

Gozo Business Chamber

Annual Presentation 2021

BOV

Bank of Valletta

“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair.”

Charles Dickens, A Tale of Two Cities

A Tale of an Island and a Bank

Challenges and Opportunities: Through COVID and Beyond

Dr Gordon Cordina

Chairman of the Board of Directors

BOV

Bank of Valletta

Island...Smallness, Peripherality, Detachment

...Well-being, Distinctiveness, Completeness



Not so much a geographical construct...technology, globalisation and transport overcome constraints



COVID has shown as much, while it has tended to create “other islands”



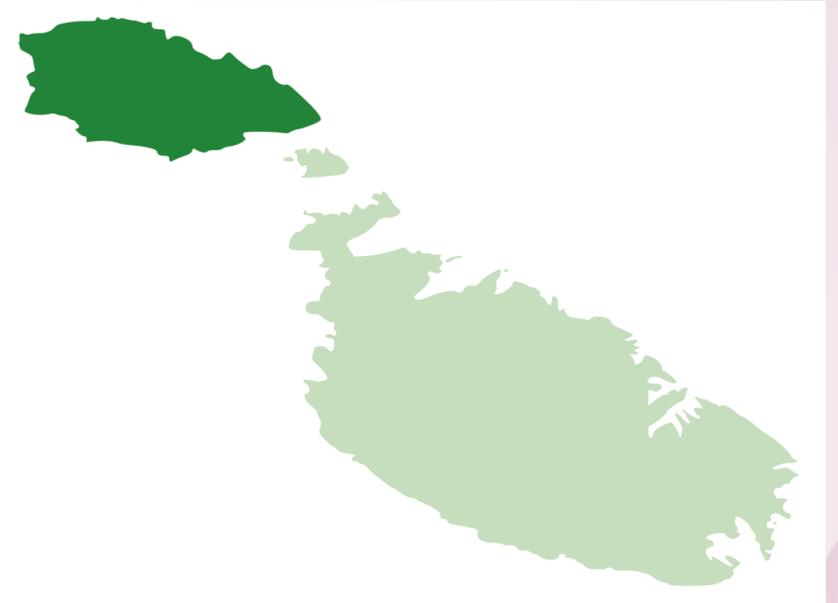
Islandness depends on human behaviours and attitudes



Islands of Opportunity Concept used from Australia to India to Shetland. Used in applications ranging from waste management to protecting vulnerable people to developing negotiations skills and creativity.

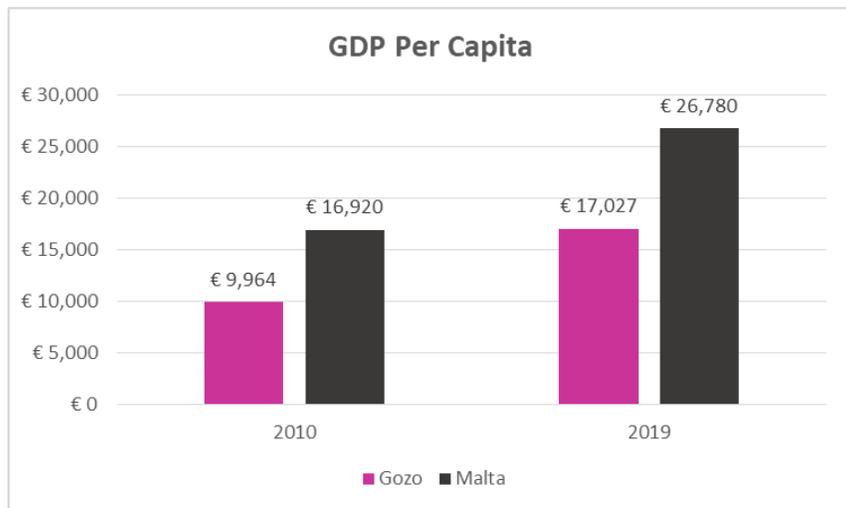
The Story of Gozo

- **For decades trapped in a double insular situation and mentality:** vicious circle of insufficient socio-economic activity depriving it of its best resources, further curtailing opportunities
- **EU membership, globalisation and technology:** Gozo is one of 286 island territories in the EU, which is not necessarily among the most remote from the mainland or underdeveloped, but it is one with the highest overall economic and social contribution to the entire country (7% of population, 5% of GDP)

