

**THE BANK OF VALLETTA
VARIABLE REMUNERATION
SHARE PLAN**

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1. DEFINITIONS AND INTERPRETATION

1.1 In Parts A, B and C, unless the context otherwise requires:

"**Annual Incentive Outcome**" means for any Participant the total amount of:

- a. any Incentive Payment; and
- b. (for individuals selected by the Committee as described in Rule 3.3) any Award made under Part B, which may be awarded to a Participant following the determination of the Performance Conditions for any Performance Period;

"**Award**" means a conditional right to acquire Shares granted under the Plan;

"**Base Salary**" means an employee's actual base salary paid to him by the Group Companies in respect of the Performance Period (excluding without limitation any allowances, benefits in kind, pension contributions (other than where salary sacrifice arrangements have operated), perquisites, severance payments or payments in respect of compensation for loss of office or a payment in lieu of notice, but including, where appropriate, statutory maternity, paternity, adoption leave or sickness pay);

"**Board**" means the board of directors of the Company or a duly authorised committee of the Board or a duly authorised person;

"**Clawback**" means the reduction of elements of an individual's compensation and/or the obligation to repay amounts to a Group Company by an individual in accordance with Rule 18 (*Malus and Clawback*) in such manner and for such amounts as the Committee determines to be appropriate;

"**Committee**" means the remuneration committee of the Board or, on and after the occurrence of a corporate event described in Rules 8 and/or 15 (*Corporate events*), the remuneration committee of the Board as constituted immediately before such event occurs;

"**Company**" means [Bank of Valletta p.l.c. (a company having its incorporated and registered in Malta under number C 2833, whose registered office is at 58, Triq San Żakkarija, Il-Belt Valletta VLT 1130 - Malta)];

"**Control**" means control [within the meaning of chapter 11 of the Listing Rules published Malta Financial Services Authority, as amended from time to time];

"**Dealing Restriction**" means any restriction on the dealing in Shares, whether direct or indirect, pursuant to any law, regulation, code or enactment in Malta and/or the jurisdiction in which a Participant is resident, or any share dealing code of the Company;

"**Early Vesting Date**" means the date of an event following which an Award (or part thereof) may Vest before a Normal Vesting Date, being either:

- a. the date of cessation of employment of a Participant in the circumstances referred to in Rule 14.1 (Cessation of employment before Normal Vesting Date) and where the Committee determines that the date of cessation will be an Early Vesting Date;
- b. the date of Vesting referred to in Rules 15.1 (*General offers*), 15.2 (*Cross-border merger*) or 15.3 (*Demerger and similar events*);

"**Eligible Executive**" means any person who is either:

- a. an employee (including an executive director) of a Group Company; or
- b. a former employee (including an executive director) of a Group Company;

"**Financial Year**" means a financial year of the Company;

"**Grant Date**" means the date on which an Award is granted;

"**Group**" means the Company and its Subsidiaries from time to time and the expression "**Group Company**" shall be construed accordingly;

"**Incentive Payment**" means a discretionary cash sum payable to a Participant under this Plan following the determination of the Performance Conditions for any Performance Period;

"**Malus**" means the reduction or forfeiture of:

- a. an Award prior to its Vesting; or
- b. an Annual Incentive Outcome prior to its determination or prior to the making of a related Incentive Payment,

in accordance with Rule 18 (*Malus and Clawback*) in such manner and for such amounts as the Committee determines to be appropriate;

"Market Value" means in relation to a Share on any day:

- a. if and so long as the Shares are admitted to trading on the Malta Stock Exchange, the average of the mid-closing prices of a Share for the 3 preceding dealing days (or such shorter period of dealing days as the Committee determines);
- b. if the price for Shares is not so quoted, such value of a Share as the Committee reasonably determines;

"Normal Vesting Date" means the date or dates specified by the Committee at the Grant Date under Rule 10.1 (Terms of grant) as the normal vesting date;

"Part A" means Part A of the Plan as amended from time to time;

"Part B" means Part B of the Plan as amended from time to time;

"Part C" means Part C of the Plan as amended from time to time;

"Participant" means:

- a. for the purpose of Part A, an Eligible Executive (including where appropriate his personal representatives) selected by the Committee for participation in Part A in respect of any Performance Period, in accordance with Rule 2 (Participation); or
- b. for the purpose of Part B, a person who holds or has held an Award (including, where appropriate, his personal representatives); or
- c. for the purpose of Part C, a person as defined under (a) and/or (b) above;

"Performance Conditions" means the performance measures and the related performance targets selected by the Committee for the determination of Annual Incentive Outcomes for any Performance Period as described in Rule 4 (Performance Conditions);

"Performance Period" means a period of one Financial Year of the Company;

"Plan" means the Bank of Valetta Variable Remuneration Share Plan as amended from time to time;

"Pre-Clawback Vesting Amount" means:

- a. in the case of an Incentive Payment, such part of the Incentive Payment as the Committee determines should be subject to Clawback and after deducting any tax or social security actually incurred on such Incentive Payment (except to the extent that the Committee may require an individual to take reasonable steps to recover such tax and/or social security in which case the amount reasonably expected to be recovered will be added back); or
- b. in the case of an Award, the sum arrived at by taking the lower of the value of the Vested Shares subject to an Award on:
 - i. Vesting of an Award;
 - ii. the sale of such Shares (if any) with all Shares held by the Participant (whether or not acquired by him under the Plan) allocated on a "first in first out" basis; or
 - iii. if the Shares resulting from the Vesting of the Award are still held, the date of operation of Clawback; and deducting tax or social security actually incurred on such Vesting and/or sale except to the extent that the Committee may require an individual to take reasonable steps to recover such tax and/or social security in which case the amount reasonably expected to be recovered will be added back;

"Rule" means a rule of the Plan;

"Shares" means fully paid ordinary shares in the capital of the Company;

"Subsidiary" means a subsidiary of the Company [(within the meaning of 'subsidiary undertaking' as defined under Article 2(2)(c) of the Companies Act 1995 (Cap. 386 of the Laws of Malta)];

"Tax Liability" means any amount of tax or social security contributions for which a Participant would or may be liable and for which any Group Company (including any former Group Company) would or may be obliged to (or would or may suffer a disadvantage if it were not to) account to any relevant authority;

"Vest" means the Shares in respect of the Award are released to the Participant in accordance with the provisions of this Plan (and **"Vesting"** and **"Vested"** shall be construed accordingly); and

"Vested Shares" means those Shares in respect of which an Award Vests.

