



## Bank of Valletta

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### COMPANY ANNOUNCEMENT

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

#### Quote

Bank of Valletta p.l.c. hereby announces that during the financial period commencing on 1 October 2014 up to the date of this Announcement, no material events and/or transactions have taken place that would have an impact on the financial position of the Bank or the Group, such that they would require specific mention, disclosure or announcement pursuant to the applicable Listing Rule.

On the 4 November 2014, Bank of Valletta came under the direct supervision of the European Central Bank in terms of the Single Supervisory Mechanism (SSM). This mechanism, operating through the Joint Supervisory Team, is expected to be challenging with stringent supervision and increased reporting requirements. Following the satisfactory results of the Asset Quality Review and the Stress Tests performed during the last financial year, work has started on a number of improvements highlighted in these exercises.

Financial performance is in line with expectations. The weak demand for business lending, which continued during the period under review, was mitigated by the high request for home loans, where demand remained strong. Customer deposits continued to grow despite the lower rates, resulting in higher levels of liquidity. Part of these incoming funds were invested in short dated, low yield instruments and this served to keep negative returns on overnight deposits to a minimum. Concurrently, commissions earned on the sale of financial products continued to grow at a satisfactory rate across all key business lines. The costs for the period under review are higher than the comparative period last year. The increase in costs is primarily attributable to the higher regulatory costs applicable under the Deposit Compensation Scheme (DCS) arising both from changes in the level of contribution required as well as higher volume of the deposits. The cautious view towards provisioning, particularly the prudent valuation of collateral held, was retained during this period. Price changes on the Bank's proprietary portfolio also remained moderately positive during the period.

During the period under review the Bank undertook a restructuring of its senior management organizational structure. The revised organisation aims to ensure a more focused corporate governance structure as well as efficiency in dealing with the various major challenges that the Bank faces in the coming decade. The structure involved the regrouping of the various responsibilities and functions reporting to a smaller and more focused Management Board.

The Bank retains its commitment towards customer satisfaction and financial stability, by maintaining strong capital and liquidity buffers in line with the latest regulatory indicators.

#### Unquote

**Dr. Catherine Formosa B.A., LL.D.**  
**Company Secretary**

6 February 2015