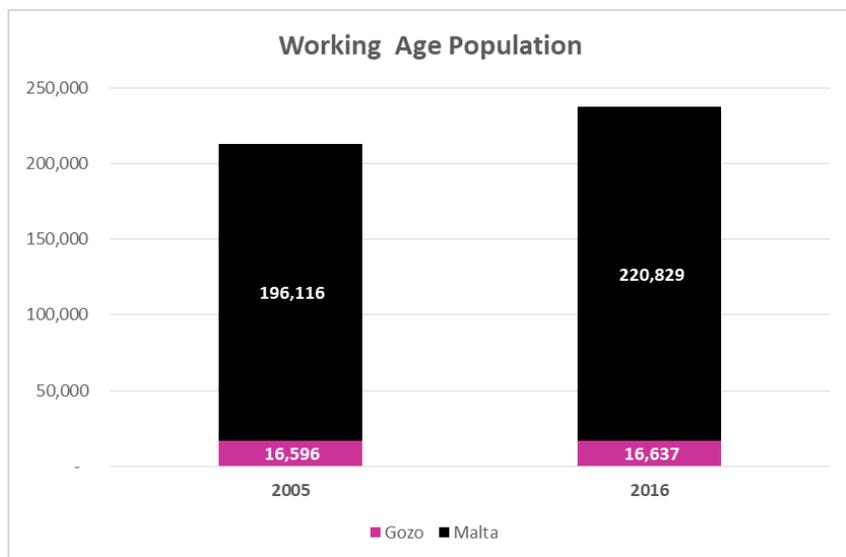


The Story of Gozo

As Malta developed international business, Gozo did not participate to the same extent

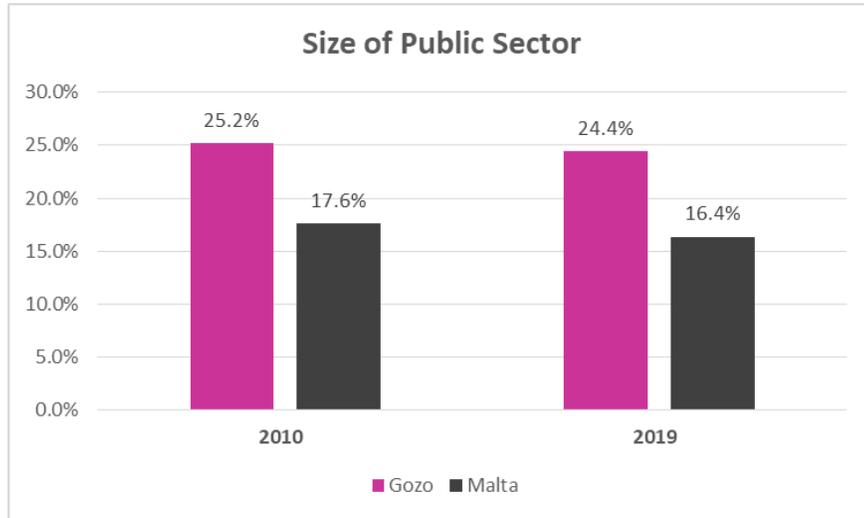


- Between 2010 and 2020, GDP per capita in Gozo increased by €7,063, while that in Malta increased by €9,860.