- 1.2. Any reference in this Plan to any enactment includes a reference to that enactment as from time to time modified, extended or re-enacted.
- 1.3. Where the context admits, a reference to the singular includes the plural and a reference to the male includes the female.
- 1.4. Expressions in italics, headings and any footnotes are for guidance only and do not form part of the Plan.
15. Where any Incentive Payment or Award has been granted such that parts of the Incentive Payment or Award are subject to different Performance Conditions, Normal Vesting Dates and/or are otherwise subject to different provisions as to payment or Vesting, references in these Rules to the Incentive Payment or Award shall, where the context so requires, be a reference to a relevant part of the Incentive Payment or Award.

PART A – ANNUAL INCENTIVE OUTCOME AND INCENTIVE PAYMENT

2. PARTICIPATION

The Committee may select Eligible Executives to participate in the Plan for a Performance Period. For the avoidance of doubt, participation in Part A of the Plan does not give rise to any entitlement to a payment under it or affect the discretionary nature of it.

3. MAXIMUM ANNUAL INCENTIVE OUTCOMES

Maximum and target Annual Incentive Outcomes

3.1. Subject to Rules 3.2 and 3.3, the Committee shall communicate both the maximum and target potential Annual Incentive Outcome for any Performance Period to each Participant as soon as practicable after the commencement of a Performance Period (or, where a Participant has started employment with a Group Company during a Performance Period, as soon as practicable after the commencement of their employment), and such amounts shall, unless the Committee specifies otherwise in a particular case, be expressed as a percentage of a Participant's Base Salary.

Changes in potential Annual Incentive Outcome

3.2. A Participant's maximum and target potential Annual Incentive Outcome will typically be determined by multiplying a specified percentage by the Base Salary. The percentages specified at the outset of a Performance Period may only be adjusted by the Committee in respect of that Performance Period with the consent of the Participant.

Delivery of Annual Incentive Outcome

3.3. Unless the Committee determines otherwise for any reason before the calculation of the Annual Incentive Outcome for that Performance Period, a Participant's Annual Incentive Outcome where the Participant is so selected will be delivered as follows:

- a. 50 (fifty) per cent. of the Annual Incentive Outcome as an Incentive Payment payable in accordance with Rule 6.2;
- b. 50 (fifty) per cent. of the Annual Incentive Outcome as an Award granted under Part B of the Plan;

For the avoidance of doubt, the determination of the amounts to be delivered as Incentive Payments and/or Awards will be made before the Participant has an unconditional right to payment of any element of his Annual Incentive Outcome for the relevant Performance Period.

Maximum Annual Incentive Outcome for Executive Directors

3.4. The maximum potential Annual Incentive Outcome for an Executive Director for any Performance Period shall be subject to the most recently approved directors' remuneration policy approved by shareholders of the Company.

4. PERFORMANCE CONDITIONS

Setting Performance Conditions

4.1. As soon as practical before or following the commencement of a Performance Period, the Committee will select Performance Conditions that apply for the determination of potential Annual Incentive Outcomes under Part A for each Participant. Details of the Performance Conditions shall be communicated to each Participant as soon as practicable thereafter.

Power to amend Performance Conditions

4.2. Notwithstanding any other provision of the Plan, the Committee may alter or amend any Performance Conditions in respect of a Performance Period if events occur which (in the reasonable opinion of the Committee) have resulted or will result in the Performance Conditions as originally set being unable to fulfil their original purpose. Any amended Performance Conditions must not (in the reasonable opinion of the Committee) be made less demanding than the original Performance Conditions were intended to be when initially set.

5. DETERMINATION OF ANNUAL INCENTIVE OUTCOMES

5.1. Subject to Rule 8 (Corporate events), as soon as reasonably practicable after the end of the Performance Period the Committee will, in its absolute discretion, determine the Annual Incentive Outcomes (if any) for each Participant in respect of all or part of a Performance Period in accordance with Rule 5.2.

5.2. The Committee shall determine the amount of the Annual Incentive Outcome for a Participant for a Performance Period by determining the extent (if at all) to which any Performance Conditions are satisfied over the Performance Period, but subject to any adjustment made pursuant to Rule 5.4 (Power to adjust Annual Incentive Outcomes).

Long-term absence or leave

5.3. If, during the Performance Period, a Participant has:

- a. taken sabbatical or unpaid leave;
- b. commenced maternity, paternity, adoption or parental leave; and/or
- c. been absent from work for reason of long-term sickness,

then the Annual Incentive Outcome will be calculated on a pro-rata basis based on:

- i. the proportion of the Performance Period that the Participant spent in the workplace (unless by law the Participant is entitled to a higher proportion of his Annual Incentive Outcome); and
- ii. the Participant's full contractual base salary in respect of the Performance Period (as determined by the Remuneration Committee).

