



Bank of Valletta

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BOV/275

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 followed Banking Supervisors' instructions on directors' suitability assessment

We refer to the article that appeared on the online media regarding the prohibitory injunction issued against the Bank of Valletta by the Court on the request of a candidate for the directorship of the bank in elections that are planned to be held next December at the bank's Annual General Meeting.

As from this year, the bank like other banks being supervised by the ECB was instructed by the Banking Supervisors to implement changes in the way the directors of the bank are assessed. These requirements were introduced in Maltese law by the enactment of Act X of 2015. The Joint Supervisory Team, that includes MFSA as well as ECB officials supervising the BOV, required the bank to first make a suitability assessment of the candidates who have been nominated to serve on the board of directors of the bank in accordance with European Banking Authority (EBA) Guidelines.

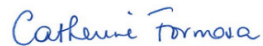
After various discussions, the members of the Board of BOV unanimously agreed to conduct the suitability assessment and to decide which candidates in their opinion were 'fit and proper' in accordance with the European Banking Authority Guidelines 'on the assessment of the suitability of members of the management body and key function holders'. This assessment was done by filling in a questionnaire that was approved by the regulators and modelled on the Guidelines of the EBA. The results were immediately communicated to the Banking Supervisors.

This is the first time, since the introduction of Act X of 2015, that the bank has been requested by the Banking Supervisors to conduct such an assessment of the candidates for the directorships of the bank. In view of these developments the bank has drafted an *interim* nomination policy for the assessment of directors and key function holders in line with the requirements of the guidelines. However, since these Guidelines came into force just prior to the December Annual General Meeting, the Board of BOV agreed to act in its capacity as a nominations committee to complete the first ever suitability assessment of candidates for directorships of the bank by the present Board of the bank. In the meantime, it is the Board's intention to prepare a fully-fledged and detailed policy and to take other measures that will ensure a robust assessment of suitability of candidates for directorships of the bank in line with the EBA guidelines.

The MFSA and the Joint Supervisory Team were informed both about the manner in which the suitability assessment would be conducted as well as of the results of the suitability assessment as agreed unanimously by the Board of Directors. That director who is also a candidate for the December elections of directors of the bank, failed the suitability assessment test conducted by all the members of the present Board of the bank as instructed by the Banking Supervisors. He then proceeded to ask the Court to halt the process of the suitability evaluation of candidates by the bank. The bank now awaits to defend its conduct of the assessment of candidates for the directorship of the bank if and when a court case on the merits is instituted against it.

According to the EBA Guidelines, the Malta Financial Services Authority and the Joint Supervisory Team will have to conduct their own evaluation of candidates for the directorships of the bank. For a candidate to sit on the Board of a bank he or she will need to get the approval of the Banking Supervisors as being 'fit and proper' besides being nominated and elected by the shareholders in the Annual General Meeting of the bank.

The Banking Supervisors are being kept constantly informed of these developments and the bank will follow the directives given to it by the same Supervisors.

Unquote

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

28 October 2015