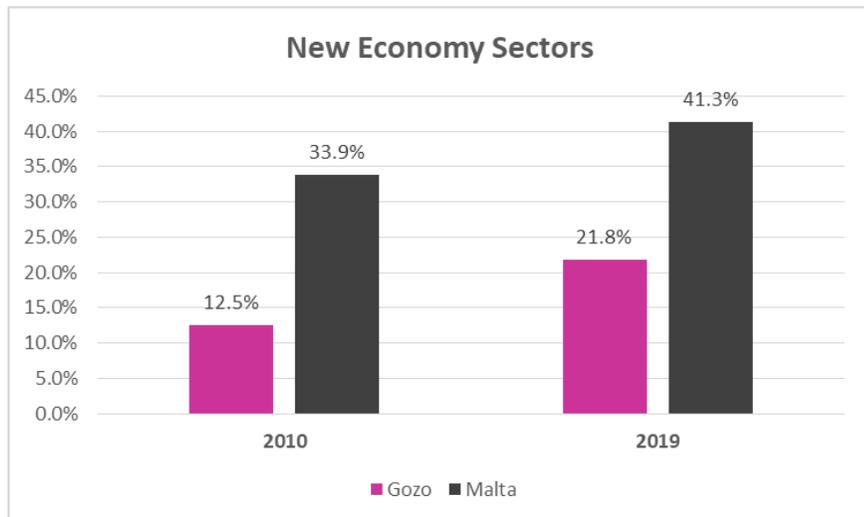


- Between 2005 and 2016, the number of people of working age (20-59) in Gozo remained unchanged, while that in Malta increased by circa 25,000.

Public Sector vs New Economic Sectors



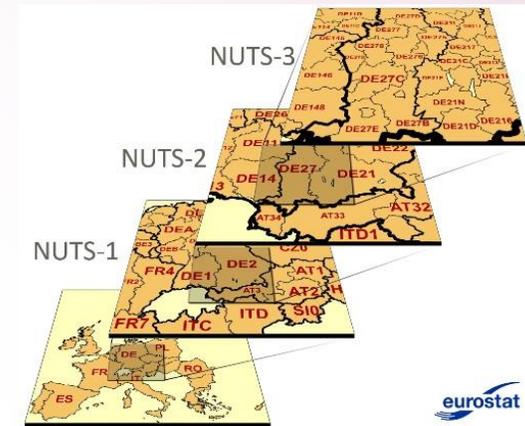
- The public sector in Gozo accounts for circa 25% of the Gross Value Added.



- On the contrary, the size of new economic sectors – ICT, financial services, i-gaming, and professional and administrative services – is much smaller in Gozo.

Gozo Island Region

- **An Island Region that is not Quite a region: Gozo is not classified as NUTS2**
 - Too important for the national economy to be left to its own devices, but often too small for an administrative critical mass to function efficiently and effectively
 - Fragmentation in development goals and aims have hampered effective efforts: eg competition between ecological approaches to tourism and short term needs for income generated by construction and mass tourism.
 - Essential role of newly established Gozo Regional Development Authority to square this circle



The Future Ambition for Gozo

To evolve Gozo's regional distinctiveness into sustainable economic and social development.

Translated into phased Objectives:

- **Short-Term:** Remediation, consolidation, sustaining growth
- **Medium-Term:** Developing distinctiveness and re gentrification
- **Long-Term:** Role model in regional development

Idyllic, Innovative, Interconnected

Gozo's Vocation as a Lifestyle Destination



• The region of choice to work, relax, heal, learn and create culture in a Mediterranean setting

Going Beyond GDP...to create GDP



Between 2019 and 2016, waste input at Tal-Kus increased by 29.3%.



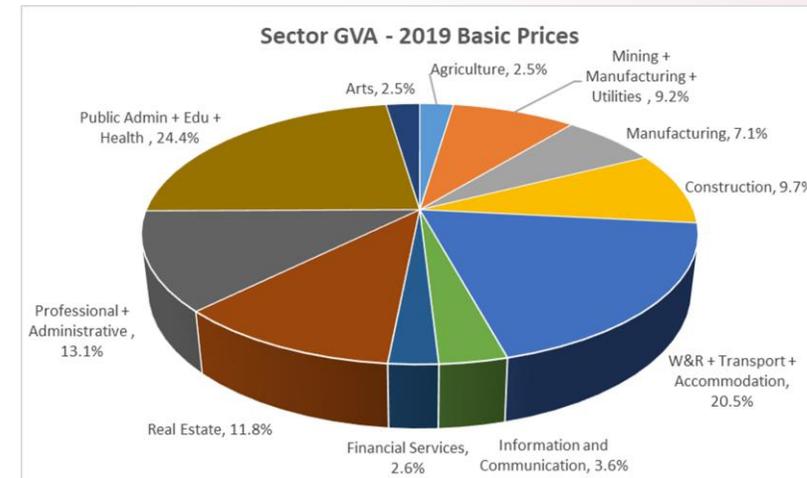
Gozo has 15.2% of the stock of PV installations as at 2019.