Power to adjust Annual Incentive Outcomes

5.4. Subject to the limits set out in Rule 3.1 (Maximum and target Annual Incentive Outcomes), the Committee reserves discretion to adjust the calculation of any Annual Incentive Outcome up or down (including, for the avoidance of doubt, adjustment to zero) to reflect any fact or circumstance which the Committee considers to be relevant. Where the Committee exercises its discretion under this Rule 5.4, no individual shall have any right of appeal or cause of action in relation to the exercise of that discretion.

6. PAYMENT OF INCENTIVE PAYMENT

6.1. Any Incentive Payment shall be payable in the form of a cash payment.

6.2. Subject to Rule 3.3 (Delivery of Annual Incentive Outcome), Rule 7 (*Leavers*) and Rule 19 (*Malus and Clawback*), a Participant's Incentive Payment that is due to be paid to him will be paid (subject to any deductions required by Rule 6.3) as follows:

- a. in respect of 60 (sixty) per cent of such Incentive Payment, at the time of the first practicable payroll date following the determination of his Annual Incentive Outcome; and
- b. in respect of 8 (eight) per cent of such Incentive Payment at the time of the first practicable payroll date following each of the first, second, third, fourth and fifth anniversaries of the payment made in accordance with Rule 6.2(a).

6.3. Where a Group Company is obliged to account for or could suffer a disadvantage if it did not account for any Tax Liability by virtue of the payment of an Incentive Payment, the Group Company, or any other person on its behalf, may deduct and pay over an amount equal to the Tax Liability from the payment. For the avoidance of doubt, no employer's social security will be deducted from the payment.

7. LEAVERS

Leavers prior to initial Incentive Payment

7.1. Subject to Rule 7.2, if a Participant either:

- a. ceases to be employed by a Group Company or is under notice (whether given or received by the Participant or a Group Company) during the Performance Period; or
- b. ceases to be employed by a Group Company or is under notice (whether given or received by the Participant or a Group Company) before the relevant payroll cut-off date in the month in which the first instalment of an Incentive Payment is to be paid in accordance with Rule 6.2(a),

the Participant's Annual Incentive Outcome opportunity for the Performance Period shall be forfeited and no Incentive Payment (or Award under Part B) in respect of the Performance Period shall be made to that Participant.

- 7.2. Notwithstanding Rule 7.1, if the reason for the Participant ceasing to be employed by a Group Company (or giving or receiving notice as described in Rule 7.1), prior to the dates set out in Rule 7.1, is by reason of:
- a. death; or
 - b. injury, ill-health or disability (evidenced to the satisfaction of the Committee);
 - c. the Participant being employed by a company which ceases to be a Group Company;
 - d. the Participant being employed in an undertaking or part of an undertaking which is transferred to a person who is not a Group Company; or
 - e. for any other reason where the Committee so decides that the Participant should have the benefit of this Rule 7.2,

then the Annual Incentive Outcome will not be forfeited and will instead be calculated in accordance with Rule 5 (Determination of Annual Incentive Outcomes) in the normal manner after the end of the Performance Period although:

- i. the amount of Annual Incentive Outcome determined will (unless the Committee decides otherwise in any particular case) be calculated on an appropriate time pro-rata basis by taking the Annual Incentive Outcome attained under the Performance Conditions and reducing it to take account of the time elapsed between the start of the Performance Period and the date of cessation (or, where the Committee so determines, giving or receiving of notice or the date of commencing garden leave) as a proportion of the Performance Period, or using such other appropriate time pro-rata basis as determined by the Committee in its discretion;
- ii. payment of the related Incentive Payment may, at the discretion of the Committee, be made earlier than the normal payment date and shall be determined by applying any Performance Conditions relating to the determination of the Annual Incentive Outcome on such basis as the Committee consider as appropriate; and
- iii. the Committee may, at the discretion of the Committee, choose to apply all of an Annual Incentive Outcome in making an Incentive Payment (on such terms as specified by the Committee) rather than making an Award under Part B.

Any Incentive Payment made under this Rule 7.2 shall be made into the bank account into which the Participant's last salary payment was made unless the relevant Group Company is informed otherwise.

- 7.3. Where an event occurs that triggers the operation of Rule 8 (Corporate events), such event shall not, unless the Committee decides otherwise, impact the time pro-rata calculation for a Participant who has been subject to the operation of this Rule 7 before such event occurs.

Leavers after initial Incentive Payment

- 7.4. Subject to Rule 7.5, where a Participant ceases to be a director or employee of a Group Company on or after the relevant payroll cut-off date in the month in which the first instalment of an Incentive Payment is to be paid in accordance with Rule 6.2(a) then, subject to earlier payment under Rule 8 (Corporate events), the Participant will retain any entitlement to receive further instalments of an Incentive Payment in accordance with these Rules **UNLESS** the Committee decides in exceptional circumstances that any remaining instalments may be paid earlier on such dates and terms as the Committee in its absolute discretion determines.

- 7.5. If a Participant ceases to be a director or employee of a Group Company on or after the relevant payroll cut-off date in the month in which the first instalment of an Incentive Payment is to be paid in accordance with Rule 6.2(a) and the cessation is by way of either:
- a. summary dismissal or service of notice of termination of office or employment on the grounds of misconduct (including where there are circumstances which the Committee determines would have justified service of notice of termination on such grants); or
 - b. service of notice of termination of his employment by the Participant,
- then any entitlement the Participant may have to receive further instalments of an Incentive Payment shall be forfeited immediately on such cessation **UNLESS** the Committee decides in exceptional circumstances that any remaining instalments may be retained and shall continue to be paid on such dates and terms as the Committee in its absolute discretion determines.

