from Russia and Ukraine are of an agriculture and fuel nature. The rise in fuel prices has not been felt by the general consumer as fuel prices are currently being fixed by the Government.

Likewise, Malta's share of exports to these countries also stands at less than 1% and hence, is negligible.

39.2.1.2.2 Definition of default and credit impaired

The Group considers financial assets in the advances portfolio to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any credit obligation to the Group.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit lower than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:
- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default aligns with that applied by the Group for regulatory capital purposes.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In the case of the treasury portfolio, the Group considers investments in debt instruments to be in default when a payment, including a coupon payment, is missed.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2.3 Cure rate

An instrument in the Group's advances portfolio is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period of three months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

A forborne instrument is considered to no longer be in default when it no longer meets any of the criteria for a consecutive period of twelve months.

The Group's experience is that defaulted debt investments within the treasury portfolio do not cure given that a security's default mechanism is triggered when a security's issuer misses a coupon payment. Any new instruments which the Group receives as part of an eventual debt restructuring exercise is considered to be a new instrument altogether.

39.2.1.2.4 Measuring ECL

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving overdraft, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12 month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described in note 39.2.1.2.5.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

The Group estimates LGD parameters on its advances portfolio based on historical data sets of property contractual prices and recovered claims against defaulted counterparties. From this data, future property prices are estimated, which are then discounted to allow for costs to sell and time to sell. Net realisable values are discounted using the individual exposure's interest rate. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. In the case of the Group's treasury portfolio, the Group lacks historical experience of defaults, and accordingly makes use of the LGD parameters set out by the Bank for International Settlements.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2.4 Measuring ECL (continued)

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

39.2.1.2.5 Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Quarterly Central Bank of Malta (CBM) forecasts for those macro-economic factors, that are found to be relevant for the Bank's credit portfolio, are used. On an annual basis, as part of the model recalibration exercise an assessment is carried out to ensure that the selected macro-economic model is still adequate and relevant.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD.

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 be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

As at 31 December 2023, the IFRS 9 model was updated with the Central Bank of Malta (CBM) Quarter 4, 2023 baseline macro-economic projections for the period 2023 to 2025 for GDP growth and unemployment.

The calibrated model includes three scenarios (base/optimistic/pessimistic) whereby the baseline scenarios are mapped to the economic forecasts published quarterly by the Central Bank of Malta for Unemployment rate, and bi-annually in the Budgetary Plan and the Update of Stability Program for GDP growth rate issued by the Ministry for Finance and Employment.

The upside and downside scenarios are then derived as follows:

- The Budgetary Plan and the Update of Stability Program publish upside and downside scenarios for real GDP growth (GDP fan chart);
- Okun's law is used to derive the upside and downside scenarios for Unemployment rate. Okun's law prescribes a presumably stable economic relationship between the Unemployment rate and GDP growth rate;

The following table compares the three key forecasts as per CBM issue Quarter 4: 2022 to those issued by the CBM in Quarter 4: 2023.

	December 22 CBM Forecasts				December 23 CBM Forecasts		
	2022	2023	2024	2025	2023	2024	2025
Macro-variable	%	%	%	%	%	%	%
GDP	6.8	3.7	3.6	3.5	4.3	3.8	3.6
Inflation*	6.1	4.5	2.3	2.0	-	-	-
Unemployment	3.0	3.0	3.2	3.3	2.8	2.9	2.9

*In the current year, the forecast for inflation rate was excluded from the PD model, as further disclosed in note 39.2.1.2.6.

Management adjustments to models for impairment

Management adjustments to impairment models are applied in order to factor in certain conditions or changes in policy that are not fully incorporated into the impairment models, or to additional facts and circumstances at the period end. Management adjustments are reviewed and incorporated into future model development where applicable.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2.5 Forward-looking information (continued)

Post-model adjustments due to long-outstanding non-performing exposures

A total of €19.6 million (2022: €37.8 million) are held as post-model adjustments related to non-performing exposures, thereby releasing €18.2 million arising mainly from the NPL Sale derecognition and write-offs (note 8.2). The remaining movement reflects changes in portfolio.

Effective June 2022, all post model adjustments triggered by COVID-19 pandemic totalling to €24.9 million were reversed.

The long-outstanding/legacy non-performing exposures are considered as very high-risk exposures with a high degree of uncertainty associated with the realisation of their collateral. For this group of exposures time to sell is longer than normally expected resulting in additional costs to maintain the assets in a good and saleable condition. For these types of exposures, it is also highly probable that the debt is realised through court proceedings and hence, further legal costs would be incurred. Taking all these factors into consideration, the Bank is of the view that an additional independent analysis, from the LGD model is necessary to estimate the adequate ECL coverage for this group of exposures with an intention to improve the coverage.

39.2.1.2.6 Critical estimates

The most significant key macro-economic variables used for the ECL estimate as at 31 December 2023 are set out below.

As part of the annual calibration exercise, the IFRS 9 model has been updated to include a revised mix of macro-economic variables (Gross domestic product and unemployment rate) to make the model more intuitive and reflective of the current economic conditions.

The macro-economic model includes GDP growth rate and year on year difference in Unemployment rate for both retail and business portfolio. The credit cycle coefficients together with their relative weights in the credit cycle are summarized in the table below:

Macro-economic credit-cycle for Retail and Business portfolio:

	2023			
Variable	**Retail**	**Weights**	**Business**	**Weights**
GDP Growth	-0.0083	52.05%	-0.0174	54.72%
Unemployment Rate	0.0789	47.95%	0.1480	45.28%

	2022			
Variable	**Retail**	**Weights**	**Business**	**Weights**
GDP Growth	-0.0043	44.19%	-0.0157	41.01%
Unemployment Rate	0.0535	54.29%	0.1450	37.09%
Inflation Rate	0.0008	1.52%	0.0441	21.90%

The GDP is proven to be a universal variable capturing the overall state of the economy and as such it has an important role in both Retail and Business segments. The unemployment rate has a slightly higher impact on Retail than on Business, which is in line with expectations. During this year's calibration, HICP inflation was dropped from both the retail and business models as the model coefficient no longer follows intuitive expectation and the variable remains highly insignificant in both models.

A review of the most significant key macro-economic variables is performed on an annual basis.

Three scenarios "baseline", "downside" and "upside" were used for all loan portfolios.

Macro-economic forecasts (2023-2025)	Downside	Baseline	Upside
	%	%	%
GDP Growth rate	1.2	3.9	6.9
Unemployment rate	3.3	2.9	2.4
Probability (%)	25.0	50.0	25.0

Other forward-looking considerations not incorporated within the above scenarios, such as the impact of any regulatory, legislative, or political changes, have also been considered, but are not deemed to have a material impact. This is reviewed and monitored for appropriateness on a quarterly basis.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2.7 Sensitivity of ECL to future economic conditions

ECL is sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations.

A sensitivity analysis is performed on the ECL requirement for the credit portfolio, assuming the upside and downside forward-looking scenarios as the baseline and weighted at 100% instead of applying an unbiased set of probability weights.

	2023 €000
Gross performing exposures	6,091,041
ECL variance	
- Upside	(2,273)
- Downside	2,485

Applying a baseline scenario would approximate the probability weighted scenario.

The Group performed additional ECL runs to sensitise expected credit loss requirements to changes in the impact of macro-variable inputs and their impact on projected PD curves. The most significant change in ECL resulting from shifts in macro variable inputs is coming from unemployment since, over the past 10 years unemployment has been gradually decreasing and applying an abrupt shift upwards would cause a shock to the model. A higher unemployment rate would result in a significant impact on the purchasing power and hence on the borrowers' ability to meet its contractual obligations.

Set out below are the changes to ECL as at 31 December 2023 that would result from changes in parameters from the actual observations. The most significant sensitivity tests affecting the ECL allowance are as follows:

Macro-variable	Shift in basis points	Increase in ECL €000
Unemployment	+150	2,516
Gross Domestic Product	-250	475

39.2.1.2.8 Grouping by shared risk characteristics

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.2.8 Grouping by shared risk characteristics (continued)

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

As at December 2023	Exposure	External benchmarks used LGD
Investments in debt securities within the treasury portfolio	€ 5,343,807	16% - 59% Bank for International Settlements parameters

As at December 2022	Exposure	External benchmarks used LGD
Investments in debt securities within the treasury portfolio	€ 4,550,212	14% - 59% Bank for International Settlements parameters

Majority of the instruments are of an investment grade and as such the Bank has applied simplification rules as permitted by IFRS 9.

39.2.1.3 Gross carrying amount and exposure to credit risk

The following table sets out information about the credit quality of financial assets measured at amortised cost, and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in note 39.2.1.1.

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL not Credit-Impaired €000	Stage 3 Lifetime ECL Credit-Impaired €000	Total €000
Loans and advances to banks at amortised cost				
As at 31 December 2023				
AAA	2,278,169	-	-	2,278,169
AA- to AA+	30,774	-	-	30,774
A- to A+	109,621	-	-	109,621
BBB- to BBB+	45,656	-	-	45,656
Lower than BBB-	-	9,537	-	9,537
Unrated	241	-	-	241
	2,464,461	9,537	-	2,473,998
Loss allowance	(4)	(17)	-	(21)
Carrying amount	2,464,457	9,520	-	2,473,977
Loans and advances to banks at amortised cost				
As at 31 December 2022				
AAA	3,069,417	-	-	3,069,417
AA- to AA+	46,845	-	-	46,845
A- to A+	422,918	-	-	422,918
BBB- to BBB+	68,683	-	-	68,683
Lower than BBB-	-	9,454	-	9,454
Unrated	80,759	-	-	80,759
	3,688,622	9,454	-	3,698,076
Loss allowance	(10)	(19)	-	(29)
Carrying amount	3,688,612	9,435	-	3,698,047

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.3 Gross carrying amount and exposure to credit risk (continued)

The Group makes use of external ratings based on major rating agencies.

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL not Credit-Impaired €000	Stage 3 Lifetime ECL Credit-Impaired €000	Total €000
Loans and advances to customers at amortised cost				
As at 31 December 2023				
Grades 1-3	5,401,738	41,013	12	5,442,763
Grades 4-5	166,808	416,177	6	582,991
Grades 6-11	-	-	192,381	192,381
	5,568,546	457,190	192,399	6,218,135
Loss allowance	(12,186)	(17,872)	(73,488)	(103,546)
Carrying amount	5,556,360	439,318	118,911	6,114,589
Loans and advances to customers at amortised cost				
As at 31 December 2022				
Grades 1-3	4,811,994	18,462	60	4,830,516
Grades 4-5	107,557	550,675	31	658,263
Grades 6-11	-	-	204,214	204,214
	4,919,551	569,137	204,305	5,692,993
Loss allowance	(16,486)	(13,495)	(102,936)	(132,917)
Carrying amount	4,903,065	555,642	101,369	5,560,076

Exposures under probation or which experienced a deterioration in stage subject to the doubling of the PD result in an ECL stage which is worse than the stage related to their internal grading.

Exposures graded 4 and 5 and allocated in Stage 1 comprise of newly originated business exposures. (Refer to 39.2.1.2.1 – Stage Allocation).

The following table represents the average 12-month PD corresponding to the internal credit grading.

Grading	12-month average PD
Grades 1 - 3	0.037
Grades 4 - 5	0.339
Grades 6 - 11	1.000

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL not credit-Impaired €000	Stage 3 Lifetime ECL credit-Impaired €000	Total €000
Investments in debt securities				
As at 31 December 2023				
AAA	987,491	-	-	987,491
AA- to AA+	1,033,085	-	-	1,033,085
A- to A+	2,783,477	-	-	2,783,477
BBB- to BBB+	534,228	-	-	534,228
Lower than BBB-	-	5,526	-	5,526
	5,338,281	5,526	-	5,343,807
Loss allowance	(836)	(62)	-	(898)
Carrying amount	5,337,445	5,464	-	5,342,909

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.3 Gross carrying amount and exposure to credit risk (continued)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not Credit-Impaired	Stage 3 Lifetime ECL Credit- Impaired	Total
	€000	€000	€000	€000
Investments in debt securities				
As at 31 December 2022				
AAA	1,221,249	-	-	1,221,249
AA- to AA+	820,073	-	-	820,073
A- to A+	2,103,870	-	-	2,103,870
BBB- to BBB+	383,683	-	-	383,683
Lower than BBB-	-	21,337	-	21,337
	4,528,875	21,337	-	4,550,212
Loss allowance	(450)	(119)	-	(569)
Carrying amount	4,528,425	21,218	-	4,549,643

The treasury portfolio is made up primarily of investment grade securities.

39.2.1.4 Maximum exposure to credit risk on FVTPL securities, Financial guarantees and loan commitments

Maximum exposure
The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the maximum exposure to credit risk without taking account of the value of any collateral obtained, except as disclosed below.

Financial guarantees
The maximum exposure to credit risk is the full amount that the Group would have to pay if the guarantees are called upon (note 33).

Loan commitments
The maximum exposure to credit risk arising on loan commitments and other credit related commitments that are irrecoverable over the life of the respective facilities is the full amount of the committed facilities (note 34).

