



## Bank of Valletta

Office of the Company Secretary

House of the Four Winds,

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

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BOV/449

### 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

The Board of Directors of Bank of Valletta p.l.c. (the Group) has today, 30 March 2023, approved the Annual Report & Financial Statements for Financial Year ended 31 December 2022. 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 at the Grand Master Suite, Hilton Malta, St Julian's on Thursday, 25 May 2023 at 10:00 hours.

#### Financial Performance of the Group

- Reported profit before tax ('PBT') of €48.7 million (2021: €80.7 million).
- Adjusted profit before tax of €151.7 million, excluding the effect of the Deulemar settlement, resulting in an increase of €71.0 million or 88% compared to FY2021.
- Pre-tax return on equity ('ROE') of 4.3% (2021: 7.3%) and earnings per share of €5.3 cents compared with €9.6 cents in the comparative year. Excluding the one-time impact of Deulemar settlement, ROE was 13.3%.
- The Group delivered solid revenue growth with client-driven activities and positive interest rate dynamics, supported by lower costs and net release of Expected Credit Losses ('ECLs').
- Total operating income increased by 21% or €50.4 million to €293.4 million compared to €242.9 million in 2021. The most significant growth was in net interest income ('NII').
  - Net interest income of €201.9 million increased by 29% compared to 2021 as a result of a healthy growth in lending portfolios supported by rising of interest rates which further reduced the burden of interest expense.
  - Net Commissions at €76.6 million increased by 3% year on year (2021: €74.6 million).
- Total costs amounted to €192.6 million resulting in a 2% decrease or €3.0 million (2021: €195.6 million), inclusive of Strategy initiatives.
  - Employee compensation and benefits increased by €18.5 million or 23% driven by human capital requirements in specialised areas and associated growth rate in the average compensation. The Group has also introduced a voluntary pensions scheme and stepped up its early retirement scheme (an increase of €5.6 million vs prior year)
  - The growth in employee costs was more than offset by slowed strategic investment from €23.1 million in 2021 to €7.8 million in 2022 and reprioritisation of other projects as the Bank balanced its efforts to deliver superior controls in line with regulatory requirements.
- Net release of ECLs amounted to €49.1 million compared to a net release of €18.9 million in the previous year mainly as a result of COVID-19 provisions release (€24.9 million) accounted for in previous years.
- The Group's share of the insurance associates' results was €1.9 million (2021: €14.5 million), a significant decline, largely driven by the volatility of global financial markets during the year and the rising of interest rates.

## Financial Position of the Group

- Group total assets stood at €14.5 billion as at 31 December 2022, a marginal increase compared to 2021 which stood at €14.4 billion. Customer deposits have seen a growth of 3% compared to December 2021.
- New market opportunities have eased excess liquidity from the €4.6 billion in 2021 to €3.4 billion in 2022 and as a result led to growth in investments of 27% compared to the previous year.
- During the fourth quarter of 2022, the Bank issued €350 million Callable Senior Non-Preferred Notes maturing within 5 years at a coupon rate of 10% per annum. These issued notes stemmed from regulatory requirements pertaining to the minimum requirement for own funds and eligible liabilities ('MREL').
- Net loans and advances amounted to €5.6 billion (2021: €5.2 billion) increasing by €436.4 million, or up by 8% compared to 2021.
- The ECLs coverage of credit impaired assets was marginally lower at 53.8% (2021: 54.1%)
- Liquidity ratio was 426%, down from 444% as at 31 December 2021, and remained significantly above the minimum regulatory requirement. This decline reflected an increase in investments yielding a higher rate of return. The Group's gross advances to deposits ratio stood at 46% (2021: 44%).
- CET 1 ratio and total capital ratio remained strong and above regulatory requirements, with the CET1 decreasing marginally from 21.9% to 21.8% and the total capital ratio decreasing from 25.5% to 25.4%.

## Deiulemar settlement

During 2022, the Bank reached an out of court settlement agreement, without admission of fault bringing all legal claims surrounding the Deiulemar issue to an end. The net impact of this settlement to profitability in 2022 was €103 million whilst a total of €363 million in pledged assets were released and are free from encumbrance.

## Dividends

In respect of the current period, the directors did not declare any interim dividends in view of the net loss reported for that period arising from the settlement of the Deiulemar litigation, and the need to remain aligned with regulatory expectations within this context. The Bank staged a significant recovery in underlying profitability for the year as a whole, which however remains weighed down by the cost of the Deiulemar settlement. For this reason, the Directors are not proposing any dividend for the year. This is consistent with efforts to sustain the capital and liquidity strength of the Bank's balance sheet, generating the capacity for further business growth over the coming years. This approach meets the exacting regulatory expectations on the Bank and is consistent with a prudent approach in the context of overall developments in the global economy and financial markets.

## Strategy update

In 2020, the Board approved a strategy which planned to take BOV on a transformation journey over three years. Although external factors such as COVID-19 and the global economic effects from the outbreak of the war in Ukraine posed several challenges, the Bank continued moving forward with our strategic ambitions of digitalisation and simplification.

In 2022, the Bank needed to balance the pace of change when managing staff through a significant transformation, whilst continuously improving the Group's risk and control environment to ensure compliance with current, new and emerging regulatory requirements.

Nonetheless, the Bank implemented several quick wins on service delivery using the latest techniques to provide low-cost-high speed improvements. Moreover, the Bank took forward the re-engineering of a number of processes as well as the streamlining of procedures to deliver customer service improvements. Overall, good progress has been made in many areas, and further improvements are in the pipeline.

### **Concluding remarks**

The ESEF Annual Report & Financial Statements for the year ended 31 December 2022 and 'Directors' Declaration on ESEF Annual Report & Financial Statements 2022 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**

30 March 2023

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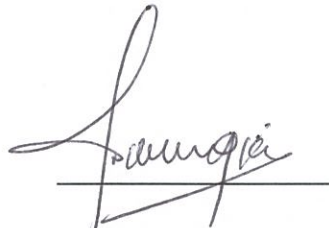
### DIRECTORS' DECLARATION ON ESEF ANNUAL REPORT

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

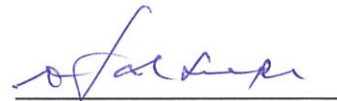
- i. That the Annual Report for the year ended 31 December 2022 has been approved by the Board of Directors of the Company and is hereby being made available to the public.
- ii. That the Annual Report has been prepared in terms of the applicable rules and regulations, including the Commission Delegated Regulation on the European Single Electronic Format ("ESEF")<sup>1</sup> and the Capital Markets Rules<sup>2</sup>.
- 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



Kenneth Farrugia  
Director/Chief Executive Officer



Alfred Lupi  
Director

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

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