



Bank of Valletta

Office of the Company Secretary

House of the Four Winds,

Triq I-Imtiehen, Il-Belt Valletta VLT 1350 - Malta

T: (356) 2131 2020 F: (356) 2275 3711

E: customer-care@bov.com bov.com

BOV/389

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Bank of Valletta p.l.c. pursuant to the Listing Rules, issued by the Listing Authority:

Quote

INTERIM DIRECTORS' STATEMENT

January to March – Financial Year 2020

Mainly due to the current COVID-19 environment, financial performance for the first quarter of the current financial year was somewhat below expectations, as some adverse effects began to emerge towards the end of March due to the consequential economic impact. Both asset balances and customer deposits are in line with expectations and we have seen no reduction in asset growth or customer balances to date. Loans to deposits ratio remains solidly at 44.5%.

Reduced customer interactions through restricted branch operations, lower economic activity and reduced international trade are starting to indicate potential reductions in commission and exchange income. Although it is too early to estimate the full impact of COVID-19 on the Bank, especially as the duration of the current situation remains unknown, lower income and potentially growing credit losses will lead to reduced profitability this year.

Highlights of the Bank's financial position at 31st March 2020 were the following:

- Net interest income, which is marginally down on the same period last year, driven by:
 - Volume growth in the loan book and the continuing preference for very low yield deposit products. This continues to be offset however by lower returns on treasury investments as we continue to move to lower risk investments;
 - Margins which remain under pressure due to the negative interest environment; and
 - Continuing high levels of liquidity.
- Commission and Trading Income were initially in line with plan, albeit showing some decline during March.
- Costs kept below targets.
- Liquidity remains extremely strong with short term funds continuing to grow above the €4 billion mark.
- Capital ratios continue to strengthen.

- The Bank has published a postponement of the dividend previously indicated in line with regulatory recommendations.

The situation on Impairment provisions remained favourable to date, but the current difficult trading environment for our customers is likely to necessitate further provisions. BOV is doing all it can to support customers and welcomes the Government and Regulatory initiatives to assist both consumers and businesses with supported loan facilities and grants. The duration of the current situation will be a key determinant of the extent to which any ultimate credit losses may arise, and therefore any forecasts at this stage would be speculative.

Meanwhile the Bank continues to make solid progress on its de-risking programme while improving in-house capabilities in this regard so as to minimise costs. De-risking costs in the current financial year are expected to be below 2019 levels.

In respect of the remaining two key litigation cases facing the Bank, these are clearly being impacted by the current situation and final conclusions may be deferred into the following year. The Board is confident, however, that the current provision will prove sufficient and do not consider at this stage that any further provision will be necessary.

The Bank has continued to implement further enhancements to its risk management and compliance functions.

In these difficult times, however, the Board reiterates its primary focus is firmly on supporting our loyal customers while maintaining resilience in the face of the serious challenges posed by the current economic crisis.

Unquote



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

30 April 2020