



## Bank of Valletta

Office of the Company Secretary

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BOV/419

### COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Bank of Valletta p.l.c. pursuant to the Listing Rules, issued by the Listing Authority:

#### Quote

#### INTERIM DIRECTORS' STATEMENT

#### January to September – Financial Year 2021

The BOV Group continued to strengthen its profitability in the third quarter of 2021, delivering €20.6 million of Profit Before Tax. For the nine months of this year, Profit Before Tax was €46.5 million, up by €5.9 million compared to the same period last year. This improvement reflects the ongoing but as yet incomplete recovery from the COVID-19 pandemic, further underpinned by encouraging economic activity. Against these developments, the Group retains a cautious outlook for the remainder of the year, especially in respect of its stance towards credit provisioning.

The Group's revenues for the nine-month period were €172.1 million, up by 4% over the comparable period in 2020. This is mainly due to improved volumes in the retail sector, particularly in home lending, cards and payments.

Operating costs for the first nine months were slightly higher (1%) as compared to the same period in 2020. The Group also continued to invest in BOV 2023 Strategy, the benefits of which will be reaped in future years as the Bank becomes more resilient, digitalised and enabled to deliver sustainable growth.

A net impairment reversal of €3 million in the third quarter reflected a revised macroeconomic outlook positively affecting the expected performance of specific sectors and individually significant exposures. During the quarter, an impairment charge of €1.8 million was taken with respect to long outstanding non-performing loans, supporting the Group's prudent approach. Increased efforts to boost recoveries from past debts have continued to yield results. The Bank continues to actively assess its expected credit losses as economic prospects evolve.

Net loans and advances to customers increased by 5% during the first nine months of 2021. Growth was reported in both business and home loans, with the latter being the main driver. Customer deposits have increased by 4% over the period, predominantly in shorter term deposits.

The share of results from insurance associates was significantly better than last year, largely driven by an increase in market value of investments and higher written premia.

The strength of the Bank's loan book is evidenced by a relatively stable NPL ratio at 4.3%, adequate provisions and suitable capital levels to withstand an adverse scenario. The Bank remains vigilant in monitoring risks stemming from the long-term economic impact of COVID-19, and other emerging risks in the global economic scenario.

The Bank is furthermore reviewing potential risks arising from the placement of Malta in the FATF grey-list. We are sustaining and reinforcing our efforts on a number of complex and wide-ranging projects to meet regulatory expectations in a period of continued rapid de-risking and investment in compliance activities at the level of the jurisdiction.

The Bank maintained its vigilance and engagement with respect to risks emanating from long-dated litigation events.

The Bank is increasing the focus on the ESG (Environmental, Social and Governance) agenda to embed it within the organisation in order to improve the well-being of people and protection of the environment, and to support our customers in the transition to a sustainable future.

### **Strategy BOV 2023 Update**

The BOV 2023 Strategic Transformation continues to deliver step changes in line with the BOV 2023 goals. Key milestones achieved include organisational changes and improved customer focus underpinned by extensive training provided to our front-office colleagues, implementation of streamlined systems in our credit management, wealth management and on-boarding processes. The Bank continues to see significant reductions in over-the-counter transactions with a sustained customer migration to the use of its self-service machines and electronic payments. These changes will enable the bank to be more effective in meeting customer's banking needs.

The Bank maintains a wide network of community-based branches. The concept branch in Sliema was inaugurated on 5 October. This initiative forms an integral part of the BOV 2023 Strategy, which is set to deliver profound improvements in the way we service our customers, reduce back-office paperwork through better and simplified processes. It provides an improved working environment for staff and customers, with a modern look and feel within an ambience that underlines the Bank's identity as a manifestation of and contributor to Malta's socio-economic development. Every effort was made to limit climate and environmental impacts, utilising all-natural, renewable materials and technologies to minimise consumption of energy and other resources.

The concept branch will serve to complement the implementation of a number of digitisation projects that the Bank has initiated and that will see the reengineering of customer facing processes rendering these more effective and customer-centric. These projects will be implemented in early 2022.

Underpinning the Strategy is a significant investment in systems, people and controls as the Group continues to build on solid foundations put in place by the Risk Transformation and de-risking programmes. We continue to invest in our Risk, Compliance and Audit functions, resourcing them with the necessary resources, tools and training.

### **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 44 to 56 of 2020 Annual Report & Financial Statements.

### **Unquote**



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

2 November 2021