



Bank of Valletta

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BOV/452

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 March – Financial Year 2023

The BOV Group reported a Profit before Tax of €46.5 million for the first quarter of 2023, up by €24 million from the same period last year.

Revenues at €95.5 million were €36.6 million higher than in first quarter 2022, almost wholly generated by growth in net interest income. The Bank estimates that around one-fifth of this growth reflected the pass-through of the increase in interest rates effected by the European Central Bank, mainly to euribor-denominated loans to business customers. Growth in business and home loan portfolios also contributed to the higher net interest income, as did higher effective rates on the home loan portfolio through the repricing of facilities granted at temporary competitive interest rates in recent years. The Bank has also taken opportunities to deploy liquidity at better returns in the securities markets, generating one fourth of the growth in net interest income. The Bank has furthermore benefited from positive returns on excess liquidity balances held at the Central Bank of Malta, reversing a long period of negative returns. This was contrasted by the cost of the 10% Callable Senior Non-Preferred Notes issued by the Bank in December 2022 to meet regulatory requirements.

Net fee and commission income was lower when compared to the same period last year, but this was mainly due to timing of specific services performed during the year. A strong performance in foreign exchange income persisted in 1Q 2023.

Operating costs for the first three months of 2023 were up by 2.8% versus the same period in 2022 due to increases in employee compensation and modernisation of the Bank's technology. Strategy investment costs doubled that in first quarter 2022. This was in line with expectations, given that, in the previous year the Group focused resources on regulatory commitments resulting in a relatively slower pace in the delivery of strategic initiatives.

A net Expected Credit Losses charge of €5.0 million was recorded in the first quarter. This net charge was partly a normal consequence of the growth in the loan portfolio, as well as improved coverage levels for riskier exposures.

The share of results from insurance associates further enhanced financial results in the first quarter, largely driven by the volatility of global financial markets in the first quarter of 2022 caused by the outbreak of war in Ukraine.

Net loans and advances grew 1.5% when compared with year-end 2022 with growth in both retail and business lending. Customer deposits were lower by 2.3% from December 2022, with continued growth in personal deposits but offset by a decrease in corporate deposit levels. These developments led to a favourable increase in the Bank's loan to deposit ratio. The Bank's liquidity ratios remained strong and regulatory capital ratios continued to well-exceed regulatory capital requirements.

The Bank is now in the last year of BOV 2023 Strategy where the Bank is taking forward a number of initiatives across key strategic areas. In parallel, the Bank has initiated the formulation for the new strategy to cover the next three years.

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 55 to 70 of 2022 ESEF Annual Report & Financial Statements.

Unquote



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

4 May 2023