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVTPL):

	Maximum exposure to credit risk	
	2023	**2022**
	€000	**€000**
Financial assets mandatorily measured at FVTPL:		
- Debt securities	21	26
	21	**26**
Financial assets designated at fair value:		
- Debt securities	21	1,046
- Loans and advances to customers	65,305	78,725
	65,326	**79,771**
	65,347	**79,797**
Derivatives financial instruments	**7,922**	**28,866**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.5 Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities; and
- Margin agreement for derivatives, for which the Group has master netting agreements imposed by way of law.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

A portion of the Group's financial assets originated by the mortgage business has sufficiently low 'loan to value' (LTV) ratios, which results in no loss allowance being recognised in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is €396.5 million as at 31 December 2023 (2022: €398.5 million).

Security values are reviewed on a regular basis and are also re-assessed at time of default if it is found that the carrying value of the collateral item could have materially changed since last valuation. The Bank calculates the value of collateral as the market value less a haircut, with the latter representing a conservative estimate of the costs to sell and the potential loss of value in a forced sale scenario. For financial instruments, haircuts are calculated according to the risk profile of each individual security and depend on a number of variables including price volatility and liquidity/marketability of the instrument.

The table below shows the financial effect and main types of collateral held against the Group's customer loan exposures:

The Group
As at 31 December 2023

	Loans and advances to customers	**Undrawn credit facilities and other commitments to lend**
	€000	**€000**
Loans collateralised by:		
Prime bank guarantees	445	161
Cash or quasi cash	125,646	45,427
Guarantees and/or letters of comfort issued by the Malta Government, the Central Bank of Malta or Public agencies	386,519	139,743
Residential property	2,934,010	1,060,782
Commercial property	1,363,330	492,908
Personal guarantees and others	396,162	143,231
	5,206,112	**1,882,252**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.5 Collateral (continued)

The Group
As at 31 December 2022

	Loans and advances to customers €000	Undrawn credit facilities and other commitments to lend €000
Loans collateralised by:		
Prime bank guarantees	438	143
Cash or quasi cash	84,449	27,616
Guarantees and/or letters of comfort issued by the Malta Government, the Central Bank of Malta or Public agencies	541,494	116,397
Residential property	2,652,625	867,453
Commercial property	1,228,490	401,737
Personal guarantees and others	257,623	144,927
	4,765,119	**1,558,273**

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

The Group
As at 31 December 2023

	Gross carrying amount €000	Impairment allowance €000	Net carrying amount €000	Fair value of collateral held post haircut as per model €000
Credit-impaired assets				
Loans to individuals:				
- Personal Loans	4,472	(2,807)	1,665	2,572
- Home Loans	32,118	(13,532)	18,586	28,810
- Personal Overdrafts	105	(95)	10	125
- Credit Cards	389	(379)	10	-
Loans to corporate entities:				
- Business Loans	123,810	(38,557)	85,253	98,019
- Business Overdrafts	25,716	(12,334)	13,382	27,097
Encroachments*	5,789	(5,784)	5	-
Total credit-impaired assets	**192,399**	**(73,488)**	**118,911**	**156,623**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.1 Credit risk management and exposure (continued)

39.2.1.5 Collateral (continued)

The Group
As at 31 December 2022

	Gross carrying amount €000	Impairment allowance €000	Net carrying amount €000	Fair value of collateral held post haircut as per model €000
Credit-impaired assets				
Loans to individuals:				
- Personal Loans	6,033	(4,586)	1,447	2,362
- Home Loans	42,405	(24,223)	18,182	35,379
- Personal Overdrafts	510	(473)	37	156
- Credit Cards	253	(168)	85	-
Loans to corporate entities:				
- Business Loans	126,552	(56,941)	69,611	103,738
- Business Overdrafts	27,431	(15,432)	11,999	40,070
Encroachments*	1,121	(1,113)	8	-
Total credit-impaired assets	**204,305**	**(102,936)**	**101,369**	**181,705**

* Encroachments include exposures which form part of both loans to individuals and corporate entities.

On specific exposures, the fair value of the collateral exceeds the carrying amount of the loan. The value of the collateral in this note is capped to the gross carrying amount of the exposures.

The impairment allowances on the credit-impaired assets comprises model driven expected credit loss amounting to €53.9 million (2022: €65.1 million) and post model adjustments €19.6 million (2022: €37.8 million). Refer to note 39.2.1.2.5.

Fair value of collateral refers to architect's valuation less applicable haircuts.

Collateral valuations vary from full valuations by external independent appraisers to desktop valuations according to the Bank's collateral policy. The frequency of collateral valuations range between 1 and 3 years depending on the type of property, exposure status (i.e. whether performing or non-performing) as well as exposure range in line with the Bank's collateral policy.

Lending and Commitments covered by Residential Property
The table below stratifies credit exposures, covered by residential property, to customers by ranges of loan-to-value ('LTV'). LTV is calculated as the ratio of the gross amount of loan or the amount committed for loan commitments to the value of the collateral. The gross amounts exclude any impairment allowances. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for these loans is based on the collateral value at origination updated based on changes in house price indices.

Lending and commitments covered by residential property	**2023 €000**	**2022 €000**
Less than 25%	475,121	364,125
25% to 50%	1,482,823	1,217,317
51% to 75%	1,300,456	1,011,173
76% to 90%	750,984	755,132
91% to 100%	30,924	10,964
	4,040,308	**3,358,711**

The following table classifies the Group's mortgage credit-impaired exposures which are covered by residential property by ranges of loan-to-value (LTV). The value of collateral for these loans is calculated by taking into consideration the eligibility of collateral pursuant to Article 208 of the Capital Requirement Regulation.

Mortgage portfolio - LTV distribution	**2023 Credit-Impaired (Gross carrying amount) €000**	**2022 Credit-Impaired (Gross carrying amount) €000**
Lower than 25%	5,120	4,084
25% to 50%	10,467	12,299
51% to 75%	3,270	4,060
76% to 90%	1,238	711
Total	**20,095**	**21,154**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures

39.2.2.1 Reconciliation of ECL

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to the following factors:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL. Changes in the staging allocation of balances existing at 1 January 2023 (and associated ECL changes) are presented in "transfers to/(from)", whereas subsequent changes in the staging allocation of new assets originated during the year are presented in "new financial assets originated";
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 39.2.2.4)

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 2023	16,486	13,495	102,936	**132,917**
Home Loans				
Allowances at 1 January 2023	1,128	614	24,222	**25,964**
Transfer to/(from):				
Stage 1	(3)	12	348	**357**
Stage 2	9	(394)	119	**(266)**
Stage 3	1	33	(962)	**(928)**
New financial assets originated*	278	19	20	**317**
Financial assets that have been derecognised	(80)	(106)	(2,207)	**(2,393)**
Write-offs	-	-	(872)	**(872)**
NPL Sale	-	-	(8,162)	**(8,162)**
Changes to model assumptions and methodologies	(850)	(110)	129	**(831)**
Other movements**	(55)	12	897	**854**
Allowances on home loans at 31 December 2023	428	80	13,532	**14,040**
Personal				
Allowances at 1 January 2023	903	282	5,060	**6,245**
Transfer to/(from):				
Stage 1	(357)	546	365	**554**
Stage 2	31	(192)	68	**(93)**
Stage 3	-	18	(189)	**(171)**
New financial assets originated*	479	208	657	**1,344**
Financial assets that have been derecognised	(82)	(42)	(567)	**(691)**
Write-offs	-	-	(207)	**(207)**
NPL Sale	-	-	(1,463)	**(1,463)**
Changes to model assumptions and methodologies	(339)	219	10	**(110)**
Other movements**	248	(214)	137	**171**
Allowances on personal at 31 December 2023	883	825	3,871	**5,579**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.1 Reconciliation of ECL (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**
Credit Cards				
Allowances at 1 January 2023	1,502	334	167	**2,003**
Transfer to/(from):				
Stage 1	(190)	578	168	**556**
Stage 2	43	(143)	105	**5**
Stage 3	-	10	(48)	**(38)**
New financial assets originated*	47	32	6	**85**
Financial assets that have been derecognised	(48)	(25)	(36)	**(109)**
Changes to model assumptions and methodologies	(590)	349	-	**(241)**
Other movements**	51	(294)	17	**(226)**
Allowances on credit cards at 31 December 2023	815	841	379	**2,035**
Business				
Allowances at 1 January 2023	12,953	12,265	73,487	**98,705**
Transfer to/(from):				
Stage 1	(887)	5,149	10,082	**14,344**
Stage 2	112	(2,537)	9,772	**7,347**
Stage 3	6	9	(2,417)	**(2,402)**
New financial assets originated*	4,272	4,887	7,062	**16,221**
Financial assets that have been derecognised	(870)	(678)	(8,869)	**(10,417)**
Write-offs	-	-	(3,738)	**(3,738)**
NPL Sale	-	-	(23,076)	**(23,076)**
Changes to model assumptions and methodologies	(4,232)	(730)	3,909	**(1,053)**
Other movements**	(1,294)	(2,239)	(10,506)	**(14,039)**
Allowances on business at 31 December 2023	10,060	16,126	55,706	**81,892**
Total allowances at 31 December 2023	**12,186**	**17,872**	**73,488**	**103,546**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.1 Reconciliation of ECL (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 2022	**23,940**	**19,789**	**120,056**	**163,785**
Home Loans				
Allowances at 1 January 2022	1,349	536	26,116	**28,001**
Transfer to/(from):				
Stage 1	(1)	126	678	**803**
Stage 2	9	(154)	181	**36**
Stage 3	-	30	(511)	**(481)**
New financial assets originated*	718	371	-	**1,089**
Financial assets that have been derecognised	(77)	(84)	(1,492)	**(1,653)**
Write-offs	-	-	(917)	**(917)**
Changes to model assumptions and methodologies	203	378	(298)	**283**
Post-Model Adjustments	-	-	(3,139)	**(3,139)**
Other movements**	(1,073)	(589)	3,604	**1,942**
Allowances on home loans at 31 December 2022	1,128	614	24,222	**25,964**
Personal				
Allowances at 1 January 2022	608	829	5,163	**6,600**
Transfer to/(from):				
Stage 1	(3)	51	148	**196**
Stage 2	23	(670)	121	**(526)**
Stage 3	1	14	(176)	**(161)**
New financial assets originated*	302	83	589	**974**
Financial assets that have been derecognised	(54)	(34)	(701)	**(789)**
Write-offs	-	-	(86)	**(86)**
Changes to model assumptions and methodologies	(206)	(11)	13	**(204)**
Post-Model Adjustments	-	-	(111)	**(111)**
Other movements**	232	20	100	**352**
Allowances on personal at 31 December 2022	903	282	5,060	**6,245**
Credit Cards				
Allowances at 1 January 2022	1,331	404	469	**2,204**
Transfer to/(from):				
Stage 1	(60)	157	19	**116**
Stage 2	96	(227)	45	**(86)**
Stage 3	5	15	(159)	**(139)**
New financial assets originated*	74	13	16	**103**
Financial assets that have been derecognised	(40)	(34)	(189)	**(263)**
Changes to model assumptions and methodologies	(822)	(70)	-	**(892)**
Other movements**	918	76	(34)	**960**
Allowances on credit cards at 31 December 2022	1,502	334	167	**2,003**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.1 Reconciliation of ECL (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
Business				
Allowances at 1 January 2022	20,652	18,020	88,308	**126,980**
Transfer to/(from):				
Stage 1	(2,501)	5,856	6,580	**9,935**
Stage 2	530	(7,729)	4,437	**(2,762)**
Stage 3	7	365	(2,860)	**(2,488)**
New financial assets originated*	6,891	917	1,746	**9,554**
Financial assets that have been derecognised	(285)	(552)	(13,692)	**(14,529)**
Write-offs	-	-	(6,915)	**(6,915)**
Changes to model assumptions and methodologies	422	1,586	2,729	**4,737**
Post-Model Adjustments	(16,664)	(695)	(10,679)	**(28,038)**
Other movements**	3,901	(5,503)	3,833	**2,231**
Allowances on business at 31 December 2022	12,953	12,265	73,487	**98,705**
Total allowances at 31 December 2022	**16,486**	**13,495**	**102,936**	**132,917**

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 2023	**6,569**	**2,335**	**6,574**	**15,478**
Home Loans				
Provisions at 1 January 2023	456	320	493	**1,269**
Transfer to/(from):				
Stage 1	(4)	-	351	**347**
Stage 2	20	(152)	-	**(132)**
Stage 3	-	-	(413)	**(413)**
New financial assets originated*	438	-	249	**687**
Financial assets that have been derecognised	(38)	(168)	(1)	**(207)**
Changes to model assumptions and methodologies	(430)	15	1	**(414)**
Other movements**	53	(15)	(2)	**36**
Provisions on home loans at 31 December 2023	495	-	678	**1,173**
Personal				
Provisions at 1 January 2023	92	30	84	**206**
Transfer to/(from):				
Stage 1	(63)	1,419	910	**2,266**
Stage 2	-	(12)	2	**(10)**
Stage 3	-	-	(10)	**(10)**
New financial assets originated*	67	9	17	**93**
Financial assets that have been derecognised	(19)	-	(8)	**(27)**
Changes to model assumptions and methodologies	(24)	1,529	297	**1,802**
Other movements**	22	(1,541)	(295)	**(1,814)**
Provisions on personal at 31 December 2023	75	1,434	997	**2,506**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.1 Reconciliation of ECL (continued)