Great Blasket – A remote island off the coast Ireland, with no electricity, wifi or hot water, has become internationally known through its annual call for two caretakers to manage accommodation and a café. Thousands apply annually.

Slaying the COVID dragon

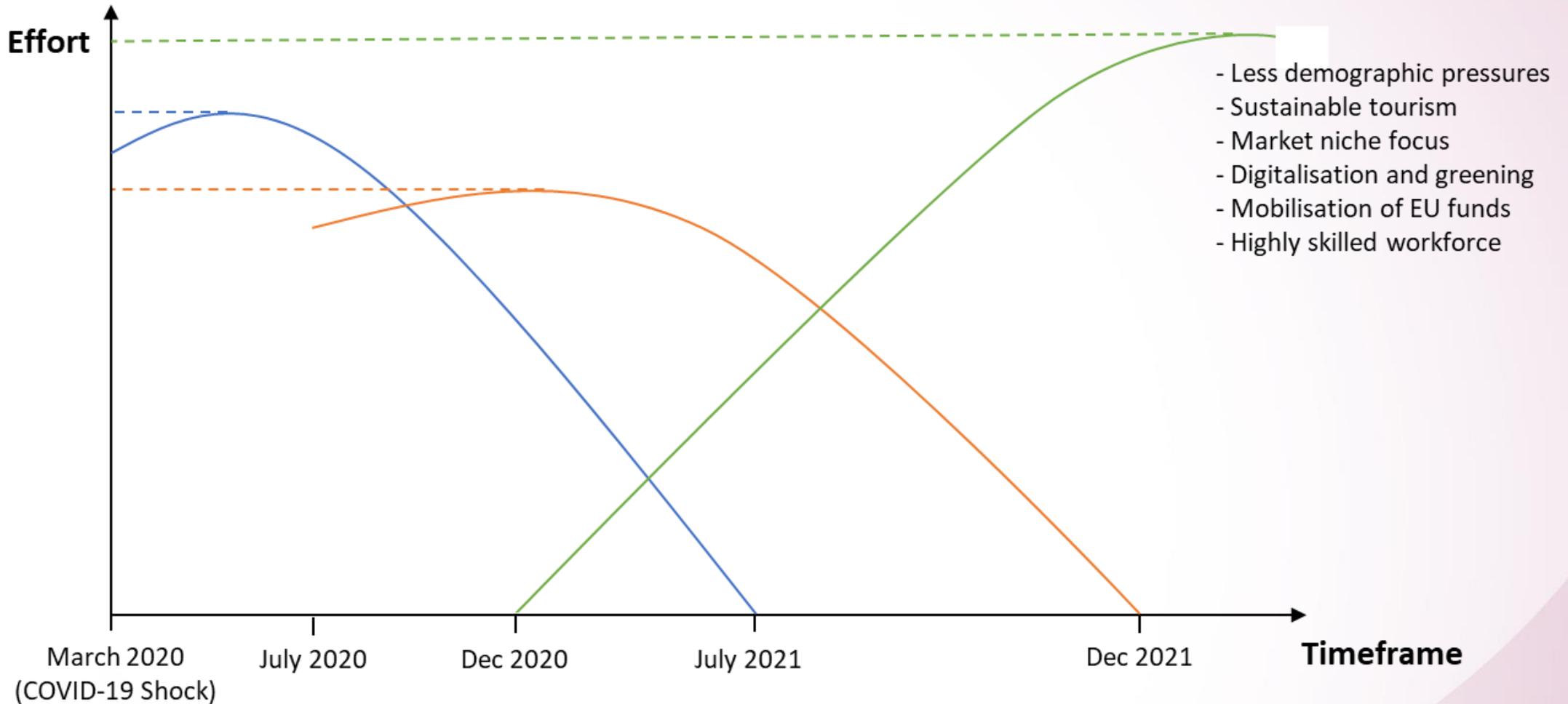
- The sectors most vulnerable to COVID, being agriculture, accommodation, transport and wholesale and retail amount to 21.2% of Malta's GVA and 23.0% in Gozo.
- In Gozo, the vulnerable sectors employ 32.2% of the workforce.



