



Bank of Valletta

Office of the Company Secretary

House of the Four Winds,

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BOV/427

COMPANY ANNOUNCEMENT

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

Quote

The Board of Directors of Bank of Valletta p.l.c. (the Group) has today, 22 March 2022, approved the Annual Report & Financial Statements for Financial Year ended 31 December 2021. The Board resolved that these audited financial statements be submitted for the approval of the shareholders at the forthcoming Annual General Meeting (AGM) being held remotely on Thursday, 2 June 2022.

Financial Performance of the Group

- Reported profit before tax ('PBT') of €80.7 million (2020: €15.2 million).
- Pre-tax return on equity of 7.3% (2020: 1.4%) and earnings per share of €9.6 cents compared with €2.4 cents in the same period 2020.
- The underlying operating performance of the Bank demonstrates a resilient income stream with good recovery from the impact of the pandemic in 2020 and growth in some areas, partly offset by higher costs. The much stronger profitability benefited from a *net release* of Expected Credit Losses ('ECLs') reflecting better economic conditions relative to 2020 and individual client asset improvements.
- Total operating income was up 4.9% to €242.9 million (compared to €231.6 million in 2020). The Bank's revenues mostly recovered from 2020 lows as net interest income held up overall and net commission income grew strongly, however foreign exchange income was down due to continued lower turnover.
 - Net interest income of €156.3 million increased by €9.5 million versus prior year
 - Net Commissions at €74.6 million was up by €7.3 million, or 10.9% on financial year 2020, and overall exceeded pre-pandemic levels
- Total costs were €195.6 million, increasing by €25.2 million or 14.8%, inclusive of Strategy costs which were up by €7.3 million year over year.
 - Employee compensation increased by €2.2 million, which reflected the need for the Bank to meet regulatory requirements across its functions such as Risk and Compliance, and to reinforce ongoing investments in digital based capabilities
 - The Bank incurred a total of €6.1 million in specific items such as the €2.6 million fine imposed by Financial Intelligence and Analysis Unit ('FIAU') and €1.4 million disbursements on card fraud
 - Furthermore, costs payable to the Deposit Guarantee Scheme ('DGS') increased by €4.8 million during the year as the growth in retail deposits continued
 - Excluding the impact of items that are not expected to recur and an increase in contribution to the DGS, underlying operating costs increase was €5.7 million, or 3.7%, mainly driven by IT investments due to the Bank's constant efforts to modernise and digitise key systems
- *Net release* of ECLs amounted to €18.9 million, compared to the 2020 substantial *net charge* of €65.1 million which was driven by COVID-19 and Legacy Non-Performing Loans ('NPLs').

- The Group's share of the insurance associates' results was €14.5 million, up by €4 million on prior year, attributable to strong economic recovery, solid growth in investments business and significant liquidity in the local market.

Financial Position of the Group

- Group total assets reached €14.4 billion as at the end of 2021 - an increase of 11.2% over the previous year. Customer deposits grew by €904.6 million (8.0%).
- Cash and short-term funds increased by €827.6 million or 21.8% over the prior year with the extraordinary increase arising from the Bank's participation in the TLTRO III Eurosystem funding during 1Q 2021.
- The Group's treasury investment portfolio increased by €260 million year on year and is composed of highly rated securities.
- Net loans and advances increased by €335.3 million, or 6.9%, during the year and stood at €5.2 billion as at 31 December 2021.
- The ECLs coverage of the credit impaired assets also improved year on year from 50.0% to 54.1%.
- Liquidity ratio stands at 444% reflecting the high deposit growth over the year which outpaced the demand for loans. The Group's net advances to deposits ratio stood at 44.1%.
- CET 1 ratio increased from 20.9% to 21.9%, and the total capital ratio improved from 24.5% to 25.5% as at end of December 2021.

Dividends

During 2021, a gross interim dividend was authorised of €0.0264 per share amounting to €15.4 million (net ordinary dividend of €0.0172 per share amounting to €10.0 million) which was paid on 28 January 2022. The Board of Directors does not intend to recommend a final dividend for Financial Year 2021. This is in line with the continuous efforts of the Board to maximise long term shareholder value in the Bank.

Further Update on the Strategic Plan - BOV 2023

In 2020 the Board approved a strategy which plans to take BOV on a digital transformation journey over the coming years. The Bank has embarked upon a major transformation programme for our branches, both operationally, with staff re-training and re-skilling, and with new improved branches that saw the launch of the new Sliema branch and with other branches being converted from the more traditional layout to a new service model that is designed to meet the needs of the 21st century.

We have also focused on migrating transactions towards more efficient electronic means of payment which has resulted in significant volumes of transactions processed electronically and cheques processed down by more than 50%.

Although we have made good progress in a number of areas, we have had to balance the pace of change we would like to make with both managing our staff through a major transformation and the need to ensure our risk and control environment is continually improved to meet current, new,

and emerging regulatory requirements. The Bank invested significantly in its credit management and wealth management back-office processes to deliver stronger controls without impacting customer service.

Alongside the transformation we have been significantly enhancing our internal data capabilities, to improve customer understanding and enable us to make better and more informed decisions. We currently have a number of data quality enhancements underway, which will support future product development and customer value propositions.

Litigation update

The Deiulemar claim remains outstanding and continues to be significant. Post year end, a judgement against the Bank was granted by the Tribunal of Torre Annunziata with regards to this case. This outcome does not change the Group's expectations, based on the opinions of independent legal experts, that the case against the Bank will be found to carry no merit in the higher Court. It thus did not impact the financial results, and the Bank since appealed the judgement. Furthermore, the Bank still considers that it makes commercial sense to seek to resolve this claim at a level not exceeding the potential cost impact. For this reason, the Bank has retained the same settlement offer to the counterparty (the offer was not accepted), without prejudice and with no admission of liability. No further litigation provision was deemed necessary for the year ending 2021.

Concluding remarks

The ESEF Annual Report & Financial Statements for the year ended 31 December 2021 and 'Directors' Declaration on ESEF Annual Report & Financial Statements 2021' can be viewed on the Malta Stock Exchange website (the official appointed mechanism) at <https://borzamalta.com.mt/>

Unquote



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

22 March 2022



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DIRECTORS' DECLARATION ON ESEF ANNUAL REPORT

We, Gordon Cordina, Rick Hunkin and Alfred Lupi, in our capacity as Directors of Bank of Valletta p.l.c (Company registration number: C2833), hereby **certify**:

- i. That the Annual Report for the year ended 31 December 2021 has been approved by the Board of Directors of the Company and is hereby being made available to the public.
- ii. That the Annual Report has been prepared in terms of the applicable rules and regulations, including the Commission Delegated Regulation on the European Single Electronic Format ("ESEF")¹ and the Capital Markets Rules².
- iii. That the Audit Report on the ESEF Annual Report is an exact copy of the original signed by the auditor and that no alterations have been made to the audited elements of the Annual Report including the annual financial statements.
- iv. That the Annual Report shall serve as the official document for the purposes of the Capital Markets Rules and, where the issuer is registered in Malta, the Companies Act (Chapter 386 of the Laws of Malta).

Gordon Cordina
Chairman

Rick Hunkin
Director / Chief Executive Officer

Alfred Lupi
Director

¹ Commission Delegated Regulation 2019/815 on the European Single Electronic Format, as may be further amended from time to time.

² Capital Markets Rules as issued by the Malta Financial Services Authority (MFSA).