Provisions on Off-Balance Sheet Exposures	**Stage 1 12-month ECL €000**	**Stage 2 Lifetime ECL €000**	**Stage 3 Lifetime ECL €000**	**Total €000**
Credit Cards				
Provisions at 1 January 2023	343	11	4	**358**
Transfer to/(from):				
Stage 1	(16)	19	5	**8**
Stage 2	5	(7)	2	**-**
Stage 3	-	-	(2)	**(2)**
New financial assets originated*	14	1	1	**16**
Financial assets that have been derecognised	(19)	(1)	(1)	**(21)**
Changes to model assumptions and methodologies	(147)	5	(4)	**(146)**
Other movements**	18	(3)	3	**18**
Provisions on credit cards at 31 December 2023	198	25	8	**231**
Business				
Provisions at 1 January 2023	5,678	1,974	5,993	**13,645**
Transfer to/(from):				
Stage 1	(277)	864	1,730	**2,317**
Stage 2	35	(230)	267	**72**
Stage 3	38	80	(1,849)	**(1,731)**
New financial assets originated*	4,634	547	1,086	**6,267**
Financial assets that have been derecognised	(428)	(228)	(1,187)	**(1,843)**
Write-offs	-	-	(36)	**(36)**
NPL Sale	-	-	(120)	**(120)**
Changes to model assumptions and methodologies	(2,204)	583	981	**(640)**
Other movements**	(1,442)	(1,417)	(1,237)	**(4,096)**
Provisions on business at 31 December 2023	6,034	2,173	5.628	**13,835**
Total Provisions at 31 December 2023	**6,802**	**3,632**	**7,311**	**17,745**

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 2022	9,676	5,560	7,061	**22,297**
Home Loans				
Provisions at 1 January 2022	617	54	764	**1,435**
Transfer to/(from):				
Stage 1	-	-	-	**-**
Stage 2	-	(11)	1	**(10)**
Stage 3	-	-	(1)	**(1)**
New financial assets originated*	426	312	403	**1,141**
Financial assets that have been derecognised	(69)	-	(400)	**(469)**
Write-offs	-	-	(54)	**(54)**
Changes to model assumptions and methodologies	(731)	(105)	(82)	**(918)**
Post-Model Adjustments	-	-	(265)	**(265)**
Other movements**	213	70	127	**410**
Provisions on home loans at 31 December 2022	456	320	493	**1,269**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.1 Reconciliation of ECL (continued)

Provisions on Off-Balance Sheet Exposures	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Personal				
Provisions at 1 January 2022	62	20	222	**304**
Transfer to/(from):				
Stage 1	-	4	6	**10**
Stage 2	-	(1)	-	**(1)**
Stage 3	-	-	-	**-**
New financial assets originated*	77	9	43	**129**
Financial assets that have been derecognised	(15)	(1)	(196)	**(212)**
Write-offs	-	-	(1)	**(1)**
Changes to model assumptions and methodologies	40	(47)	7	**-**
Post-Model Adjustments	-	-	(123)	**(123)**
Other movements**	(72)	46	126	**100**
Provisions on personal at 31 December 2022	92	30	84	**206**
Credit Cards				
Provisions at 1 January 2022	342	15	20	**377**
Transfer to/(from):				
Stage 1	(7)	7	1	**1**
Stage 2	11	(10)	1	**2**
Stage 3	1	-	(12)	**(11)**
New financial assets originated*	19	-	-	**19**
Financial assets that have been derecognised	(17)	(2)	(6)	**(25)**
Changes to model assumptions and methodologies	925	106	-	**1,031**
Post-Model Adjustments	-	-	(4)	**(4)**
Other movements**	(931)	(105)	4	**(1,032)**
Provisions on credit cards at 31 December 2022	343	11	4	**358**
Business				
Provisions at 1 January 2022	8,655	5,471	6,055	**20,181**
Transfer to/(from):				
Stage 1	(197)	653	242	**698**
Stage 2	467	(3,011)	877	**(1,667)**
Stage 3	7	1	(559)	**(551)**
New financial assets originated*	4,009	839	909	**5,757**
Financial assets that have been derecognised	(1,604)	(1,083)	(402)	**(3,089)**
Write-offs	-	-	(90)	**(90)**
Changes to model assumptions and methodologies	708	(2,322)	86	**(1,528)**
Post-Model Adjustments	(6,667)	(101)	275	**(6,493)**
Other movements**	300	1,527	(1,400)	**427**
Provisions on business at 31 December 2022	5,678	1,974	5,993	**13,645**
Total Provisions at 31 December 2022	6,569	2,335	6,574	**15,478**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.2 Contributors to changes in provision

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

- Gross loans and advances increased by 9% during the year (2022: increase by 8%). The high volume of new loans originated during the period, aligned with the Group's organic growth objective, increased the gross carrying amount of the loan book by 18% (2022: 16%), with a corresponding €18.0 million increase in loss allowance (2022: increase of €11.7 million).
- There were no significant changes to the modification of facility contracts following renegotiation with customers facing financial difficulties.
- The write-off of loans with a total gross carrying amount of €7.3 million (2022: €11.4 million) resulted in the reduction of the Stage 3 expected credit losses by €4.9 million (2022: €7.9 million).

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

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Total Gross Carrying Amount at 1 January 2023	**4,998,276**	**569,137**	**204,305**	**5,771,718**
Home Loans				
Gross carrying amount at 1 January 2023	2,673,823	45,861	42,405	**2,762,089**
Transfer to/(from):				
Stage 1	(23,989)	18,299	4,782	**(908)**
Stage 2	15,803	(20,178)	3,300	**(1,075)**
Stage 3	1,869	1,125	(2,510)	**484**
New financial assets originated*	465,876	473	20	**466,369**
Financial assets that have been derecognised	(123,914)	(2,779)	(5,069)	**(131,762)**
Write-offs	-	-	(452)	**(452)**
NPL Sale	-	-	(9,506)	**(9,506)**
Repayment on existing assets***	(104,278)	(1,501)	(852)	**(106,631)**
Home loans gross carrying amount at 31 December 2023	**2,905,190**	**41,300**	**32,118**	**2,978,608**
Personal				
Gross carrying amount at 1 January 2023	161,837	3,588	6,543	**171,968**
Transfer to/(from):				
Stage 1	(8,056)	1,954	540	**(5,562)**
Stage 2	1,707	(2,043)	286	**(50)**
Stage 3	21	110	(204)	**(73)**
New financial assets originated*	84,801	1,212	752	**86,765**
Financial assets that have been derecognised	(15,491)	(264)	(60)	**(15,815)**
Write-offs	-	-	(673)	**(673)**
NPL Sale	-	-	(1,646)	**(1,646)**
Drawdown/(repayment) on existing assets***	(14,922)	(162)	12	**(15,072)**
Personal gross carrying amount at 31 December 2023	**209,897**	**4,395**	**5,550**	**219,842**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.2 Contributors to changes in provision (continued)

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Credit Cards				
Gross carrying amount at 1 January 2023	43,498	4,671	253	**48,422**
Transfer to/(from):				
Stage 1	(6,323)	6,591	169	**437**
Stage 2	1,691	(2,136)	105	**(340)**
Stage 3	14	71	(108)	**(23)**
New financial assets originated*	2,169	397	13	**2,579**
Financial assets that have been derecognised	(1,435)	(322)	(48)	**(1,805)**
Write-offs	-	-	-	**-**
NPL Sale	-	-	(6)	**(6)**
Drawdown on existing assets***	899	83	11	**993**
Credit cards gross carrying amount at 31 December 2023	**40,513**	**9,355**	**389**	**50,257**
Business				
Gross carrying amount at 1 January 2023	2,119,118	515,017	155,104	**2,789,239**
Transfer to/(from):				
Stage 1	(104,432)	73,412	34,728	**3,708**
Stage 2	107,016	(130,919)	14,287	**(9,616)**
Stage 3	1,866	3,004	(4,987)	**(117)**
New financial assets originated*	444,146	24,354	11,962	**480,462**
Financial assets that have been derecognised	(133,264)	(31,556)	(7,983)	**(172,803)**
Write-offs	-	-	(6,219)	**(6,219)**
NPL Sale	-	-	(30,170)	**(30,170)**
Drawdown/(repayment) on existing assets***	43,801	(51,172)	(12,380)	**(19,751)**
Business gross carrying amount at 31 December 2023	**2,478,251**	**402,140**	**154,342**	**3,034,733**
Total Gross carrying amount at 31 December 2023	5,633,851	457,190	192,399	**6,283,440**
Less Allowances	(12,186)	(17,872)	(73,488)	**(103,546)**
Net Loans and Advances to customers	**5,621,665**	**439,318**	**118,911**	**6,179,894**

	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 2022	**4,506,916**	**637,392**	**221,925**	**5,366,233**
Home Loans				
Gross carrying amount at 1 January 2022	2,442,514	50,198	47,160	**2,539,872**
Transfer to/(from):				
Stage 1	(11,844)	9,036	2,762	**(46)**
Stage 2	10,220	(12,336)	1,717	**(399)**
Stage 3	1,650	2,035	(3,939)	**(254)**
New financial assets originated*	447,996	2,357	-	**450,353**
Financial assets that have been derecognised	(121,855)	(2,790)	(4,839)	**(129,484)**
Write-offs	-	-	(237)	**(237)**
Repayment on existing assets***	(94,858)	(2,639)	(219)	**(97,716)**
Home loans gross carrying amount at 31 December 2022	**2,673,823**	**45,861**	**42,405**	**2,762,089**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.2 Contributors to changes in provision (continued)

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
Personal				
Gross carrying amount at 1 January 2022	147,898	8,550	6,621	**163,069**
Transfer to/(from):				
Stage 1	(912)	561	168	**(183)**
Stage 2	2,969	(4,546)	437	**(1,140)**
Stage 3	66	109	(265)	**(90)**
New financial assets originated*	44,510	402	598	**45,510**
Financial assets that have been derecognised	(14,513)	(1,079)	(805)	**(16,397)**
Write-offs	-	-	(165)	**(165)**
Repayment on existing assets***	(18,181)	(409)	(46)	**(18,636)**
Personal gross carrying amount at 31 December 2022	**161,837**	**3,588**	**6,543**	**171,968**
Credit Cards				
Gross carrying amount at 1 January 2022	39,186	5,929	621	**45,736**
Transfer to/(from):				
Stage 1	(1,935)	2,300	35	**400**
Stage 2	3,117	(3,538)	90	**(331)**
Stage 3	176	133	(286)	**23**
New financial assets originated*	2,035	192	21	**2,248**
Financial assets that have been derecognised	(1,199)	(370)	(209)	**(1,778)**
Drawdown/(repayment) on existing assets***	2,118	25	(19)	**2,124**
Credit cards gross carrying amount at 31 December 2022	**43,498**	**4,671**	**253**	**48,422**
Business				
Gross carrying amount at 1 January 2022	1,877,318	572,715	167,523	**2,617,556**
Transfer to/(from):				
Stage 1	(145,652)	111,900	24,683	**(9,069)**
Stage 2	117,904	(158,624)	18,299	**(22,421)**
Stage 3	235	4,336	(5,448)	**(877)**
New financial assets originated*	327,410	13,912	7,448	**348,770**
Financial assets that have been derecognised	(91,122)	(12,122)	(45,256)	**(148,500)**
Write-offs	-	-	(10,982)	**(10,982)**
Drawdown/(repayment) on existing assets***	33,025	(17,100)	(1,163)	**14,762**
Business gross carrying amount at 31 December 2022	**2,119,118**	**515,017**	**155,104**	**2,789,239**
Total Gross carrying amount at 31 December 2022	4,998,276	569,137	204,305	**5,771,718**
Less Allowances	(16,486)	(13,495)	(102,936)	**(132,917)**
Net Loans and Advances to customers	**4,981,790**	**555,642**	**101,369**	**5,638,801**

Gross carrying amount comprises of loans and advances to customers at amortised cost and loans and advances to customers designated as fair value through profit or loss.

