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BOV476

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, 27 March 2024, approved the Annual Report & Financial Statements for Financial Year ended 31 December 2023. 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 Friday 31 May 2024 at 10.00 a.m.

The Board of Directors further resolved to recommend for the approval of the Annual General Meeting the payment of a final gross dividend of **€0.0700** per share making for a final net dividend of **€0.0455** per share which, if approved by the Annual General Meeting, would make for a total gross dividend for the year of **€0.1162** per share (total net dividend per share €0.0755). The payment of the final dividend is still subject to regulatory approval.

Shareholders on the Bank's share register at the Central Securities Depository of the Malta Stock Exchange, as at 1 May 2024, will receive notice of the Annual General Meeting together with the Financial Statements for the financial period ended 31 December 2023.

The final cash dividend, if approved by the Regulator and at the Annual General Meeting, will be paid on the 12 June 2024 to the shareholders on the Bank's share register at the Central Securities Depository of the Malta Stock Exchange on 1 May 2024.

Highlights for the Financial Year 2023

Bank of Valletta delivered a strong financial performance for the year, registering a profit before tax figure of €251.6 million (2022 restated: €49.1 million adjusted to €152.0 million when excluding the effect of the Deiulemar settlement). These positive results are underpinned by strong income growth and high profitability levels achieved across all main business lines. This continued to strengthen the Bank's balance sheet position, with liquidity and capital positions remaining well above regulatory requirements.

Key performance indicators were satisfactory with pre-tax return on average equity at a level of 21.1% (2022 restated – 4.5% / adjusted ROE – 13.9%) and cost to income ratio at 47.8% (2022 restated – 65.7%). These positive results were achieved in a backdrop of a high interest rate environment influenced by geopolitical tensions, high inflation, and tightening monetary policies across the euro area.

On the strength of the financial performance being registered, the Board of Directors is pleased to announce one of the highest dividend distributions paid in recent years, which duly rewards its loyal shareholders. This is being recommended after taking into consideration the Bank's future capital requirements, underpinned by a fully articulated dividend policy which seeks to balance out dividends payout with future growth of the Bank's equity base. It also takes into consideration the sustainability of further dividend payouts in the future.

Financial Performance of the Group

- Reported profit before tax ('PBT') of €251.6 million (2022 restated: €49.1 million adjusted to €152.0 million when excluding the effect of the Deiulemar settlement).

- The earnings per share for the year 2023 amounted to €28.8 cents compared with €5.4 cents restated in the comparative year.

- The Group delivered solid revenue growth with client-driven activities and positive interest rate dynamics, together with a net release of Expected Credit Losses ('ECLs').

- BOV Group has experienced a significant increase in operating income primarily due to the enhancement in net interest income for the year 2023. Overall, total operating income amounted to €441.0 million, an increase of €147.6 million or 50% over the prior year (2022: €293.4 million).

- Net Interest Income remained the primary driver of operating income, totalling €352.0 million, a surge of €150.1 million or 74% when compared to €201.9 million in the preceding year, reflecting consistent growth in customer lending and proprietary investment portfolios.

- Net Fee and Commission income increased by €1.4 million during the year for a total yearly amount of €78.0 million (2022: €76.6 million).

- Total costs amounted to €210.9 million which is equivalent to an increase of 10% or €18.3 million when compared to the previous year €192.6 million. The increase was driven by the Group's ongoing pursuit of talent enrichment, enhanced compensation and benefits, continuous investment in technology, the delivery of digital channels and investments in platforms to strengthen regulatory compliance.
  - Employee compensation and benefits increased by €11.0 million or 11% mainly as a result of recruitment in specialised areas of the Bank and associated growth rate in the average compensation.
  - The execution of our strategic initiatives remained swift, and the Bank allocated an additional €11.0 million in investments in 2023 (2022: €7.8 million).

- A release of €10.5 million was registered in terms of net Expected Credit Losses ('ECL') (2022: €49.1 million release). The magnitude of this release reflects largely the effects of the Non-Performing Loans ('NPL') sale executed by the Bank in 4Q, which is considered a first in the local banking sector and which resulted in a €17.5 million reversal of allowances, which were previously booked against such exposures.

- The BOV Group maintained vigilant oversight over all asset quality metrics with particular attention being placed on the non-performing exposures portfolio ('NPE'). As at 31 December 2023, the NPE ratio stood at 3.1%, down by more than 40bps when compared to the 3.5% outstanding a year earlier, with the decrease amounting to €11.9 million in terms of absolute amounts.