8. CORPORATE EVENTS

- 8.1. In the event of:

- a. a person (or group of persons acting in concert) obtaining Control of the Company as a result of a general offer to acquire shares in the Company, or having obtained Control making such an offer and such offer becoming unconditional in all respects;
- b. a competent authority approving a merger pursuant to the implementation in any relevant jurisdiction of Directive 2005/56/EC (on cross-border mergers of limited liability companies), pursuant to which the Company shall cease to exist;
- c. if a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of Shares to a material extent; or

(which for the purposes of this Rule 8.1 shall be a "**Relevant Event**") then, subject to Rule 8.2,

- i. if the Relevant Event occurs before the end of the Performance Period then, subject to Rule 8.3, the Performance Period (if any) shall end on the date of the Relevant Event (with the employment contingencies set out in Rule 7 ceasing on such date) and:
 - a. the Annual Incentive Outcome for Participants for the Performance Period shall be determined by applying any Performance Conditions relating to the determination of the Annual Incentive Outcome on such basis as the Committee considers appropriate;
 - b. such Annual Incentive Outcome will be calculated on an appropriate time pro-rata basis by taking the Annual Incentive Outcome attained under the Performance Conditions and reducing it to take account of the time elapsed between the start of the Performance Period and the date of the relevant event as a proportion of the Performance Period, or using such other appropriate time pro-rata basis as determined by the Committee in its discretion;
 - c. the resulting Annual Incentive Outcome shall be Incentive Payment shall be paid on such terms as determined by Committee in its absolute discretion (subject to any deductions required by Rule 6.3); and
 - ii. if the Relevant Event occurs after the end of the Performance Period then any outstanding instalments of an Incentive Payment shall be retained by the Participant until the normal payment date in accordance with Rule 6.2 **UNLESS** the Committee decides in exceptional circumstances that some or all of the outstanding instalments of an Incentive Payment shall be paid by the Company at the time of the first practicable payroll date following the date of the Relevant Event (subject to any deductions required by Rule 6.3)
- 8.2. The Committee shall have discretion not to apply Rule 8.1(i), notwithstanding that a Relevant Event has occurred, in which circumstances Annual Incentive Outcomes for Participants shall not be calculated under Rule 8.1 and the Plan shall continue for that Performance Period on its original terms **PROVIDED THAT** 100 (one hundred) per cent. of a Participant's Annual Incentive Outcome may be delivered as an Incentive Payment payable at the time of the first practicable payroll date following the determination of his Annual Incentive Outcome.
- 8.3. In the event that:
- a. a company (the "**Acquiring Company**") is expected to obtain Control of the Company; and
 - b. at least 75% of the shares in the Acquiring Company are expected to be held by substantially the same persons who immediately before the obtaining of Control of the Company were shareholders in the Company, then the Committee may decide that, notwithstanding that the obtaining of Control of the Company has occurred, the Company is not under the Control of a bona fide third party and that Rules 8.1 and 8.2 shall not apply (and the Plan shall continue on its original terms).

PART B – AWARDS**9. ELIGIBILITY**

An individual is eligible to be granted an Award only if he is an Eligible Executive and he has participated in Part A for the preceding Financial Year.

10. GRANT OF AWARDS**10.1. Terms of grant**

Subject to Rule 10.6 (*Timing of grant*) and Rule 11 (*Limits*), the Committee may resolve to grant an Award:

- a. on the terms set out in the Plan; and
 - b. subject to such additional terms as the Committee may specify
- to any person who is eligible to be granted an Award under Rule 9 (*Eligibility*).

Unless the Committee determines otherwise for any reason, the Normal Vesting Date of an Award will be as follows:

- i. in respect of 60 (sixty) per cent of the Shares subject to the Award, the Grant Date will be the Normal Vesting Date; and
- ii. in respect of 8 (eight) per cent of the Shares subject to the Award, each of the first, second, third, fourth and fifth anniversaries of the Grant Date will be a Normal Vesting Date.

10.2. Number of Shares subject to an Award

Subject to Rule 3.3, the Committee may grant an Award in respect of such portion of an Eligible Executive's Annual Incentive Outcome in respect of a Performance Period, as it shall determine in its absolute discretion. Such determination shall be made prior to any Eligible Executive having an unconditional right to payment to any element of his Annual Incentive Outcome in respect of Performance Period.

The number of Shares which shall be subject to an Award ("**X**") shall be the number resulting from the following formula:

$$X = BA \div AMV$$

where:

'**BA**' means such amount of an Eligible Executive's Annual Incentive Outcome as the Committee has determined should be granted as an Award in respect of a Performance Period (before deduction of income tax and social security (employee and employer));

'**AMV**' is the average of the Market Value for a Share on such period of 3 (or fewer) consecutive dealing days selected by the Committee, commencing not earlier than the dealing day following the date on which the Company announces its annual results for the preceding Financial Year and ending not later than the Grant Date; and

'**X**' shall be rounded down to the nearest whole number of Shares if the formula gives a number of Shares which is not a whole number.

10.3. Method of grant

An Award shall be granted by deed executed on behalf of the Company. No amount shall be paid by an individual for the grant of an Award.

10.4. Dividend equivalent

Participants shall not be entitled to any dividends (or equivalent amounts) that may be payable on the Shares subject to an Award by reference to a record date prior to the date of Vesting. Participants shall be entitled to all rights attaching to such Shares by reference to a record date on or after the date of issue or transfer following the Vesting of an Award.

10.5. Method of satisfying Awards

Unless specified to the contrary by the Committee on the Grant Date, an Award may be satisfied:

- a. by the issue of new Shares; and/or
- b. by the transfer of treasury Shares; and/or
- c. by the transfer of Shares (other than the transfer of treasury Shares).

The Committee may decide to change the way in which it is intended that an Award may be satisfied after it has been granted).