* Newly originated financial assets during the period comprises of:

- In stage 2 - business loans originate in stage 1 and deteriorate to stage 2 if they experience a significant increase in credit risk. An exception to this arises when new accounts are opened as part of a restructuring agreement in replacement of exposures which would have already experienced significant increase in credit risk. Retail exposures are allocated to stage 2 at origination if granted to counterparties in stage 2 that are still subject to the Bank's cure/probation criteria.,
- In stage 3 - include €9.8 million (2022: €6.9 million) of originated credit-impaired assets which relate to new facilities granted to counterparties in default as part of existing commitments.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.2 The expected credit loss provision and write-offs of exposures (continued)

39.2.2.2 Contributors to changes in provision (continued)

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

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

39.2.2.3 Impairment Allowances on Total/Forborne Exposures

	The Group		The Group	
	Total	Of which Forborne	Total	Of which Forborne
	2023	2023	2022	2022
	€000	€000	€000	€000
Performing				
Stage 1	12,186	-	16,486	-
Stage 2	17,872	3,926	13,495	5,053
	30,058	3,926	29,981	5,053
Non-performing				
Stage 3	73,488	33,949	102,936	49,102
	73,488	33,949	102,936	49,102
Total Impairment Allowances	**103,546**	**37,875**	**132,917**	**54,155**

The movement in allowance accounts for loans and advances to customers are as follows:

	The Group	
	Allowances 2023	Allowances 2022
	€000	€000
Change in allowances for uncollectibility:		
At 1 January	132,917	163,785
Additions	51,847	24,558
Reversals	(81,218)	(55,426)
At 31 December	**103,546**	**132,917**

Interest income recognised during the year ended 31 December 2023 in respect of forborne assets amounted to €11.2 million (2022: €12.5 million).

39.2.2.4 Write-off policy

Loans and debt securities are written off in full when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts. However, financial assets that are written off could be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

39.2.2.5 Contractual amounts outstanding on assets that were written off

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2023 and that are still subject to enforcement activity is €7.3 million (2022: €11.4 million).

39.2.3 Modification of financial assets' terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in note 1.4.2.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.3 Modification of financial assets' terms (continued)

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on date at initial recognition and the original contractual terms.

For financial assets modified as part of the Group's policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 39.2.1.1). A customer needs to demonstrate consistently good payment behaviour over a period of 12 months before the exposure is no longer in default or a period of 3 months before the exposure's PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

During the current financial year there were no significant modification of financial assets.

39.2.4 Equity instruments designated as at FVOCI

The fair value of equity instruments designated at FVOCI and the dividend income recognised is detailed below.

	Fair value 2023 €000	Dividend income recognised 2023 €000	Fair value 2022 €000	Dividend income recognised 2022 €000
Local Other	8,097	378	16,096	287
Foreign Other	1,376	-	-	-
Local Banks	40	7	91	3
Local Public	1,040	62	1,234	62
	10,553	**447**	**17,421**	**352**

39.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group monitors and manages this risk by maintaining sufficient cash and, where possible, financial assets for which there is a liquid market and that are readily saleable to meet liquidity needs. The Group is exposed to daily calls on its available cash resources from overnight deposits, current and call deposits, maturing term deposits, loan drawdowns, guarantees and from margin and other calls on cash-settled derivatives.

In order to ensure that maturing funds are always available to meet expected demand for cash, the Board sets parameters within which maturities of assets and liabilities may be mismatched. Unmatched positions potentially enhance profitability, but also increase the risk of losses. In addition, the Group manages its risk to a shortage of funds by monitoring forecast and actual cashflows, by monitoring the availability of raising funds to meet commitments associated with financial instruments and by holding financial assets which are expected to generate cash inflows that will be available to meet cash outflows on liabilities.

The following table analyses Group financial liabilities into relevant maturity groupings, based on the remaining period at the reporting date to the contractual maturity date. The balances in this table will not agree directly to the balances in the statement of financial position as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future coupon payments. Furthermore, loan commitments do not meet the criteria for recognition in the statement of financial position.

Derivative liabilities held for risk management and derivatives designated for hedge accounting disclosed, represent amounts for which net cash flows are exchanged.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Liquidity risk (continued)

The Group

At 31 December 2023	Due within 3 months €000	Due between 3 and 12 months €000	Due between 1 and 5 years €000	Due after 5 years €000	Gross Nominal outflow €000	Carrying amount €000
Derivative liabilities held for risk management	2,028	717	1,409	-	4,154	4,154
Amounts owed to banks	212,170	105,747	-	-	317,917	315,651
Amounts owed to customers	11,984,087	111,727	52,041	5,585	12,153,440	12,152,216
Debt securities in issue	-	35,000	455,000	-	490,000	350,099
Subordinated liabilities	1,953	3,828	23,123	175,027	203,931	163,237
Derivatives designated for hedge accounting	-	-	2,368	-	2,368	-
Other financial liabilities	229,684	5,491	11,981	10,652	257,808	253,858
	12,429,922	**262,510**	**545,922**	**191,264**	**13,429,618**	**13,239,215**
Loan commitments	2,271,758					
Financial Guarantees	375,277					
At 31 December 2022						
Derivative liabilities held for risk management	2,756	1,471	308	-	4,535	4,535
Amounts owed to banks	75,168	8	2,075	-	77,251	77,074
Amounts owed to customers	12,182,394	225,847	140,456	6,786	12,555,483	12,547,911
Debt securities in issue	-	35,000	490,000	-	525,000	350,260
Subordinated liabilities	1,953	3,828	22,623	180,308	208,712	163,237
Derivatives designated for hedge accounting	41	-	2,884	-	2,925	2,167
Other financial liabilities	189,721	5,503	11,976	13,031	220,231	215,124
	12,452,033	**271,657**	**670,322**	**200,125**	**13,594,137**	**13,360,308**
Loan commitments	1,887,449					
Financial Guarantees	354,907					

Assets available to meet these liabilities, and to cover outstanding commitments, include balances with Central Bank of Malta, treasury bills and cash, cheques in course of collection, loans to banks and to customers and marketable securities and undrawn credit lines.

The following table analyses the assets and liabilities that are recognised in the statement of financial position into relevant maturity groupings, based on the remaining period at the reporting date to their contractual maturity date.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Liquidity risk (continued)

The Group

At 31 December 2023	Less than 3 months €000	Between 3 months and 1 year €000	Between 1 and 5 years €000	More than 5 years €000	Other €000	Carrying Amount €000
Assets						
Balances with Central Bank of Malta, treasury bills and cash	2,277,670	-	-	-	75,647	2,353,317
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	-	-	-	42	-	42
- Equity and other non-fixed income instruments	-	-	-	-	40,584	40,584
- Loans and advances	475	-	27,727	37,103	-	65,305
- Derivative financial instruments	5,566	573	1,624	159	-	7,922
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	-	-	62,533	13,418	-	75,951
- Amortised cost	130,980	538,329	2,909,487	1,688,162	-	5,266,958
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	10,553	10,553
Loans and advances to banks	196,307	-	-	-	-	196,307
Loans and advances to customers	625,173	73,525	605,570	4,810,321	-	6,114,589
Investments in equity-accounted investees	-	-	-	-	110,098	110,098
Other assets	-	-	-	-	265,322	265,322
	3,236,171	**612,427**	**3,606,941**	**6,549,205**	**502,204**	**14,506,948**
Liabilities and Equity						
Derivative liabilities held for risk management	2,034	717	1,403	-	-	4,154
Amounts owed to banks	211,210	104,441	-	-	-	315,651
Amounts owed to customers	11,983,974	111,218	51,789	5,235	-	12,152,216
Other liabilities	229,579	5,185	10,589	8,505	-	253,858
Debt securities in issue	-	2,486	347,613	-	-	350,099
Subordinated liabilities	1,540	106	-	161,591	-	163,237
Equity holders of the Bank	-	-	-	-	1,267,733	1,267,733
	12,428,337	**224,153**	**411,394**	**175,331**	**1,267,733**	**14,506,948**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Liquidity risk (continued)

The Group

	Less than 3 months €000	Between 3 months and 1 year €000	Between 1 and 5 years €000	More than 5 years €000	Other €000	Carrying Amount €000
At 31 December 2022 restated						
Assets						
Balances with Central Bank of Malta, treasury bills and cash	3,300,537	2,964	-	-	85,760	3,389,261
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	-	1,040	-	32	-	1,072
- Equity and other non-fixed income instruments	-	-	-	-	37,700	37,700
- Loans and advances	475	72	29,626	48,552	-	78,725
- Derivative financial instruments	1,167	18,138	5,238	4,323	-	28,866
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	-	3,099	-	79,111	-	82,210
- Amortised cost	121,214	923,890	2,045,296	1,377,033	-	4,467,433
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	17,421	17,421
Loans and advances to banks	394,546	-	-	-	-	394,546
Loans and advances to customers	536,261	91,695	635,298	4,296,822	-	5,560,076
Investments in equity-accounted investees	-	-	-	-	100,206	100,206
Other assets	-	-	-	-	315,228	315,228
	4,354,200	**1,040,898**	**2,715,458**	**5,805,873**	**556,315**	**14,472,744**
Liabilities and Equity						
Derivative liabilities held for risk management	2,756	1,471	308	-	-	4,535
Amounts owed to banks	75,063	8	2,003	-	-	77,074
Amounts owed to customers	12,181,880	224,491	135,085	6,455	-	12,547,911
Other liabilities	-	-	-	-	215,124	215,124
Derivatives designated for hedging accounting	-	-	-	2,167	-	2,167
Debt securities in issue	-	2,493	347,767	-	-	350,260
Subordinated liabilities	1,540	107	-	161,590	-	163,237
Equity holders of the Bank	-	-	-	-	1,112,436	1,112,436
	12,261,239	**228,570**	**485,163**	**170,212**	**1,327,560**	**14,472,744**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Liquidity risk (continued)

The Bank

At 31 December 2023	Less than 3 months €000	Between 3 months and 1 year €000	Between 1 and 5 years €000	More than 5 years €000	Other €000	Carrying Amount €000
Assets						
Balances with Central Bank of Malta, treasury bills and cash	2,277,670	-	-	-	75,647	2,353,317
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	-	-	-	42	-	42
- Equity and other non-fixed income instruments	-	-	-	-	40,293	40,293
- Loans and advances	475	-	27,727	37,103	-	65,305
- Derivative financial instruments	5,565	573	1,624	160	-	7,922
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	-	-	62,533	13,418	-	75,951
- Amortised cost	130,980	538,329	2,909,487	1,688,162	-	5,266,958
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	10,553	10,553
Loans and advances to banks	196,307	-	-	-	-	196,307
Loans and advances to customers	625,173	73,525	605,570	4,810,321	-	6,114,589
Investments in equity-accounted investees and subsidiaries	-	-	-	-	79,100	79,100
Other assets	-	-	-	-	263,000	263,000
	3,236,170	**612,427**	**3,606,941**	**6,549,206**	**468,593**	**14,473,337**
Liabilities and Equity						
Derivative liabilities held for risk management	2,034	717	1,403	-	-	4,154
Amounts owed to banks	211,210	104,441	-	-	-	315,651
Amounts owed to customers	11,988,802	111,218	51,789	5,235	-	12,157,044
Other liabilities	229,885	5,035	10,589	8,505	-	254,014
Debt securities in issue	-	2,486	347,613	-	-	350,099
Subordinated liabilities	1,540	106	-	161,591	-	163,237
Equity holders of the Bank	-	-	-	-	1,229,138	1,229,138
	12,433,471	**224,003**	**411,394**	**175,331**	**1,229,138**	**14,473,337**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Liquidity risk (continued)

The Bank

At 31 December 2022	Less than 3 months €000	Between 3 months and 1 year €000	Between 1 and 5 years €000	More than 5 years €000	Other €000	Carrying amount €000
Assets						
Balances with Central Bank of Malta, treasury bills and cash	3,300,537	2,964	-	-	85,760	3,389,261
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	-	1,040	-	32	-	1,072
- Equity and other non-fixed income instruments	-	-	-	-	37,548	37,548
- Loans and advances	475	72	29,626	48,552	-	78,725
- Derivative financial instruments	1,167	18,138	5,238	4,323	-	28,866
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	-	3,099	-	79,111	-	82,210
- Amortised cost	121,214	923,890	2,045,296	1,377,033	-	4,467,433
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	17,421	17,421
Loans and advances to banks	394,546	-	-	-	-	394,546
Loans and advances to customers	536,261	91,695	635,298	4,296,822	-	5,560,076
Investments in equity-accounted investees and subsidiaries	-	-	-	-	79,100	79,100
Other assets	-	-	-	-	312,807	312,807
	4,354,200	**1,040,898**	**2,715,458**	**5,805,873**	**532,636**	**14,449,065**
Liabilities and Equity						
Derivative liabilities held for risk management	2,756	1,471	308	-	-	4,535
Amounts owed to banks	75,063	8	2,003	-	-	77,074
Amounts owed to customers	12,188,553	224,491	135,085	6,455	-	12,554,584
Other liabilities	-	-	-	-	214,706	214,706
Derivatives designated for hedge accounting	-	-	-	2,167	-	2,167
Debt securities in issue	-	2,493	347,767	-	-	350,260
Subordinated liabilities	1,540	107	-	161,590	-	163,237
Equity holders of the Bank	-	-	-	-	1,082,502	1,082,502
	12,267,912	**228,570**	**485,163**	**170,212**	**1,297,208**	**14,449,065**

The ratio of net liquid assets to deposits from customers and short-term funding is used by the Group for managing liquidity risk. For this purpose, 'net liquid assets' includes cash and cash equivalents and high quality liquid assets for which there is an active and liquid market. 'Deposits from customers and short-term funding' includes deposits from banks, customers, debt securities issued, other borrowings and commitments due within 30 days from reference date. Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

	2023	2022
At 31 December	40.65%	46.48%
Average for the period	42.48%	45.88%
Maximum for the period	45.52%	47.35%
Minimum for the period	38.82%	40.00%

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Liquidity risk (continued)

Banking Rule 07 transposing the provisions of the EBA Guidelines on Disclosures of Encumbered and Unencumbered Assets (EBA/GL/2014/03) requires disclosure on asset encumbrance. The Group is in compliance with the contents thereof.