- The Group's share of profit from insurance associates for the year resulted in a profit of €11.0 million (2022 restated: €2.2 million profit). The Group's profits for the comparative year were adjusted by €357 thousand in share of results from insurance associates, increasing the share of profits as had been reported in the previous year. This outcome is due to the Group's associated companies implementing IFRS 17, an accounting standard that introduced a fresh approach to valuing insurance contracts.

Financial Position of the Group

- The Group's Total assets remained practically on the same levels of the previous year at €14.5 billion as at 31 December 2023 (2022 restated: €14.5 billion). Material shifts were noticed between line items especially between balances held with central bank moving to investments and lending, as the Bank seeks to optimise long term returns.

- Sustainable management of excess liquidity was maintained during 2023, with cash and short-term assets decreasing by circa €1.0 billion, a reduction of around 31% over the 2022 closing position. These funds were utilised to fuel further growth in the loan book, €511.7 million, followed by further investments in treasury securities.

- Customer deposits stood at €12.2 billion as at end of year, marginally lower than the previous year's €12.5 billion and confirming the stickiness of the deposit base.

- Gross loans and advances to customers (including instruments held at FVTPL) as of 31 December 2023 reached €6.3 billion, an increase of nearly 9% when compared with the €5.8 billion of December 2022. Both the commercial and retail business lines registered a very positive year in terms of growth and also in terms of related revenues.

- The Group's gross loans to deposits ratio increased from 46.0% in December 2022 to 51.7% by end of 2023, in line with medium term financial targets.

- The liquidity ratio was 362%, down from 426% outstanding as at 31 December 2022, and remained significantly above the minimum regulatory requirement.

- The capital ratios remained strong and above regulatory requirements, with the CET 1 and total capital ratios as at 31 December 2023 of 22.7% (2022: 21.8%) and 25.9% (2022: 25.4%), respectively.

Dividends

The conservation and the generation of capital remain high on the Bank's agenda. Such approach ensures that the Bank has enough capital to sustain its future strategic growth ambitions whilst always acting prudently to remain well capitalised in relation to regulatory thresholds.

Following the successful issuance of the €350 million Callable Senior Non-Preferred Notes in December 2022 to meet regulatory requirements pertaining to the minimum requirements for own funds and eligible liabilities (MREL), the Bank's strategy continued to revolve around balancing the dividend pay-outs against the current and future capital requirements of the Bank with a view to ensuring sustainable growth levels built upon strong financial and capital fundamentals. On the lines of such rationale, the Board of Directors will be recommending a cash dividend for 2H 2023 (subject to regulatory approval), which will be in addition to the interim dividend declared and paid in December 2023.

Further to the gross interim dividend of €0.0462 per share paid on 6 December 2023 amounting to €27.0 million (net ordinary dividend of €0.0300 per share amounting to €17.5 million), the Board of Directors will, at the forthcoming Annual General Meeting, be recommending a final gross dividend of €0.0700 per share amounting to €40.9 million (net dividend of €0.0455 per share amounting to €26.6 million). The total dividend payable by the Bank for the year of €67.9 million represents a dividend payout ratio of 26.9% when taken as a percentage of Profit Before Tax.

Strategy update

The year 2023 marked the closing period of the 3 year strategy that the Bank had embarked upon in 2020, when the Board had approved a three-year strategy that planned to take BOV on a forward-looking transformation journey. Despite a number of external factors, such as the pandemic, litigation and the Ukrainian crisis posed several challenges, the Bank continued moving forward with its strategic ambitions related to digitalisation, process simplification, customer centricity and product diversification.

During these years, substantial investments in regulatory and mandatory projects were necessary and these have been implemented together with several other initiatives related to service delivery using the latest techniques to provide low-cost-high speed improvements. The Bank has also been re-engineering processes to deliver service enhancements while providing customers with more efficient alternative channels. The Bank is pleased to see this resulting in continued migration from traditional to more modern alternative channels and payments.

Concluding remarks

Going forward, the Board of Directors has approved a new strategy for the next three years to 2026. The key strategic thrusts revolve around the Bank's personal and business customers, digitalisation of our operational model, further strengthening the Bank's risk management control framework and enhancing the Bank's human capital. In parallel, the Bank will be supporting initiatives in these areas by investing in its Data management and analytical capabilities, digitalisation and embedding ESG in its business and operational model. Through these concerted thrusts the Bank aims to consistently meet and where possible exceed the expectations of its customers.

The ESEF Annual Report & Financial Statements for the year ended 31 December 2023 and 'Directors' Declaration on ESEF Annual Report & Financial Statements 2023' 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

27 March 2024

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DIRECTORS' DECLARATION
ON ESEF ANNUAL REPORT

We, Gordon Cordina, Kenneth Farrugia and Deborah Schembri 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 2023 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 Rules[2].

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	Deborah Schembri 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).