Managing the Crisis

- A time of intense difficulty or danger.
- the turning point of a disease when an important change takes place, indicating either recovery or death.
- COVID is the spur we need to restructure into a sustainable operating model more quickly than we had earlier been planning

Strategy to Cope with COVID-19



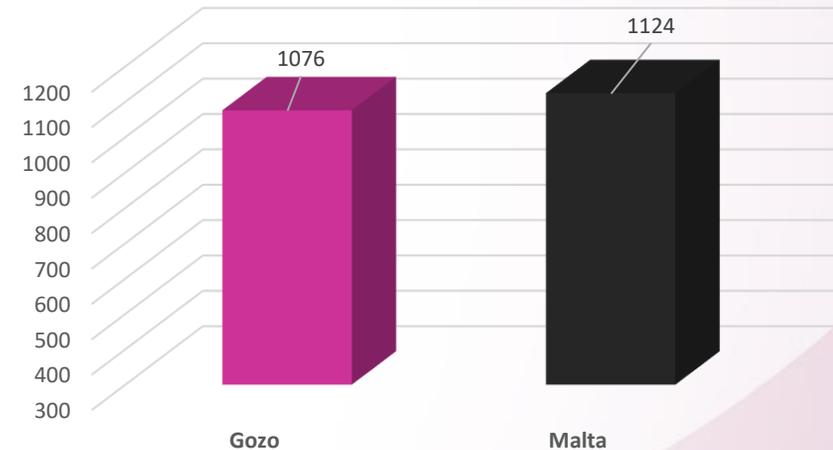
- 1. Maintain integrity of firms and households
- 2. Stimulate demand to reactivate business
- 3. Invest for competitiveness post-COVID-19

BOV Business in Gozo

- 6.0% of BOV staff are deployed in Gozo, compared to Gozo's 5.9% share of full-time employees in the Maltese economy as at 2019.
- The branch staff compliment per capita of the population is higher in Gozo.
- In Gozo, each branch staff member caters for 1076 residents, while in Malta this stands at 1124.



Population per Branch Staff Compliment



The Journey of BOV

Key Metrics as at 31st December 2019

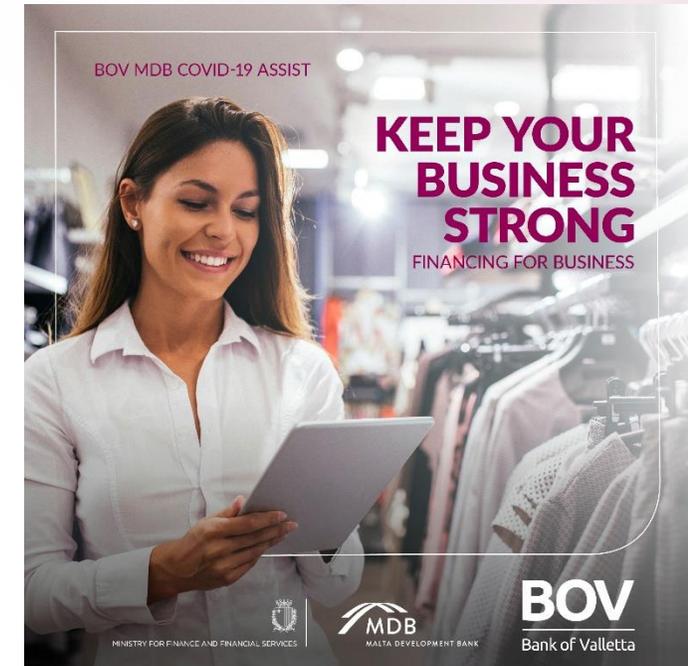
- **Authorised Share Capital:** €1,000 million divided into 1,000 million ordinary shares with a nominal value of €1.00 each
- **Issued Share Capital:** 583,849,270 shares of €1.00 each share fully paid up, resulting in a paid up capital of €583,849,270
- **Solvency:** CET 1 19.51%; CAR 23.07%; LCR 514.60%
- **Liquidity:** NSFR 159.54%
- **NPL Ratio:** 4.6%
- **Total Assets:** €12,330.6M
- **Total Liabilities:** €11,268.3M
- **Total Equity:** €1,062.3M
- **Operating Income:** €249.764M
- **Operating Profit:** €73.308M
- **Profit for Year:** €63.492M
- **Profitability:** ROE Post Tax 6.2%
- **Earnings Per Share:** €0.109

The Mountains to climb...