This disclosure provides details of available and unrestricted assets that could be used to support potential future funding and collateral needs. An asset is considered as encumbered when it has been pledged as collateral against an existing liability, and as a result is no longer available to the Group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

This disclosure is limited to assets available for central bank refinancing and securities that are transferable and is not designed to identify assets which would be available to meet the claims of creditors or to predict assets that would be available to creditors in the event of a resolution or bankruptcy.

Asset Encumbrance

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	€000	€000	€000	€000
The Group				
As at 31 December 2023				
Equity instruments	-	-	51,139	51,139
Debt securities	336,931	324,737	5,006,019	4,855,727
Loans and advances	-	-	8,653,870	-
Other assets	-	-	458,989	-
	336,931	**324,737**	**14,170,017**	**4,906,866**
The Group				
As at 31 December 2022 restated				
Equity instruments	-	-	55,121	55,121
Debt securities	72,782	66,198	4,715,961	4,349,525
Loans and advances	-	-	9,098,819	-
Other assets	-	-	530,061	-
	72,782	**66,198**	**14,399,962**	**4,404,646**
The Bank				
As at 31 December 2023				
Equity instruments	-	-	50,847	50,847
Debt securities	336,931	324,737	5,006,019	4,855,727
Loans and advances	-	-	8,653,870	-
Other assets	-	-	425,670	-
	336,931	**324,737**	**14,136,406**	**4,906,574**
The Bank				
As at 31 December 2022				
Equity instruments	-	-	54,969	54,969
Debt securities	72,782	66,198	4,715,961	4,349,525
Loans and advances	-	-	9,098,819	-
Other assets	-	-	506,534	-
	72,782	**66,198**	**14,376,283**	**4,404,494**

The Group does not encumber any of the collateral received or any of its debt securities issued.

For the financial years ended 31 December 2023 and 31 December 2022, the Bank has an outstanding liability with regards to significant claims associated with encumbered assets.

The Group and the Bank undertake the following:

i. Pledging of debt securities in favour of the Depositor Compensation Scheme.
ii. Pledging of debt securities which are covered by the TBMA/ISMA Global Repurchase Master Agreement.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. It arises in all areas of the Group's activities and is managed by a variety of different techniques as detailed below.

The objective of the Group is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with the Bank's status as a leading Bank in providing financial products and services.

The market risk appetite is articulated in the Treasury Management Policy. It is defined as the quantum and composition of market risk that the Bank is currently exposed to and the direction in which the Bank desires to manage this risk. Market risk is managed through limits set in the Treasury Management Policy. The Policy is reviewed by Treasury department in co-ordination with Risk Management department and is approved by the Asset and Liability Management Committee (ALCO) and the Board of Directors.

39.4.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk arising from financial assets and liabilities with fixed interest rates and to cash flow interest rate risk arising from financial assets and liabilities with floating interest rates. The Group is not directly exposed to interest rate risk on investment in equity instruments. The Group uses interest rate swaps to hedge the interest rate risk of certain financial instruments.

The analysis of interest rate risk has evolved from assessing the sensitivity of the treasury portfolio, using a modified duration method, to a more comprehensive methodology. The latter approach covers all interest sensitive assets and liabilities, as well as off-balance sheet items; this effectively widens the analysis and enables the stressing of various movements in the yield curve. The tables below depict the movement of stressed yield curves and the changes in the Report Equity and Net Interest Income to such movement. For further information related to the measurement of interest rate risk can be found in the Pillar 3 Disclosures Report as included in the Bank's website.

	Bps	Direction
Parallel Shock Up	200	Up
Parallel Shock Down	200	Down
Short Rates Up	250	Up
Short Rates Down	250	Down
Steepener	250	Short Rates Down
	100	Long Rates Up
Flattener	250	Short Rates Up
	100	Long Rates Down

The below table applies both the Group and the Bank.

	Parallel Shock Up € millions	Parallel Shock Down € millions	Short Rates Up € millions	Short Rates Down € millions	Steepener € millions	Flattener € millions
Sensitivity of reported equity to interest rate movements						
2023						
At 31 December	131	(137)	70	(73)	(10)	34
Average for the year	214	(232)	98	(103)	1	37
Most favourable for the year	263	(137)	114	(73)	8	38
Least favourable for the year	131	(289)	70	(120)	(10)	34
2022						
At 31 December	85	(87)	48	(50)	(11)	26
Average for the year	78	(62)	50	(50)	(20)	37
Most favourable for the year	85	(8)	67	(26)	(11)	48
Least favourable for the year	68	(87)	28	(65)	(32)	26

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Market risk (continued)

39.4.1 Interest rate risk (continued)

	Parallel Shock Up € millions	Parallel Shock Down € millions
Sensitivity of projected net interest income to interest rate movements		
2023		
At 31 December	58	(59)
Average for the year	78	(79)
Most favourable for the year	96	(59)
Least favourable for the year	58	(97)
2022		
At 31 December	(8)	(127)
Average for the year	4	(94)
Most favourable for the year	11	(67)
Least favourable for the year	(8)	(127)

Interest rate repricing gap

The table below summarises the Group's exposure to interest rate risk. Included in the table are Group assets and liabilities, including derivative financial instruments which are principally used to reduce exposure to interest rate risk, categorised by repricing date.

The Group's assets and liabilities are set to reprice as follows:

	Up to 1 Month €000	3 months or less but over 1 month €000	1 year or less but over 3 months €000	Over 1 year €000	Others €000	Total €000
Assets						
Balances with Central Bank of Malta, treasury bills and cash	2,353,317	-	-	-	-	**2,353,317**
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	-	19	2	21	-	**42**
- Equity and other non-fixed income instruments	-	-	-	-	40,584	**40,584**
- Loans and advances	65,305	-	-	-	-	**65,305**
- Derivative financial instruments	20	-	14	-	7,888	**7,922**
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	-	-	-	75,951	-	**75,951**
- Amortised cost	123,588	75,752	606,864	4,460,754	-	**5,266,958**
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	10,553	**10,553**
Loans and advances to banks	59,132	9,026	-	-	128,149	**196,307**
Loans and advances to customers	4,804,195	644,930	221,667	443,797	-	**6,114,589**
Investments in equity-accounted investees	-	-	-	-	110,098	**110,098**
Other assets	-	-	-	-	265,322	**265,322**
Total 2023	**7,405,557**	**729,727**	**828,547**	**4,980,523**	**562,594**	**14,506,948**
Total 2022 restated	7,430,917	1,251,809	1,291,193	3,525,690	973,135	14,472,744

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Market risk (continued)

39.4.1 Interest rate risk (continued)

	Up to 1 Month €000	3 months or less but over 1 month €000	1 year or less but over 3 months €000	Over 1 year €000	Others €000	Total €000
Liabilities and Equity						
Financial liabilities at fair value through profit or loss	1,399	635	717	1,403	-	**4,154**
Amounts owed to banks	34,794	151,376	104,433	-	25,048	**315,651**
Amounts owed to customers	11,971,391	24,268	103,296	33,114	20,147	**12,152,216**
Other liabilities	-	-	-	-	253,858	**253,858**
Debt securities in issue	-	-	-	350,099	-	**350,099**
Subordinated liabilities	-	-	-	163,237	-	**163,237**
Equity holders of the Bank	-	-	-	-	1,267,733	**1,267,733**
Total 2023	**12,007,584**	**176,279**	**208,446**	**547,853**	**1,566,786**	**14,506,948**
Total 2022 restated	12,153,217	100,540	217,056	633,919	1,368,012	14,472,744
Interest rate swaps - 2023	**(12,715)**	**(27,099)**	**(78,605)**	**118,419**	**-**	
Interest rate swaps - 2022	(17,780)	(32,468)	(82,733)	132,981	-	
Gap - 2023	**(4,614,742)**	**526,349**	**541,496**	**4,551,089**	**-**	
Gap - 2022	(4,740,080)	1,118,801	991,404	3,024,752	-	
Cumulative Gap - 2023	**(4,614,742)**	**(4,088,393)**	**(3,546,897)**	**1,004,192**	**-**	
Cumulative Gap - 2022	(4,740,080)	(3,621,279)	(2,629,875)	394,877	-	

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Market risk (continued)

39.4.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Board of Directors sets limits on the level of exposure by currency and in total, which levels are monitored daily.

The following table summarises the Group's exposure to foreign currency exchange rate risk at the reporting date. Included in the table are the Group's assets and liabilities at carrying amounts, analysed into relevant currency groupings.

The Group	EUR	USD	GBP	AUD	Other Currencies	Total
31 December 2023	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Assets						
Balances with Central Bank of Malta						
treasury bills and cash	2,348,610	2,097	1,173	721	716	2,353,317
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments income instruments	42	-	-	-	-	42
- Equity and other non-fixed income instruments	18,098	22,486	-	-	-	40,584
- Loans and advances	65,305	-	-	-	-	65,305
- Derivative financial instruments	7,922	-	-	-	-	7,922
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	13,418	62,533	-	-	-	75,951
- Amortised Cost	4,994,855	152,120	99,701	20,282	-	5,266,958
- Equity and other non-fixed income instruments						
- measured at FVOCI	10,553	-	-	-	-	10,553
Loans and advances to banks	21,876	31,759	24,108	2,548	116,016	196,307
Loans and advances to customers	6,053,087	60,285	1,217	-	-	6,114,589
Other assets	375,949	(740)	190	-	21	375,420
	13,909,715	**330,540**	**126,389**	**23,551**	**116,753**	**14,506,948**
Liabilities and Equity						
Derivative liabilities held for risk management	4,154	-	-	-	-	4,154
Amounts owed to banks	283,782	30,082	715	26	1,046	315,651
Amounts owed to customers	11,646,851	201,393	148,779	35,426	119,767	12,152,216
Other liabilities	233,525	2,265	(2,405)	344	(37)	233,692
Provision	20,166	-	-	-	-	20,166
Debt securities in issue	350,099	-	-	-	-	350,099
Subordinated liabilities	163,237	-	-	-	-	163,237
Equity	1,250,159	17,560	14	-	-	1,267,733
	13,951,973	**251,300**	**147,103**	**35,796**	**120,776**	**14,506,948**
Net on balance sheet financial position		79,240	(20,714)	(12,245)	(4,023)	
Notional amount of derivative instruments		(97,964)	24,541	12,087	395	
Net open position		(18,724)	3,827	(158)	(3,628)	

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Market risk (continued)

39.4.2 Currency risk (continued)

The Group 31 December 2022 restated	EUR €000	USD €000	GBP €000	AUD €000	Other Currencies €000	Total €000
Assets						
Balances with Central Bank of Malta treasury bills and cash	3,386,511	1,575	489	209	477	3,389,261
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	1,072	-	-	-	-	1,072
- Equity and other non-fixed income instruments	19,053	18,647	-	-	-	37,700
- Loans and advances	78,725	-	-	-	-	78,725
- Derivative financial instruments	28,865	1	-	-	-	28,866
Investments						
- FVOCI	15,926	66,284	-	-	-	82,210
- Amortised cost	3,795,198	367,992	266,162	38,081	-	4,467,433
- Equity and other non-fixed income instruments - measured at FVOCI	17,421	-	-	-	-	17,421
Loans and advances to banks	30,461	114,986	47,352	3,665	198,082	394,546
Loans and advances to customers	5,514,781	29,127	16,168	-	-	5,560,076
Other assets	416,176	(751)	(1)	-	10	415,434
	13,304,189	**597,861**	**330,170**	**41,955**	**198,569**	**14,472,744**
Liabilities and Equity						
Derivative liabilities held for risk management	4,535	(87)	64	23	-	4,535
Amounts owed to banks	61,921	9,519	4,662	3	969	77,074
Amounts owed to customers	11,830,982	294,126	184,321	40,160	198,322	12,547,911
Other liabilities	194,619	3,812	576	222	(623)	198,606
Provision	16,518	-	-	-	-	16,518
Derivatives designated for hedge accounting	-	2,167	-	-	-	2,167
Debt securities in issue	350,260	-	-	-	-	350,260
Subordinated liabilities	163,237	-	-	-	-	163,237
Equity	1,112,422	-	14	-	-	1,112,436
	13,734,494	**309,537**	**189,637**	**40,408**	**198,668**	**14,472,744**
Net on balance sheet financial position		288,324	140,533	1,547	(99)	
Notional amount of derivative instruments		(302,336)	(143,026)	(700)	(540)	
Net open position		(14,012)	(2,493)	847	(639)	

Currency risk, commonly referred to as exchange-rate risk, arises from the change in price of one currency in relation to another where a possibility of losing money due to unfavourable moves in exchange rates can arise. The following table shows how a 1% change in the exchange rate of the Group's main three foreign currencies would impact the institution. The sensitivity analysis performed shows that the impact on the balance sheet is minimal. No other currency other than the domestic currency, exceeded the 5% aggregate amount of liabilities, thus only the euro-denominated currency is considered significant. In fact, 95.9% of total liabilities are euro-denominated and in principle, BOV does not finance its assets in a currency different from that in which the assets are denominated.