10.6. Timing of grant

An Award may be granted:

- a. in the period of 42 days following:
 - i. the dealing day after the date on which the Company announces its results for a Financial Year;
 - ii. the date on which any Annual Incentive Outcome, to which the Award is linked, is determined under Part A of the Plan;
 - iii. the dealing day following the lifting of any Dealing Restrictions that prevented the grant of Awards pursuant to Rules 10.6(a) or 10.6(b); or
- b. at any other time when the Committee considers that circumstances are sufficiently exceptional to justify its grant,

but an Award may not be granted after the expiry of the period of 10 years beginning on the date the Plan is most recently approved by shareholders of the Company.

10.7. Non-transferability

An Award granted to any person shall not be transferred, assigned, charged or otherwise disposed of (except on his death to his personal representatives) and any attempt to do so shall result in its lapse.

11. LIMIT**11.1. 2.5 per cent in 10 years limit**

An Award shall not be granted at any time if, at the time of its proposed Grant Date, it would cause the number of Shares allocated (as defined in Rule 11.2) in the period of 10 years ending with that date under the Plan and under any other discretionary share plan adopted by the Company or any other company under the Company's Control to exceed such number as represents 2.5 per cent of the ordinary share capital of the Company in issue at that time.

11.2. Meaning of "allocated"

For the purposes of Rule 11:

- a. Shares are allocated:
 - i. when an option, award or other contractual right to acquire unissued Shares or treasury Shares is granted;
 - ii. where Shares are issued or treasury Shares are transferred otherwise than pursuant to an option, award or other contractual right to acquire Shares, when those Shares are issued or treasury Shares transferred;
- b. any Shares which have been issued or which may be issued to any trustees to satisfy the exercise of any option, award or other contractual right granted under any employees' share scheme shall count as allocated;
- c. for the avoidance of doubt, existing Shares other than treasury Shares that are transferred or over which options, awards or other contractual rights are granted shall not count as allocated.

11.3. Post-grant events affecting numbers of "allocated" Shares

For the purposes of Rule 11.2, where:

- a. any option, award or other contractual right to acquire unissued Shares or treasury Shares is released or lapses (whether in whole or in part); or
- b. after the grant of an option, award or other contractual right the Committee determines that:
 - i. where an amount is normally payable on its exercise it shall be satisfied without such payment but instead by the issue of Shares and/or the transfer of treasury Shares and/or the payment of cash equal to the gain made on its exercise; or
 - ii. it shall be satisfied by the transfer of existing Shares (other than Shares transferred out of treasury) and/ or by settlement in cash

the unissued Shares or treasury Shares which consequently cease to be subject to the option, award or other contractual right from time to time or absolutely (as appropriate) shall not count as allocated, or count to the extent as the Board shall reasonably determine from time to time.

11.4. Restriction on use of unissued Shares and treasury Shares

No Shares may be issued or treasury Shares transferred to satisfy the Vesting or exercise of any Award to the extent that such issue or transfer would cause the number of Shares allocated (as defined in Rule 11.2 and adjusted under Rule 11.3) to exceed the limit in Rules 11.1 (*2.5 per cent in 10 years limits*).

12. VESTING OF AWARDS

12.1. Timing of Vesting

Subject to Rule 12.2 (Restrictions on Vesting), Rule 12.5 (*Suspension or investigation for a disciplinary matter*) and Rule 19 (*Malus and Clawback*) an Award (or part thereof) will become Vested on the Normal Vesting Date, except where earlier Vesting occurs on an Early Vesting Date under Rule 15 (*Leavers*) or Rule 16 (*Corporate events*).

12.2. Restrictions on Vesting

An Award will not Vest unless and until the following conditions are satisfied:

- a. the Vesting of the Award, and the issue or transfer of Shares after such Vesting, would be lawful in all relevant jurisdictions and in compliance with any Dealing Restrictions;
- b. if, on the Vesting of the Award, a Tax Liability would arise by virtue of such Vesting, then the Participant must have entered into arrangements (including providing any information necessary to implement such arrangements) acceptable to the Company that the relevant Group Company will receive the amount of such Tax Liability (whether pursuant to Rule 12.4 (*Payment of Tax Liability*) or otherwise);
- c. where the Committee requires, the Participant confirms before the Vesting of the Award that he remains bound by the provisions of Rule 19 (*Malus and Clawback*).

12.3. Tax Liability before Vesting

If a Participant will, or is likely to, incur any Tax Liability before the Vesting of an Award then that Participant must enter into arrangements acceptable to any relevant Group Company to ensure that it receives the amount of such Tax Liability. If no such arrangement is made then the Participant will be deemed to have authorised the Company to sell or procure the sale of sufficient of the Shares subject to his Award on his behalf to ensure that the relevant Group Company receives the amount required to discharge the Tax Liability and the number of Shares subject to his Award shall be reduced accordingly.

12.4. Payment of Tax Liability

The Participant authorises the Company to sell or procure the sale of sufficient Vested Shares on or following the Vesting of his Award on his behalf to ensure that any relevant Group Company receives the amount required to discharge the Tax Liability which arises on Vesting except to the extent that he agrees to fund all or part of the Tax Liability in a different manner.

12.5. Suspension or investigation for a disciplinary matter

Notwithstanding any other provision of the Plan, if, at any time before an Award Vests, a Participant is suspended for a disciplinary matter or is the subject of an investigation into a disciplinary matter, then the Committee in its absolute discretion, following consultation with the relevant Group Company, may determine that the Vesting of any Award shall be suspended until such time as the Committee lifts such suspension and exercises its discretion to Vest the Award or otherwise reduce the Award (to nil if the Committee considers that to be appropriate).