- Litigation
- Jurisdictional reputation
- Low Interest rates
- Regulation and Compliance
- Financial Crime culture
- Competition
- The new economic structure
- Emerging out of COVID: operational continuity, client support

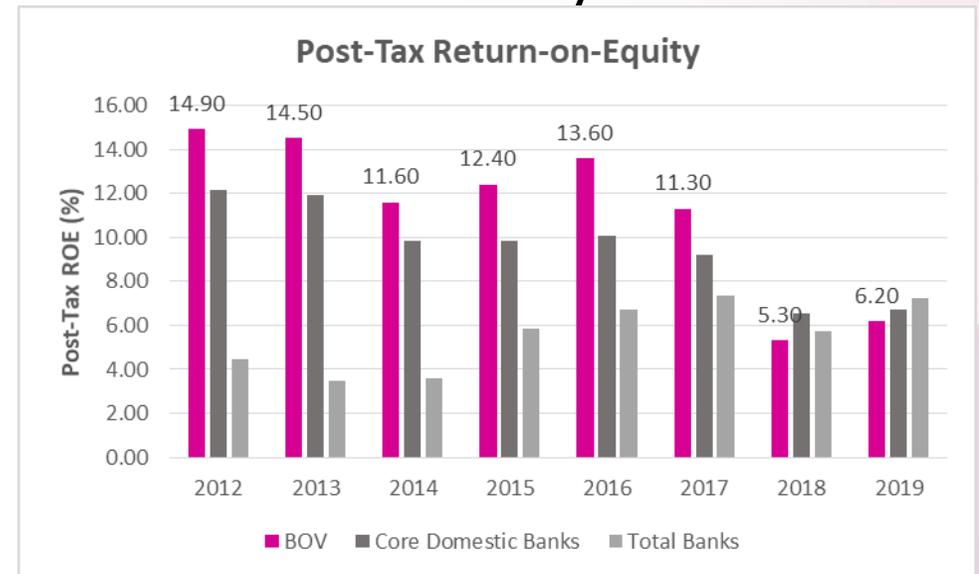
BOV Support during the Pandemic

- High demand for supportive measures in the form of moratoria and working capital finance
- Moratoria to more than 3,000 customers, deferring collections in excess of €79 million by end 2020
- In April 2020, the Bank, together with the MDB, launched the BOV MDB Covid-19 Assist scheme, to support both SMEs and large enterprises, in their working capital and running costs requirements
- During 2020, 400 customers granted finance for total sanctioned amounts of around €280 million
- BOV remained a key and active player despite the challenges, especially in supporting economic activity in Gozo



The Vision for the Bank of the Coming Decades

- Future-proofed in terms of technologies, digitalisation and information management
- Thought leader in the main areas of its business
- Active and reputable contributor to the entire Maltese community and to the environment
- Valued by customers in their everyday lives
- Proactively vigilant against crime and other risks
- Provide adequate return to shareholders



BOV Strategy 2023: Three Key Strategic Pillars

1

Transform and digitize the operating model



- Transaction migration
- Front-to-back process simplification and digitisation
- Service model transformation

2

Rebalance the balance sheet



- Assets Under Management penetration boost
- Deposits and focus on one-to-one pricing

3

Bring superior value to customers



- Consumer finance boost
- New Business Banking solutions
- Customer acquisitions

“There is a tide in the affairs of men.
Which, taken at the flood, leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries.
On such a full sea are we now afloat,
And we must take the current when it serves,
Or lose our ventures.

William Shakespeare, Julius Caesar

BOV

Bank of Valletta

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Bank of Valletta p.l.c. is a public limited company regulated by the MFSA and is licensed to carry out the
business of banking and investment services in terms of the Banking Act (Cap. 371 of the Laws of
Malta) and the Investment Services Act (Cap.370. of the Laws of Malta).