Currency Risk Sensitivity Analysis impact on Net Open position

2023	USD €000	GBP €000	AUD €000	Total €000
+1% change in foreign exchange	185	(38)	2	149
-1% change in foreign exchange	(189)	39	(2)	(152)

2022	USD €000	GBP €000	AUD €000	Total €000
+1% change in foreign exchange	1,280	949	476	2,705
-1% change in foreign exchange	(1,306)	(968)	(486)	(2,760)

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Market risk (continued)

39.4.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity price risks arising from the holding of equity instruments classified either as FVOCI or at fair value through profit or loss.

The carrying amounts of financial instruments at the reporting date which could potentially subject the Group to equity price risk are disclosed in the notes to the financial statements.

This risk is monitored and managed by the Risk management function of the Bank, as disclosed in more detail above.

39.5 Transferred financial assets that are not derecognised in their entirety

	The Group and the Bank	
	2023	**2022**
	€000	**€000**
Debt securities classified as amortised cost	296,700	30,883
Amounts owed to banks	281,687	30,883

These transactions are covered by the TBMA/ISMA Global Repurchase Master Agreement ("the Agreement") and involve the sale of financial assets with a simultaneous agreement to repurchase them at a pre-determined price at a future date. The securities sold comprise investment securities. The counterparty's liability is included in amounts owed to banks. The Group and the Bank continue to recognise the transferred assets since all the risks and rewards of the assets will be substantially retained in a manner that does not result in the transferred assets being derecognised for accounting purposes.

Each party to a transaction is subject to the events of default listed in the Agreement. In the event that any of the events of default is/are triggered, transactions are immediately terminated. Consequently, performance of the respective obligations of the parties with respect to the delivery of securities, the payment of the repurchase prices for any equivalent securities and the repayment of any cash margin shall become due and payable.

39.6 Fair value of financial instruments

The Group's accounting policy for determining the fair value of financial instruments is described in note 1.19 and 1.25 to these Financial Statements.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3 inputs are unobservable inputs for the asset or liability. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group and the Bank determine when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.6 Fair value of financial instruments (continued)

39.6.1 Bases of valuing financial assets and liabilities measured at fair value

	Fair value measurement			
	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
The Group				
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	-	4,154	-	4,154
	-	**4,154**	**-**	**4,154**

	Fair value measurement			
	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
The Group				
At 31 December 2022				
Assets				
Financial assets at fair value through profit or loss				
- debt and other fixed income instruments	1,055	17	-	1,072
- equity and other non-fixed income instruments	554	30,327	6,819	37,700
- loans and advances	-	78,725	-	78,725
- derivative financial instruments	-	28,866	-	28,866
Investments				
Debt and other fixed income instruments				
- FVOCI	15,926	-	66,284	82,210
Equity and other non-fixed income instruments				
- FVOCI	9,503	7,918	-	17,421
	27,038	**145,853**	**73,103**	**245,994**
Liabilities				
Financial liabilities at fair value through profit or loss	-	4,535	-	4,535
Derivatives designated for hedge accounting	-	2,167	-	2,167
	-	**6,702**	**-**	**6,702**

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.6 Fair value of financial instruments (continued)

39.6.1 Bases of valuing financial assets and liabilities measured at fair value (continued)

During the current year, due to the changes in market conditions for certain assets at fair value through other comprehensive income, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair value of these financial assets based on observable market inputs. Therefore, these financial assets, with a carrying amount of €20.2 million were transferred from Level 1 to Level 2 of the fair value hierarchy. During the same period, no material change in fair value hierarchy was made in financial assets classified at fair value through profit or loss.

39.6.2 Control Framework

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk taker and that they are appropriately performed and reviewed by competent personnel. To this end, the determination of fair values is a process which is performed by Financial Markets and Investments and reviewed by Finance. Finance establishes the accounting policies and, in conjunction with Financial Markets and Investments, it establishes the procedures governing valuation, and is responsible for ensuring that they comply with all relevant accounting standards. The valuation techniques and procedures applied are subject to a process of due diligence, which process was duly approved by the Board and the Audit Committee and documented accordingly.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to valuation techniques, independent price determination or validation is utilised, to the extent practicable. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Bank sources alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable. The factors which are mainly considered are the following:

- the extent to which prices may be expected to represent genuine traded or tradable prices;
- the degree of similarity between financial instruments;
- the degree of consistency between different sources;
- the process followed by the pricing provider to derive the data;
- the elapsed time between the date to which the market data relates and the end of the reporting period; and
- the manner in which the data was sourced.

In determining the fair values for financial instruments measured at fair value the credit risk adjustment for the counterparty, the Bank or both, as the case may be, is deemed to be immaterial and hence no adjustment to the fair value of financial instruments at fair value through profit or loss was effected.

The Group calculates the credit risk adjustment by applying the probability of default of the counterparty to the expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. The calculation is performed over the life of the potential exposure.

Financial instruments at fair value through profit or loss and financial assets which are held for investment purposes as FVOCI are carried at their fair value.

The Treasury Bills captioned with Balances with Central Bank of Malta and cash are held as FVOCI.

Financial instruments not measured at fair value:

(i) Investments - Debt and other fixed income instruments held to collect
This category of asset is carried at amortised cost. Their fair value is disclosed separately in Note 39.6.3.

(ii) 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 re-priced to consider changes in both benchmark rate and credit spreads. Their fair value measurement is a Level 2 input.

(iii) Loans and advances to banks, 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.

(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.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.6 Fair value of financial instruments (continued)

39.6.2 Control Framework (continued)

(v) Senior non-preferred liabilities
These liabilities are carried at amortised cost. Their fair value is disclosed separately in Note 39.6.3.

(vi) Subordinated liabilities
These liabilities are carried at amortised cost. Their fair value is disclosed separately in Note 39.6.3.

(vii) 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.

39.6.3 Bases of valuing financial assets and liabilities not measured at fair value
The following table provides an analysis of financial instruments that are not measured at fair value subsequent to initial recognition:

	Fair value measurement				
	Level 1	Level 2	Level 3	Total	Carrying Amount
	€000	€000	€000	€000	€000
At 31 December 2023					
Financial assets					
Investments					
Debt and other fixed income instruments					
-Amortised	3,028,291	2,076,181	-	5,104,472	5,266,958
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

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

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.6 Fair value of financial instruments (continued)

39.6.3 Bases of valuing financial assets and liabilities not measured at fair value (continued)

The reconciliation of Level 3 fair value measurements of financial instruments is disclosed below:

	2023		2022	
	FVTPL	FVOCI	FVTPL	FVOCI
	Equity and other non-fixed income instruments €000	Debt and other fixed income instruments €000	Equity and other non-fixed income instruments €000	Debt and other fixed income instruments €000
Opening balance	6,819	66,284	9,889	73,488
Total gains or losses				
- in profit or loss	(560)	-	(3,133)	-
- in other comprehensive income	-	(3,751)	-	(7,204)
Purchases	-	-	63	-
Sales	(198)	-	-	-
Closing balance	6,061	62,533	6,819	66,284

The instruments classified within Level 3 comprise:

- an externally managed fund: the Bank has determined that the reported net asset value of the fund represents its fair value at the end of the reporting period;
- shares in a global payments technology company; the shares held in the technology company are valued using the intrinsic value of the conversion shares less a discount for liquidity and litigation risk; and
- debt placed with the institutional investors: the Bank values its holding in the bond on the basis of MGS yields to maturity on the premises that the bond is guaranteed by the Government of Malta. A haircut is also included in the pricing of the bond to factor in differences between the bond and the MGSs used as a comparable in relation to the price of other risks, including illiquidity premium, guarantee enforcement risk, currency risk and make whole call prepayment risk,

39.6.4 Unobservable inputs used in measuring fair value

The following table sets out information about significant unobservable inputs used at 31 December 2023 and 2022 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of financial instruments	Fair value as at 31 December 2023 €000	Valuation technique	Significant unobservable input		Fair value measurement sensitivity to unobservable input
FVTPL Equity (unlisted fund)	2,651 (2022: 3,981)	Based on reported NAV	Reported share of net assets representing the fair value at year-end		Significant increase in NAV would result in a higher fair value.
FVTPL Equity	3,410 (2022: 2,838)	Price-based adjusted with a discount	Discount for liquidity and litigation risk	50% (2022: 50%)	Significant increase in discount would result in a lower fair value.
FVOCI Debt	62,533 (2022: 66,284)	Price-based adjusted with a haircut	Haircut representative of the related risks	6% (2022: 6%)	Significant increase in haircut would result in a lower fair value.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.7 Capital risk management

The Group's capital management approach ensures a sufficient level of capitalisation to manage the risk exposures whilst supporting business growth and providing adequate returns to the shareholders. Risk capital management does not in any way substitute risk mitigation measures. It is vital that the structure of limits and thresholds, as stipulated in the Bank's Risk Appetite Framework, should be able to prevent concentrations of risk from building up in such a way as to compromise a significant proportion of the Group's capital resources.

On 1 January 2014, the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulations (CRR) came into effect, constituting the European implementation of the Basel capital and liquidity agreement of 2010. The Group has made the necessary changes in order to ensure that it is compliant with the Pillar I capital requirements set by the CRR and its subsequent revisions. Meanwhile, the Bank is undergoing preparations to be in a position to implement the new capital requirement regulations as enshrined in the Capital Requirements Regulation 3, due to come into force in 2025. Other material risks are also allocated capital as part of the Internal Capital Adequacy Process (ICAAP) embedded in the Pillar II process. This process helps to measure with greater risk sensitivity the amount of regulatory capital which the Group requires to cover risks assumed in the course of its business, including risks not covered in Pillar I. The Board submitted the latest ICAAP capital document to the JST in March 2023.

Capital management is under the direct control of the Asset and Liability Committee (ALCO). During the financial period, ALCO has monitored the adequacy of the Group's capital and gave strategic direction on the most efficient use of capital.

During the period under review and during the comparative period, there were no reported breaches in respect of the externally imposed capital requirements. The Group uses the Standardised Approach for credit risk, the Basic Indicator Approach for operational risk and the Standardised Approach with respect to the Group's foreign exchange risk in line with CRR requirements.

The following table shows the components and basis of calculation of the Group's and the Bank's own funds.

At 31 December 2023	**The Group €000**	**The Bank €000**
Own funds		
Tier 1		
-Paid up capital instruments	583,849	583,849
-Share premium	49,277	49,277
-Retained earnings*	507,795	506,551
-Accumulated other comprehensive income	4,069	3,957
-Other reserves	55,560	55,560
-Funds for general banking risk	3,378	3,378
-Deductions:		
Prudential Valuation fair valued assets and liabilities	(326)	(295)
Other intangible assets	(37,862)	(37,862)
Depositor Compensation Scheme	(26,523)	(26,523)
Regulatory coverage on non-performing exposures	(11,088)	(11,088)
Total Tier 1 Capital	1,128,129	1,126,804
*Retained earnings include current period's profit which is subject to regulatory approval.		
Tier 2		
-Capital instruments and subordinated loans	163,237	163,237
Total Tier 2 Capital	163,237	163,237
Total Own Funds	1,291,366	1,290,041

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.7 Capital risk management (continued)

	The Group	The Bank
At 31 December 2022 restated	**€000**	**€000**
Own funds		
Tier 1		
-Paid up capital instruments	583,849	583,849
-Share premium	49,277	49,277
-Retained earnings*	391,236	388,690
-Accumulated other comprehensive income	5,162	5,050
-Other reserves	52,050	52,050
-Funds for general banking risk	3,586	3,586
-Deductions:		
Prudential Valuation fair valued assets and liabilities	(631)	(565)
Other intangible assets	(41,843)	(41,843)
Depositor Compensation Scheme	(24,780)	(24,780)
Deferred Tax Assets related to unutilised tax losses	(22,967)	(22,967)
Regulatory coverage on non-performing exposures	(7,139)	(7,139)
Total Tier 1 Capital	987,800	985,208
*Retained earnings include current period's profit which is subject to regulatory approval.		
Tier 2		
-Capital instruments and subordinated loans	163,237	163,237
Total Tier 2 Capital	163,237	163,237
Total Own Funds	1,151,037	1,148,445

Further information on the Group's capital adequacy ratios may be found in the Pillar 3 Disclosures Report – section 4.2, table CC1. The report will be available on the Bank's website.