13. CONSEQUENCES OF VESTING

On or as soon as reasonably practicable after the Vesting of an Award, the Board shall, subject to Rule 12.4 (*Payment of Tax Liability*) and any arrangement made under Rules 12.2(b) (*Restrictions on Vesting*), transfer or procure the issue or transfer of the Vested Shares to the Participant (or a nominee for him) or, if appropriate, allot to him (or a nominee for him) the number of Vested Shares.

14. LAPSE OF AWARDS

An Award will lapse:

- a. in accordance with the Rules; or
- b. to the extent it does not Vest under these Rules.

15. LEAVERS

15.1. Cessation of employment before Normal Vesting Date

Subject to Rule 15.3, if a Participant ceases to be a director or employee of a Group Company before the Normal Vesting Date then he shall retain the Award and it shall Vest (to the extent it has not already Vested) on the Normal Vesting Date, **UNLESS** the Committee decides in exceptional circumstances that the date of cessation will be an Early Vesting Date.

15.2. Cessation of employment after Normal Vesting Date

Subject to Rule 15.3, where a Participant ceases to be a director or employee of a Group Company on or after the Normal Vesting Date and he holds an unvested Award (due to the operation of Rule 12.2) then, subject to earlier lapse under Rule 16 (*Corporate events*) the Participant will retain any unvested Award until Vesting.

15.3. Cessation of employment – misconduct or resignation

If a Participant ceases to be a director or employee of a Group Company and the cessation is by way of (or occurs where there are circumstances which the Committee determines would have justified) either:

- a. summary dismissal or service of notice of termination of office or employment on the grounds of misconduct (including where there are circumstances which the Committee determines would have justified service of notice of termination on such grants); or
- b. service of notice of termination of his employment by the Participant,

then any Awards then held by him shall lapse immediately on such cessation **UNLESS** the Committee decides in exceptional circumstances that any remaining instalments may be retained and shall continue to be paid on such dates and terms as the Committee in its absolute discretion determines.

16. CORPORATE EVENTS**16.1. General offers**

If any person (or group of persons acting in concert):

- a. obtains Control of the Company as a result of making a general offer to acquire Shares;
- b. having obtained Control of the Company makes such an offer; or
- c. makes a general offer to acquire Shares that would, as determined by the Board, result in that person obtaining Control of the Company,

then, any outstanding Awards shall be retained by the Participant until the Normal Vesting Date **UNLESS** the Committee decides that, subject to Rule 12.2 (*Restrictions on Vesting*) and Rule 16.4 (*Internal reorganisations*), Awards shall Vest on the date such offer becomes wholly unconditional if they have not then Vested.

16.2. Cross-border merger

In the event that a competent authority approves a merger pursuant to the implementation in any relevant jurisdiction of Directive 2005/56/EC (on cross-border mergers of limited liability companies), pursuant to which the Company shall cease to exist the Board shall, as soon as practicable, notify every Participant of that event (or in anticipation of it) and, subject to Rule 12.2 (*Restrictions on Vesting*) and Rule 16.4 (*Internal reorganisations*), all Awards shall be automatically surrendered in consideration for the grant of a new award which the Committee determines is equivalent to the Award it replaces except that it will be over shares in the resulting merged entity or some other company **UNLESS** the Committee decides that some or all Awards may Vest on the date specified in such notification if they have not then Vested.

16.3. Demerger and other corporate events

Without prejudice to Rule 17 (Adjustment of Awards), if:

- a. a demerger, special dividend or other similar event (the "**Relevant Event**") is proposed which, in the opinion of the Committee, would affect the market price of Shares to a material extent: or
- b. such other event that the Board has determined should be treated as a Relevant Event, then the Committee may, at its discretion, decide that the following provisions will apply:
 - i. the Committee shall, as soon as reasonably practicable after deciding to apply these provisions, notify a Participant that, subject to earlier lapse under Rule 15 (Leavers), his Award Vests;
 - ii. if an Award Vests conditional upon the Relevant Event and such event does not occur then the conditional Vesting shall not be effective and the Award shall continue to subsist; and
 - iii. if the Committee decides that an Award Vests under this Rule 16.3 then the date of that Vesting shall be an Early Vesting Date.

16.4. Internal reorganisations

In the event that:

- a. a company (the "**Acquiring Company**") is expected to obtain Control of the Company or substantially all of the assets of the Company as a result of an offer referred to in Rule 16.1 (*General offers*); and
- b. at least 75% of the shares in the Acquiring Company are expected to be held by substantially the same persons who immediately before the obtaining of Control of the Company were shareholders in the Company,

then the Committee, with the consent of the Acquiring Company, may decide before the obtaining of such Control that an Award shall not Vest under Rule 16.1 but shall be automatically surrendered in consideration for the grant of a new

award which the Committee determines is equivalent to the Award it replaces except that it will be over shares in the Acquiring Company or some other company.

The Rules will apply to any new award granted under this Rule 16.4 as if references to Shares were references to shares over which the new award is granted and references to the Company were references to the company whose shares are subject to the new award.

16.5. Concert parties

For the purposes of this Rule 16, a person shall be deemed to have Control of the Company where he and any others acting in concert with him together have Control of the Company.

17. ADJUSTMENT OF AWARDS

In the event of:

- a. any variation of the share capital of the Company; or
- b. a demerger, special dividend or other similar event which affects the market price of Shares to a material extent the Committee may adjust the number of Shares comprised in an Award as it considers appropriate **PROVIDED THAT** any adjustments, other than those made on a capitalisation issue, must be confirmed in writing to the Committee by the Company's auditors as being in their opinion fair and reasonable.

