



Bank of Valletta

Office of the Company Secretary

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BOV/411

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 March – Financial Year 2021

Profit before tax for the first quarter of FY 2021 amounted to €9.3 million. This was in line with underlying performance trends experienced over the course of last year, conditioned by subdued activity and provisioning occasioned by the COVID-19 environment. This figure was impacted by a number of factors which may not be repeated over the course of the year. FY2021 performance is also critically dependent on the speed of recovery from the COVID-19 event.

First quarter results continued to reflect impairment charges for long outstanding non-performing loans which were extended, while the Group is taking focused action to address this portfolio. The Group shifted the emphasis of its investment spend towards the transformation and growth of its business, as de-risking projects are phasing into a business-as-usual situation.

Revenue decreased by 4% over the comparable period of FY2020, mainly due to the effect of a refund of customer fees and charges which had been introduced late last year, the situation which is being reviewed with the regulator. Revenue performance was also affected by reduced foreign exchange business on account of COVID-19 restrictions.

Operating costs were higher by 4% as compared to the first quarter of FY2020. This was mostly driven by an increase in employee compensation as well as investment in technology and related amortisation.

Compared to December 2020, net loans and advances to customers increased by 1.7%. Growth was reported in both business and home loans with home loans being the main driver.

Customer deposits have increased by 1.3% since December 2020, predominantly in shorter term deposits.

During the first quarter of 2021, the Bank participated in the TLTRO III Eurosystem funding. This will contribute to mitigate the costs of funding liabilities through which the Bank will continue to sustain its position as a key player in the provision of finance to local businesses and households.

As announced in the annual financial statements, the Bank made a capital injection of €20 million in its associate company MAPFRE MSV Life plc, ('MMSV') in March 2021. Following this, the Bank continues to retain a 50% shareholding in MMSV, with whom it will intensify its work as a strategic market partner.

The share of results from associates posted in the first three months period of the year were higher than projections.

Going forward, business remains subject to a significant degree of uncertainty, with a number of items impacting the performance in first quarter which may not be representative of 2021 full year results. We carry good momentum going into the second quarter, and the speed at which economies recover from the COVID-19 pandemic may present opportunities or further risk to the Group's top line and impairment positions.

Strategy BOV 2023 Update

The BOV 2023 Strategy commenced late last year and gained momentum in the first quarter of 2021. Key milestones achieved included significant reductions of over-the-counter transactions as well as cheques processed and encashed in branches. These changes will enable the bank to be more effective in meeting customer's banking needs.

The bank remains committed to maintaining its wide network of community-based branches and is embarking upon an extensive refurbishment programme to support the roll out of a new and improved service model to deliver an enhanced customer experience. The next quarter will see the launch of our new Sliema branch, which will have a far more modern and open look and feel. It will provide more customer space, digital screens and automation, specific zones for investment and business customers, and more customer interaction spaces.

Underpinning the Strategy is a significant investment in training and reskilling of our employees. In the first quarter of this year, more than 450 colleagues went through targeted training programmes to enhance customer service and meet customer needs more effectively.

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 47 to 60 of 2020 Annual Report & Financial Statements.

Unquote

A handwritten signature in black ink, appearing to read 'R. Longhurst', written in a cursive style.

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

6 May 2021