39.8 Offsetting financial assets and financial liabilities

The disclosures set out in the following table include financial assets and financial liabilities that:
- are offset in the Group's statement of financial position; or
- are subject to an enforceable master netting arrangement that covers similar financial instruments irrespective of whether they are offset in the statement of financial position.

The derivative financial assets with a positive carrying amount and the derivative financial liabilities with a negative carrying amount are set-off to the extent that there are liabilities and if not, they are presented separately in the Statement of Financial Position.

These instruments are subject to the ISDA Master Agreement. The ISDA Master Agreement provides, amongst others, for the netting of termination values for purposes of determining a single lump-sum termination amount upon the insolvency of a counterparty. By virtue of the Set-off and Netting on Insolvency Act, 2003 (Chapter 459, Laws of Malta), the close-out netting provisions contained in the ISDA Master Agreement are valid and enforceable under Maltese law. The cleared interest rate swaps assets and liabilities which include related financial collateral, are offset on the Statement of Financial Position given the right of set-off both in the normal course of business and in the event of default, insolvency, and bankruptcy. The remaining derivatives do not meet the criteria for offsetting in the Statement of Financial Position given the set-off provisions under the ISDA Master Agreement enforceable only where there is an event of default, credit event upon merger or any termination event has been declared.

The Bank also has in place credit support annexes "CSAs" with a number of its financial counterparties for purposes of the collateralisation of exposures between the Bank and its counterparties. The CSA is a schedule to the ISDA Master Agreement. By virtue of such CSAs, a party to a derivative that has an exposure to its counterpart, will post collateral to its counterpart to cover such exposure by way of an outright title transfer of such collateral. All CSAs that the Bank has in place are of a two-way nature.

In the case of non-financial counterparties, the Bank enters into pledging collateral arrangements with the counterparties, in favour of the Bank. Such pledging agreements are of a one-way nature, in favour of the Bank.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.8 Offsetting financial assets and financial liabilities (continued)

	The Group	
	2023	**2022**
	€000	**€000**
Derivative financial assets		
Gross amounts of recognised financial assets	10,795	28,866
Gross amounts of recognised financial liabilities set off in the statement of financial position	(2,873)	-
Net amounts of financial assets presented in the statement of financial position	7,922	28,866
Related amounts not set off in the statement of financial position:		
Financial instruments	(2,387)	(2,212)
Financial collateral received	(4,306)	(25,684)
Net amount	1,229	970

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

Derivative financial liabilities		
Gross amounts of recognised financial liabilities	5,893	6,702
Gross amounts of recognised financial assets set off in the statement of financial position	(1,739)	-
Net amounts of financial liabilities presented in the statement of financial position	4,154	6,702
Related amounts not set off in the statement of financial position:		
Financial instruments	(2,387)	(2,212)
Financial collateral pledged	(1,391)	(2,015)
Net amount	376	2,475

A number of financial assets and financial liabilities are being offset and it is the intention to settle net, since they relate to the same counterparties and have the same maturities.

39.9 Interest Rate Benchmark Reform

i) Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group does not have significant exposure to IBORs on its financial instruments which are subject to this market-wide initiative. Most reforms affecting the Group had been completed by the end of 2021.

The IBOR reform did not have significant operational, risk management and accounting impacts across all of its business lines. Financial risk is predominantly limited to interest rate risk.

As at 31 December 2023, the IBOR reform in respect of currencies to which the Group has exposure has been completed.

ii) Non-derivative financial assets

All loans and advances to customers indexed to IBOR were transitioned on 3 January 2022.

During 2023, the Group had the following principal IBOR and ARR (alternative Reference Rate) exposures in respect of non-derivative financial assets:

- Floating rate loans and advances to customers: EURIBOR, SONIA, SOFR and CDOR (2022: EURIBOR, SONIA and CDOR)
- Floating rate indexed assets and investment securities indexed to EURIBOR, ESTR, GBP LIBOR, SONIA, USD LIBOR, and USD SOFR held throughout its operations (2022: EURIBOR, GBP LIBOR, SONIA and USD LIBOR).

No floating rate securities required transitioning to new benchmarks.

Notes to the financial statements

for the year ended 31 December 2023

39. FINANCIAL RISK MANAGEMENT (continued)

39.9 Interest Rate Benchmark Reform (continued)

iii) Non -derivative financial liabilities

The Bank does not have any financial liabilities linked to interbank offer rates (IBOR) as at 31 December 2023 and 31 December 2022.

iv) Derivatives and hedge accounting

The derivatives held by the Group in US Dollar (refer to note 39.4.2) are held for risk management purposes and have floating legs are now indexed to USD SOFR.

The Group's interest rate derivatives held for hedging amount to $65 million in notional value (market value: €1.78 million) as of 31 December 2023. The floating legs of the interest rate swaps are indexed to the new benchmark 6-month USD Secured Overnight Financing Rate (SOFR) since LIBOR was phased out on 30 June 2023. No major impact to the hedge effectiveness of existing transactions.

40. ASSETS HELD FOR REALISATION

The assets held for realisation mainly comprise immovable properties that were held as collateral for outstanding loans, which properties were taken into the possession of the Bank following defaults by the counterparty. The Bank's policy is to dispose of such assets within a reasonable timeframe from the date of classification, unless events or circumstances which are beyond the Bank's control extend the period to complete the sale.

41. TRUST ACTIVITIES

The Group acts as trustee and provides trust activities that result in the holding and placing of assets on behalf of third parties. Trust assets are not assets of the Group and therefore they are not included in its Statement of Financial Position.

Income derived from trust assets is excluded from revenue. Fees arising from the rendering of trustee services are recognised in the Group's profit or loss.

At 31 December 2023, the total assets held by the Group on behalf of its customers amounted to €8.9 million (2022: €14.7 million). Details on significant claims related to trusts in prior year are given in note 33.

42. REGULATORY COMPENSATION SCHEMES

As at 31 December 2023 and 2022, no balances with Central Bank of Malta have been pledged in favour of the Depositor Compensation Scheme (refer to note 16).

In accordance with the provisions of the Investor Compensation Scheme Regulations, 2003, issued under the Investment Services Act, 1994, licence holders are required to transfer a variable contribution to an Investor Compensation Scheme Reserve and place the equivalent amount with a bank, pledged in favour of the Scheme. Alternatively, licence holders can elect to pay the amount of variable contribution directly to the Scheme.

Bank of Valletta p.l.c. has elected to pay the amount of the variable contribution directly to the Scheme.

Regulatory contributions amounting to €7.4 million (2022: €12.1 million), included with administrative expenses, reflect the Group's annual obligations arising from the recent EU Directives on Deposit Guarantee Scheme and Single Resolution Fund.

43. EVENTS SUBSEQUENT TO THE FINANCIAL REPORTING DATE

There are no events subsequent to the financial reporting date to report.

44. REGISTERED OFFICE

The registered and principal office of the Bank is 58, Triq San Zakkarija, Il-Belt Valletta, VLT1130, Malta.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report

To the Shareholders of Bank of Valletta p.l.c.

1 Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Valletta p.l.c. (the "Bank" or the "Company") and of the Group of which the Company is the parent, which comprise the statements of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

(a) give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and

(b) have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") and the Banking Act, 1994 (Chapter 371, Laws of Malta) (the "Banking Act") and, additionally, specifically in relation to those of the Group, with the requirements of Article 4 of Regulation (EC) 1606/2002 on the application of international accounting standards (the "Regulation").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year (as communicated to the audit committee), and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter, together with our response by way of the audit procedures we performed to address that matter in our audit, and key observations arising with respect to such risks of material misstatement.

Measurement of impairment allowances on loans and advances to customers at amortised cost, including off-balance sheet elements of those exposures and related disclosures.

Accounting policy notes 1.4.3 to the financial statements and notes 8, 17, 33, 34 and 39.2 for further disclosures.

Expected credit loss allowance on 'Loans and advances to customers at amortised cost' (Bank and Group: €6.1 billion) amounted to €103.5 million. Expected credit loss provision on 'Financial guarantees contracts and loan commitments' (Bank and Group: €2.7 billion) amounted to €17.8 million.

The calculation of the expected credit loss ('ECL') involves significant judgement and estimates. Of all the Group's financial instruments, the most significant impact in terms of complexities around the measurement of the ECL and of the materiality of the resultant allowances was in relation to the loans and advances to customers' portfolio (and the related off-balance sheet elements namely financial guarantees contract and loan commitments). In that regard, our key areas of audit risk in the Group's calculation of the ECL were the following:

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Key audit matters (continued)

- Model estimations - Inherently judgmental modelling is used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD") and Exposures at Default ("EAD"). In particular, the PD models are the key drivers of the Group's ECL calculation and are therefore the most significant judgmental element of the Group's ECL modelling approach.

- Economic Scenarios - Significant management judgement is applied in determining the selection of (i) forward looking macroeconomic scenarios, (ii) the associated scenario probabilities and (iii) the material economic variables which drive the scenarios and the related weightings.

- Qualitative adjustments to the model-driven ECL raised by the Group to address known impairment model limitations or emerging trends as well as risks not captured by the model. These adjustments are inherently uncertain and significant management judgement is involved in the estimation process.

- Identification of a significant increase in credit risk ('SICR') is also a key area of judgement within the Group's ECL calculation as the application of the SICR criteria determines whether a twelve month or lifetime provision is recorded.

- Individually assessed stage 3 exposures may be materially misstated if individual impairments are not appropriately identified and estimated. The calculation of expected credit losses on stage 3 exposures includes a range of estimates of future cash flows and valuation of collateral, which are inherently uncertain and judgmental. Management judgement is also involved in post-model adjustments on stage 3 exposures.

The disclosures regarding the application of IFRS 9 are important in the context of explaining the key judgements made, as referred to in this key audit matter, and inputs used to generate the IFRS 9 ECL results.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Key audit matters (continued)

Our response

As part of our procedures:

- We tested the design and implementation as well as the operating effectiveness of relevant manual and automated controls (that is, Information Technology based). More specifically, the following controls were tested:

  — the Group's review and approval of loan credit ratings;
  — the Group's review control over the completeness and accuracy of loan exposures' inputs, data and assumptions keyed into the ECL model;
  — the Group's review control over model validation and monitoring;
  — management's review control over ECL movements, calculation and authorization of post model adjustments and management overlays; and
  — testing the design and operating effectiveness of the key controls over past due days calculations and automated credit rating calculation.

- We involved our own financial risk modelling specialists in evaluating the appropriateness of the Group's IFRS 9 impairment methodologies (including the SICR criteria used) as disclosed in Note 39.2.1.2, 39.2.1.2.5 and 39.2.1.2.6. We inspected model code for the calculation of certain components of the ECL model to assess its consistency with the Group's approved methodology. We used our experience of the Group to assess the PD and LGD models and related assumptions. On a sample basis, we assessed the reasonableness of the model predictions by comparing them against actual results. We made enquiries of the Group as to the reasons for any significant variations identified and assessed the reasonableness of the explanations provided, against the specialists' expectations on the direction and extent of variations identified.

- We involved our own economics specialist to assist in assessing:

  — the appropriateness of the methodology for determining the macroeconomic scenarios used and the reasonableness of the probability weightings applied to them;
  — the appropriateness of the stage determination criteria based on the ECL methodology;

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Key audit matters (continued)

- the reasonableness of the key macroeconomic variables (as set out in note 39.2.1.2.5 to the financial statements) as well as the accuracy of macroeconomic data feeding the ECL model.

- In evaluating the Group's credit grading process, we assessed the Internal Credit Risk System model. We have also performed credit reviews on a selection of corporate exposures selected qualitatively based on risk, including a sample of stage 3 loans and advances to customers. In performing those credit reviews, we:

  - considered relevant internal information available used in the Group's assessment and any relevant external data in relation to those exposures;
  - evaluated whether those exposures were graded in line with the Group's credit policy; and
  - determined whether a SICR was appropriately identified.

  In addition, for the selected stage 3 corporate exposures, we independently re-performed the impairment calculation to assess the reasonableness of the Bank's related ECL.

- On a sample of loans and advances to customers, we:

  - performed testing over key data elements (EAD, PD and LGD) impacting the ECL calculations to assess the accuracy of information used; and
  - re-performed model calculations for accuracy for all stages.

- We assessed the post model adjustments, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source data.

- We assessed whether the disclosures in relation to IFRS 9 adequately explain the key judgements made and significant inputs used in the recognition of expected credit losses as at the end of the financial reporting period.