PART C – RULES COMMON TO BOTH PARTS A AND B OF THE PLAN**18. INTERPRETATION OF PART C**

The rules set out in Part C to the Plan shall apply to the rules of both Part A and Part B of the Plan. Words defined in the rules of Part A and Part B of the Plan shall have the same meaning in this Part C to the extent permitted.

19. MALUS AND CLAWBACK**19.1. Circumstances and period for Malus and Clawback**

The Committee may decide:

- i. at any time prior to the date on which an Incentive Payment is made in respect of an Annual Incentive Outcome pursuant to Rule 6 (Payment of Incentive Payment), the Participant's Annual Incentive Outcome for the relevant Performance Period shall be subject to Malus;
- ii. at any time prior to the date on which an Award Vests that an unvested Award shall be subject to Malus;
- iii. at any time prior to the seventh anniversary (which the Committee may in its absolute discretion extend to the tenth anniversary if a Participant is the subject of an ongoing investigation into a disciplinary matter) of the date on which an Annual Incentive Outcome is determined pursuant to Rule 5 (Determination of Annual Incentive Outcome) that an individual to whom such an Incentive Payment and/or Award was made (the "**relevant individual**") shall be subject to Clawback,

if both:

- i. after due consideration, the Committee forms the view that in the case of Malus one or more of the circumstances envisaged in (a) to (e) below applies and/or in the case of Clawback one or more of the circumstances envisaged in (c) and (d); and
- ii. such Malus and/ or Clawback is, in the Committee's opinion, appropriate.

The Committee shall not be obliged to prefer the application of Malus over Clawback or vice versa. The circumstances which may give rise to the application of this Rule 19 are:

- a. the Committee forms the view that the Company materially misstated its financial results for whatever reason and that such misstatement resulted either directly or indirectly in: (i) an Incentive Payment being paid over a larger cash sum than would have been the case had that misstatement not been made and/or (ii) an Award Vesting to a greater degree than would have been the case had that misstatement not been made; or
- b. there was a material error in: (i) determining whether an Incentive Payment and/or Award should be made; or (ii) determining the size and nature of the Incentive Payment and/or Award; or
- c. the relevant individual ceases to be a director or employee of a Group Company as a result of gross misconduct on the part of that individual or it is discovered that the relevant individual committed one or more acts which, in the reasonable opinion of the Committee, could have resulted in the summary dismissal from his employment by reason of his gross misconduct; or
- d. there has been a material failure of risk management by the Company or a relevant business unit, provided that the Committee is satisfied that the relevant individual has contributed to the failure of risk management; or
- e. there has been a material downturn in economic activity.

19.2. Application of Malus

If the Committee decides to apply Malus, it may:

- a. reduce the Participant's Annual Incentive Outcome for the relevant Performance Period in whole or part as it considers appropriate;
- b. lapse any further instalments of an Incentive Payment; and/or
- c. lapse any unvested Awards in whole or part as it considers proportionate

If the Committee concludes that there may be circumstances existing which may lead to this provision being applied, it may:

- i. delay the determination of the Participant's Annual Incentive Outcome pursuant to Rule 5 and/or the payment of the Incentive Payment pursuant to Rule 6; and/or
- ii. defer the Vesting of an Award for up to 12 months,

while the position is investigated and the Committee considers whether to invoke this provision.

19.3. Amount Subject to Clawback

The amount which may be subject to Clawback on any occasion will be such proportion of the Pre-Clawback Vesting Amount as the Committee considers to be fair and reasonable having regard to all the circumstances.

19.4. Method of Clawback

In order to ensure that the Clawback is satisfied:

- a. the Committee may reduce (including, if appropriate, reducing to zero) the amount of the next Annual Incentive Outcome or bonus (if any) which may, but for the operation of this Rule 19, be payable to the relevant individual under the Plan or any other annual incentive or bonus plan operated by any Group Company; and/or
- b. the Committee may reduce (including, if appropriate, reducing to zero):
 - i. the extent to which any subsisting Awards held by the relevant individual Vest; and/or
 - ii. the extent to which any rights to acquire Shares granted to the relevant individual under any employees' share plan (other than the Plan) operated by any Group Company vest or become exercisable notwithstanding the extent to which any conditions imposed on such rights to acquire Shares have been satisfied; and/or
 - iii. the number of Shares subject to any vested but unexercised right to acquire Shares granted to the relevant individual under any employees' share plan (other than the Plan) operated by any Group Company and any reduction made pursuant to Rule 19.4(b)(i) and/or Rule 19.4(b)(ii) shall take effect immediately prior to the Award Vesting or the right vesting or becoming exercisable (as applicable) (or at such other time as the Committee decides) and any reduction made pursuant to Rule 19.4(b)(iii) shall take effect at such time as the Committee decides; and/or
- c. the Committee may require the relevant individual to pay to such Group Company as the Committee may direct, and on such terms as the Committee may direct (including, but without limitation to, on terms that the relevant amount is to be deducted from the relevant individual's salary or from any other payment to be made to the relevant individual by any Group Company), such amount as is required for the Clawback to be satisfied in full.

The ability to make any reduction pursuant to Rule 19.4(b)(ii) and/or Rule 19.4(b)(iv) shall be subject to terms of the clawback provision in the relevant employees' share plan.

19.5. Clawback provisions in other plans

The Committee may decide at any time to:

- a. reduce an Annual Incentive Outcome (including, if appropriate, reducing to zero); or
- b. reduce the amount of a future Incentive Payment (including, if appropriate, reducing to zero);
- c. reduce the number of Shares subject to an Award (including, if appropriate, reducing to zero)

to give effect to a clawback provision of any form contained in any incentive plan (other than the Plan) or an annual incentive or bonus plan operated by any Group Company. The value of the reduction shall be in accordance with the terms of the clawback provision in the relevant plan or, in the absence of any such term, on such basis as the Committee decides is appropriate.

