



## Bank of Valletta

Office of the Company Secretary

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**BOV/444**

### **COMPANY ANNOUNCEMENT**

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

#### **Quote**

### **INTERIM DIRECTORS' STATEMENT**

#### **January to September – Financial Year 2022**

Bank of Valletta Group has reported a loss before tax for the year to date amounting to €55.7 million. Excluding the effect of the settlement of the Deiuemar claim in May this year, the nine-month profit amounted to €47.8 million, up by 3% compared to the same period last year.

Revenue for the first nine months of 2022 stood at €202.3m. This constituted an improvement of 16.8%, reflecting the increase in Eurozone interest rates coupled with a rise in volumes in the retail sector, particularly in home lending, cards, and payments. Commission income also grew, particularly in card business.

Operating costs rose at a slower rate, by 6.7%, compared to the same period in 2021. This increase was in good part due to human capital requirements in specialised areas, growth in average salaries, and the Group's contribution to the Depositor Compensation Scheme. The need for a non-recurring external specialist support relating to Environmental, Social and Governance (ESG) also contributed to the growth in costs.

A net impairment charge of €10.1 million as at the end of the third quarter of 2022 was taken on account of evolving risks emanating from geo-political instability factoring in higher inflation and lower GDP growth based on published Central Bank of Malta forecasts. The Bank continues to actively assess its expected credit losses as economic circumstances evolve.

BOV's share of results from insurance associates declined significantly compared to the same period in 2021, largely driven by the volatility of global financial markets.

Net loans and advances to customers increased by 5.8% during the first nine months of 2022. Growth was reported in both business and home loans, with the latter being the main driver. Customer deposits up by 4.0% over December 2021, predominantly driven by current and savings accounts.

In order to meet regulatory requirements pertaining to MREL, the Bank has 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. The notes will be offered in the international debt capital markets through the intermediation of Credit Suisse (Europe) S.A. and UBS Europe SE, acting as joint arrangers and dealers. This issue will also allow the Bank to increase its lending book and expand investment horizons of its treasury operations.

### **DELIVERING THE BOV 2023 STRATEGY**

The Bank continued to focus on a number of projects to meet regulatory requirements in the course of 2022, while striving to modernise processes through business process re-engineering to drive service improvements and efficiencies. The third quarter of the year has seen several automation initiatives such as the introduction of the first unattended Robotic Process Automation to improve internal efficiency and open-source search screening for customers as well as the introduction of a digital workflow to optimise customer call-back requests. Furthermore, an online solution for home loans was launched, in which customers can start and finish their home loan application online, a first in the local market.

### **INFLATIONARY PRESSURES AND RAISING INTEREST RATES**

In recent quarters, the Maltese economy regained a positive economic momentum, characterised by strong real GDP growth, which brought the unemployment rate to historically low levels. The recovery in tourism, which was the most impacted sector during the COVID-19 pandemic, is also proceeding well this year. However, another major global economic shock, a surge in inflation, has occurred. This shock hit the country in recent months, but its impact has been partially cushioned through the government's decision to keep utility and fuel prices stable, despite the strong increases in foreign energy prices caused by the war in Ukraine. The government has committed further funds to continue shouldering the cost of energy to support households and businesses in Malta. This is a temporary solution and from a risk management perspective it would be prudent to anticipate the eventuality that the recent increases in international energy prices may persist in the long term.

Another significant development has been the decision by the European Central Bank (ECB) to start increasing interest rates. This has benefited the Bank as it is no longer paying negative interest when depositing its surplus liquidity. The Group will continue to monitor the situation, as well as the actions of the other major banks in Malta, with the aim of striking the right balance among its stakeholders when setting its interest rate structure. The strong liquidity situation will help to ensure that any future changes would be well-managed and gradual.

**ESG INITIATIVES**

During 2022, Climate and Environmental (C&E) risks received greater focus, given they constitute a significant source of risk to the Bank's balance sheet and also due to the potential impact this risk could impose on the Maltese economy. The Bank continued its environmental risk monitoring and commissioned an energy audit and carbon footprint assessment. Furthermore, the Bank joined the Malta ESG Alliance, a platform earmarked to encourage companies to motivate other businesses and supply chains to push for de-carbonisation and reaching their ESG goals. BOV's approach to ESG sustainability is currently reflected in its recently approved strategy, which embeds the Bank's position and sets a blueprint for 2022-2024.

**APPOINTMENT OF NEW CEO**

As advised by means of Company Announcement 442 issued on the 13 October, Mr. Kenneth Farrugia has been appointed as the Bank's Chief Executive Officer and Executive Director following receipt of regulatory approval. The Board once again expresses its gratitude for the outgoing Chief Executive Officer Mr. Rick Hunkin's service who has relinquished his position with the Bank.

**Notes**

The financial information on which this Interim Directors' Statement is based, is extracted from unaudited accounts of the Group which are prepared in accordance with the Group's accounting policies as described on pages 50 to 65 of 2021 ESEF Annual Report & Financial Statements.

**Unquote**

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

3 November 2022