We have no key observations to report, specific to this matter.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Other information

The directors are responsible for the other information. The other information comprises the;

- Contents and General Information;
- Chairman's Statement;
- CEO's Commentary;
- Board of Directors and Group Company Secretary;
- Executive Committee and Group Chief Internal Auditor;
- Corporate Social Responsibility;
- Directors' Report;
- Corporate Governance Statement of Compliance;
- Remuneration Report;
- ESG Risk Management and Disclosures;
- The Group's five year summary; and
- Group's Financial Highlights in US dollars.

but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, other than in the case of the directors' report on which we report separately below in our 'Opinion on the Directors' Report', we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act and the Banking Act, and, additionally, specifically in relation to those of the Group, with the requirements of Article 4 of the Regulation. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and/or the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Auditors' responsibilities for the audit of the financial statements (continued)

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority, as well as legal correspondence. As with fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Auditors' responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

2 Opinion on the Directors' Report

The directors are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act and other applicable legal requirements, and is to include a statement that the Company is a going concern with supporting assumptions or qualifications as necessary, as required by Rule 5.62 of the Capital Markets Rules issued by the Malta Financial Services Authority (the "Capital Market Rules").

We are required to consider whether the information given in the directors' report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

Pursuant to article 179(3) of the Act, other than for the non-financial information that is exclusively required to be disclosed by paragraph 8 of the Sixth Schedule of the Act with respect to the Bank, and paragraph 11 of the Sixth Schedule of the Act with respect to the Group (and on which we report separately below in our 'Report on Other Legal and Regulatory Requirements'), we are also required to:

- express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and

- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

Pursuant to Capital Markets Rule 5.62 of the Capital Market rules, we are required to review the directors' statement in relation to going concern.

In such regards:

- in our opinion, the Directors' Report has been prepared in accordance with the applicable legal requirements;

- we have not identified material misstatements in the Directors' Report; and

- we have nothing to report in relation to the statement on going concern.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

3 Report on Other Legal and Regulatory Requirements

Matters on which we are required to report by the Act, specific to public-interest entities

Pursuant to article 179B(1) of the Act, we report as under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

- we were first appointed as auditors by the shareholders on 19 June 2015, and subsequently reappointed at the Company's general meetings for each financial period thereafter. The period of total uninterrupted engagement is nine years;

- our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act); and

- we have not provided any of the prohibited services as set out in the APA.

Matters on which we are required to report by the Act, specific to large undertakings which are public-interest entities and public-interest entities which are parent undertakings of a large group that (individually and on a consolidated basis, respectively) exceed the criterion of an average number of five hundred employees during the financial year

Pursuant to article 179(3) of the Act, we report as under matters not already reported upon in our 'Opinion on the Directors' Report:

The Directors' Report contains the information required by paragraph 8 of the Sixth Schedule, with respect to the Bank and paragraph 11 of the Sixth Schedule with respect to the Group.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Matters on which we are required to report by the Banking Act and exception by the Act

Pursuant to article 31(3)(a), (b) and (c) of the Banking Act, in our opinion:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- proper books of account have been kept by the Bank so far as appears from our examination thereof; and
- the Bank's financial statements are in agreement with the books of account.

Furthermore, we have nothing to report in respect of the above matters, where the Act requires us to report to you by exception pursuant to articles 179(10) and 179(11).

Pursuant to article 31(3)(d) of the Banking Act, in our opinion and to the best of our knowledge and belief and, on the basis of the explanations given to us, the financial statements give the information required by law in force in the manner so required.

Report on compliance of the Annual Report with the requirements of the Commission Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC (the "European Single Electronic Format Regulatory Technical Standard" or "ESEF Regulation"), by reference to Capital Markets Rule 5.55.6 issued by the Malta Financial Services Authority

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act, 1979 (Chapter 281, Laws of Malta), the Accountancy Profession (European Single Electronic Format) Assurance Directive, on the Group's Annual Report for the year ended 31 December 2023, prepared in a single electronic reporting format.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Responsibilities of the directors for compliance with the requirements of the ESEF Regulation

As required by Capital Markets Rule 5.56A, the directors are responsible for the preparation of the Annual Report in XHTML format, including the relevant mark-ups, in accordance with the requirements of the ESEF Regulation.

In addition, the directors are responsible for such internal control as they determine is necessary to enable the preparation of the Annual Report that is in compliance with the requirements of the ESEF Regulation.

Auditors' responsibilities to report on compliance with the requirements of the ESEF Regulation

Our responsibility is to obtain reasonable assurance about whether the Annual Report in XHTML format, including the relevant mark-ups, comply in all material respects with the ESEF Regulation based on the evidence we have obtained. As part of our work, we obtain an understanding of the Company's controls relevant to the preparation of the Annual Report in compliance with the said requirements, but not for the purpose of expressing an opinion on the effectiveness of the controls in place.

In discharging that responsibility, we:

- obtain an understanding of the entity's financial reporting process, including the preparation of the Annual Report, in accordance with the requirements of the ESEF Regulation;

- perform validations to determine whether the Annual Report has been prepared in accordance with the requirements of the technical specifications of the ESEF Regulation; and

- examine the information in the Annual Report to determine whether all the required mark-ups therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

KPMG
92, Marina Street
Pietà, PTA 9044
Malta
Telephone (+356) 2563 1000
Fax (+356) 2566 1000
Website www.kpmg.com.mt

Independent Auditors' Report (continued)

To the Shareholders of Bank of Valletta p.l.c.

Conclusion

In our opinion, the Annual Report for the year ended 31 December 2023 has been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation, by reference to Capital Markets Rule 5.55.6.

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

KPMG
Registered Auditors,
92
Marina Street,
Pietà PTA 9044,
Malta

27 March 2024

The Group's five-year summary

extracted from the respective audited financial statements

A. STATEMENTS OF PROFIT OR LOSS

For the financials years

	2023 12 months to December 2023 €000	2022 12 months to December 2022 restated €000	2021 12 months to December 2021 €000	2020 12 months to December 2020 €000	2019 12 months to December 2019 €000
Interest and similar income	401,402	220,210	194,813	190,282	206,963
Interest expense	(49,403)	(18,311)	(38,503)	(43,476)	(54,113)
Net interest income	351,999	201,899	156,310	146,806	152,850
Other operating income	89,003	91,458	86,598	84,809	96,436
Other operating charges	(210,900)	(192,616)	(195,603)	(170,382)	(162,540)
Net impairment reversal/(charge)	10,481	49,075	18,856	(65,136)	11,562
Net litigation settlement (charge)/reversal	-	(102,958)	-	8,584	(25,000)
Share of results of equity-accounted investees, net of tax	11,030	2,217	14,498	10,520	15,897
Profit before tax	251,613	49,075	80,659	15,201	89,205
Income tax expense	(83,677)	(17,547)	(24,468)	(1,399)	(25,713)
Profit for the year	167,936	31,528	56,191	13,802	63,492
Attributable to:					
Equity holders of the Bank	167,936	31,528	56,191	13,802	63,492
	167,936	31,528	56,191	13,802	63,492
Earnings per share	28.8c	5.4c	9.6c	2.4c	10.9c

Only 2022 amounts have been restated in line with the the adoption of IFRS 17 and IFRS 9 by the associates as detailed in Note 1.1.4.3.

The Group's five-year summary

extracted from the respective audited financial statements (continued)

B. STATEMENTS OF FINANCIAL POSITION

	2023	2022 restated	2021	2020	2019
	€000	€000	€000	€000	€000
ASSETS					
Balances with Central Bank of Malta, treasury bills and cash	2,353,317	3,389,261	4,626,066	3,798,449	3,669,580
Financial assets at fair value through profit or loss and Investments	5,467,315	4,713,427	3,707,655	3,447,912	3,276,299
Loans and advances to banks	196,307	394,546	452,469	479,409	501,686
Loans and advances to customers at amortised cost	6,114,589	5,560,076	5,097,598	4,741,443	4,445,812
Investments in equity-accounted investees	110,098	100,206	145,501	111,999	101,479
Property and equipment and intangible assets	188,814	188,738	186,696	188,312	186,659
Current tax	-	20,706	28,640	26,759	15,185
Deferred tax	34,025	67,898	84,563	91,259	76,017
Assets held for realisation	11,979	12,138	11,740	9,958	10,123
Other assets	12,746	7,227	5,423	5,251	42,627
Prepayments	17,758	18,521	12,091	10,020	5,142
Total Assets	**14,506,948**	**14,472,744**	**14,358,442**	**12,910,771**	**12,330,609**
LIABILITIES					
Derivative liabilities held for risk management and designated for hedge accounting	4,154	6,702	17,642	28,406	24,870
Amounts owed to banks	315,651	77,074	560,117	88,031	66,047
Amounts owed to customers	12,152,216	12,547,911	12,176,854	11,272,289	10,629,719
Current tax	28,079	-	-	-	-
Deferred tax	7,435	7,054	6,717	6,186	5,736
Other liabilities	198,178	191,552	203,141	161,617	189,593
Provisions	20,166	16,518	104,449	113,880	118,109
Debt securities in issue	350,099	350,260	-	-	-
Subordinated liabilities	163,237	163,237	163,237	163,237	234,230
Total Liabilities	**13,239,215**	**13,360,308**	**13,232,157**	**11,833,646**	**11,268,304**
EQUITY					
Called up share capital	583,849	583,849	583,849	583,849	583,849
Share premium account	49,277	49,277	49,277	49,277	49,277
Revaluation reserve	59,628	57,212	58,438	55,477	54,898
Retained earnings	574,979	422,098	434,721	388,522	374,281
Total Equity	**1,267,733**	**1,112,436**	**1,126,285**	**1,077,125**	**1,062,305**
Total Liabilities and Equity	**14,506,948**	**14,472,744**	**14,358,442**	**12,910,771**	**12,330,609**
MEMORANDUM ITEMS					
Contingent liabilities	394,414	374,109	351,362	285,775	341,618
Commitments	2,315,962	1,918,119	1,898,310	1,811,954	1,828,756

The Group's five-year summary

extracted from the respective audited financial statements

C. STATEMENTS OF CASH FLOW

	2023	2022 restated	2021	2020	2019
	€000	€000	€000	€000	€000
Net cash (used in)/from operating activities	(562,111)	(561,373)	1,157,101	295,040	90,157
Cash flows from investing activities					
Dividends received	3,878	2,387	2,443	219	24,186
Interest received from investing securities	50,073	30,940	36,575	40,332	50,840
Injection of capital in associate (note 18)	-	-	(20,000)	-	-
Proceeds from sale of equity instruments	-	-	-	562	-
Net (outflow)/inflow on investment securities	(781,815)	(1,024,416)	(289,103)	(259,471)	263,225
Purchase of property and equipment	(17,583)	(16,567)	(11,849)	(15,724)	(34,996)
Proceeds on disposal of property and equipment	-	-	-	-	330
Proceeds from sale of equity instruments	7,897	-	-	-	-
Net cash (used in)/from investing activities	**(737,550)**	**(1,007,656)**	**(281,934)**	**(234,082)**	**303,585**
Cash flows from financing activities					
Interest paid on debt securities and subordinated liabilities	(5,781)	(5,781)	(5,776)	(6,457)	(10,050)
Proceeds from issue of senior non-preferred notes	-	350,000	-	-	-
Outflows from issue of senior non-preferred notes	(35,830)	(2,274)	-	-	-
Repayment of debt securities	-	-	-	(70,993)	(40,208)
Payment of lease liabilities	(1,763)	(1,739)	(1,919)	(1,704)	(1,475)
Dividends paid	(17,533)	(10,019)	-	-	-
Net cash from/(used in) financing activities	(60,907)	330,187	(7,695)	(79,154)	(51,733)
(Decrease)/increase in cash and cash equivalents	**(1,360,568)**	**(1,238,842)**	**867,472**	**(18,196)**	**342,009**

D. PERFORMANCE EXPRESSED IN RELATION TO AVERAGE TOTAL ASSETS AND AVERAGE CAPITAL EMPLOYED

	2023	2022 restated	2021	2020	2019
	%	%	%	%	%
Operating income to total assets	3.0	2.0	1.8	1.8	2.0
Operating expenses to total assets	1.5	1.3	1.4	1.4	1.3
Profit before tax to total assets	1.7	0.3	0.6	0.1	0.7
Profit before tax to capital employed	21.1	4.4	7.3	1.4	8.7
Profit attributable to equity holders to total assets	1.2	0.2	0.4	0.1	0.5
Profit attributable to equity holders to capital employed	14.1	2.8	5.1	1.3	6.2

Group Financial Highlights in US dollars

31 December 2023

The following figures were converted from Euro to US Dollars using the rate of exchange ruling on 31 December 2023. The rate used was €1 = US$ 1.1077. This does not reflect the effect of the change in the rate of exchange since 31 December 2022 which was €1 = US$ 1.0677.

	2023 **US$000**	**2022** **restated** **US$000**
Net income attributable to equity holders of the Bank	186,023	33,662
Net income per share	32.0c	6.0c
Gross dividend paid	29,879	16,457
Net dividend paid	19,421	10,697
Gross dividend per share	5.1c	2.8c
Total assets	16,069,346	15,452,549
Liquid funds	2,606,769	3,618,714
Investments and financial assets at fair value through profit or loss	6,056,145	5,032,526
Advances	6,990,579	6,357,750
Investments in equity-accounted investees	121,956	106,990
Share capital	646,730	623,376
Capital reserves	120,634	113,698
Retained earnings	636,904	450,674