19.6. General

- a. For the avoidance of doubt, Rule 19 can apply even if the Participant was not responsible for the event in question or if it took place before the payment of an Incentive Payment, or grant or Vesting of an Award.
- b. This Rule 19 may be applied in different ways for different Participants in relation to the same or different events.
- c. The Committee will notify the Participant of any adjustment under this Rule 19.
- d. Without limiting Rule 21.1, the Participant will not be entitled to any compensation in respect of the operation or purported operation of this Rule 19.

19.7. Participant acceptance

The Participant by participating in the Plan, accepts that this Rule 19 is a fair, reasonable and not excessive means of aligning his interests with those of shareholders.

20. ALTERATIONS**20.1. General rule on alterations**

Except as described in Rule 20.2 (Shareholder approval) and Rule 20.4 (Alterations to disadvantage of Participants) the Committee may at any time alter the Plan or the terms of any Award.

20.2. Shareholder approval

Except as described in Rule 20.3 (Exceptions to shareholder approval), no alteration to the advantage of an individual to whom an Award has been or may be granted shall be made under Rule 20.1 to the provisions concerning:

- a. eligibility;
- b. the individual limits on participation;

- c. the overall limits on the issue of Shares or the transfer of treasury Shares;
- d. the basis for determining a Participant's entitlement to, and the terms of, Shares or cash provided under the Plan;
- e. the adjustments that may be made to an Award in the event of any variation of capital; and
- f. the terms of this Rule 20.2

without the prior approval by ordinary resolution of the members of the Company in general meeting.

20.3. Exceptions to shareholder approval

Rule 20.2 (Shareholder approval) shall not apply to any minor alteration to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or any Group Company.

20.4. Alterations to disadvantage of Participants

No alteration to the material disadvantage of Participants shall be made under Rule 20.1 unless:

- a. the Board shall have invited every relevant Participant to indicate whether or not he approves the alteration; and
- b. the alteration is approved by a majority of those Participants who have given such an indication.

21. MISCELLANEOUS

21.1. Employment

The rights and obligations of any individual under the terms of his office or employment with any Group Company shall not be affected by his participation in the Plan or any right which he may have to participate in it. An individual who participates in the Plan waives any and all rights to compensation or damages in consequence of the termination of his office or employment for any reason whatsoever insofar as those rights arise or may arise from him ceasing to have rights under the Plan as a result of such termination. Participation in the Plan shall not confer a right to continued employment upon any individual who participates in it. Participation in the Plan in one Financial Year shall not confer on an individual who participates in the Plan any right to participate in the Plan in respect of any other Financial Year.

21.2. Meaning of ceasing employment

- a. Subject to Rule 21.2(b), a Participant shall be treated for the purposes of Rules 7 and 15 as ceasing to be a director or employee of a Group Company at such time as he is no longer a director or employee of any Group Company.
- b. The Committee may decide that a Participant shall be treated as ceasing to be a director or employee of a Group Company on such earlier date as it shall select being not earlier than the date on which a Participant gives or receives notice of termination of his employment with a Group Company (whether or not such termination is lawful).
- c. If any Participant ceases to be such a director or employee before the payment of an Incentive Payment or Vesting of his Award in circumstances where he retains a statutory right to return to work then he shall be treated as not having ceased to be such a director or employee until such time (if at all) as he ceases to have such a right to return to work.

21.3. Disputes

In the event of any dispute or disagreement as to the interpretation of the Plan, or as to any question or right arising from or relating to the Plan, the decision of the Committee shall be final and binding upon all persons.

21.4. Exercise of powers and discretions

The exercise of any power or discretion by the Committee shall not be open to question by any person and a Participant or former Participant shall have no rights in relation to the exercise of or omission to exercise any such power or discretion.

21.5. Share rights

All Shares allotted under the Plan shall rank equally in all respects with Shares then in issue except for any rights attaching to such Shares by reference to a record date before the date of the allotment.

Where Vested Shares are transferred to Participants (or their nominee), Participants shall be entitled to all rights attaching to such Shares by reference to a record date on or after the date of such transfer or release of such restrictions.

21.6. Notices

Any notice or other communication under or in connection with the Plan may be given:

- a. by personal delivery or by post, in the case of a company to its registered office, and in the case of an individual

to his last known address, or, where he is a director or employee of a Group Company, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment;

- b. in an electronic communication to their usual business address or such other address for the time being notified for that purpose to the person giving the notice; or
- c. by such other method as the Committee determines.

21.7. Third parties

The Plan is between and for the benefit of the parties named herein and shall not be enforceable by any person who is not named within the Plan.

21.8. Benefits not pensionable

Benefits provided under the Plan shall not be pensionable.

21.9. Data protection

The basis for any processing of personal information about the Participant under the EU's General Data Protection Regulation (2016/679) (or any successor laws) is set out in the employee privacy notice which is available on the Company intranet.

The employee privacy notice also contains details about how the Participant's personal information is processed and the Participant's rights in relation to that information. The Participant has a right to view the employee privacy notice.

21.10. Consistency with directors' remuneration policy

Nothing in these Rules or the terms of any Award will oblige a Group Company or any other person to make any remuneration payment or payment for loss of office which would be in breach of the directors' remuneration policy of the Company, as approved by shareholders from time to time. The Company will not be obliged to seek the approval of its shareholders in general meeting for any such payment but may make such changes as are necessary or desirable to the terms of any payment to ensure that it is not in breach with such policy.

21.11. Governing law

The Plan shall be governed by and construed in accordance with the law of Malta and the Courts of Malta have exclusive jurisdiction to hear any dispute.

Bank of Valletta p.l.c.

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