



Bank of Valletta

Office of the Company Secretary

House of the Four Winds,

Triq l-Imtiehen, Il-Belt Valletta VLT 1350 - Malta

T: (356) 2131 2020 F: (356) 2275 3711

E: customercare@bov.com bov.com

BOV/370

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

BANK OF VALLETTA p.l.c. INTERIM DIRECTORS' STATEMENT

Q3 July to September - Financial Year 2019

Financial performance for the third quarter of the current financial year was broadly in line with expectations. Results reflect the cost impact of the transformation programme, aimed to lower the Group's risk profile and ensure its long term sustainability, which was embarked upon earlier this year.

The main drivers affecting the results for the quarter were:

- Net interest income, which is marginally higher when compared to Q3 last year, includes the positive impact from volume growth in the loan book and the continuing preference for very low yield deposit products. This was offset by lower returns on treasury investments where the margin remains under pressure due to the negative interest environment and high liquidity levels.
- Commission and trading income register a slight improvement. Efforts to seek alternative revenue sources to mitigate the impact of the de-risking initiatives and competitive pressures are yielding positive results.
- Higher costs attributed to the transformation programme as well as the continuing investment in HR and IT.
- Lower impairment provisions reversals.

Total assets are marginally higher when compared to June 2019. Demand for credit, both retail and business, remained satisfactory. The quarter under review saw a further reduction in deposits from international corporate clients as the de-risking initiatives progressed. Growth in deposits from local customers, both retail and corporate, continued unabated mostly in demand deposits. The advances/deposits ratio remains at 44.6% is in line with the June 2019 level. Liquidity levels remain high with short term funds exceeding the €4 billion mark.

The Bank continued with its capital optimisation plan and the capital ratios continued to register improvement. The Bank's Asset Liability Management Committee actively manages the balance sheet and monitors key ratios on a regular basis. As was outlined in the publication of the FY 2018 results, the Bank is actively seeking to raise additional Tier 1 Capital by the end of the year which will further strengthen its regulatory capital.

Further to the press release issued in June this year announcing ING's decision to terminate its relationship with BOV, the Bank 's efforts to find alternative USD clearing arrangements have progressed. This is being achieved despite the challenges that smaller jurisdictions, like Malta, face since they lack the critical mass which would attract the larger players. A number of options were evaluated and the work required to establish new alternative correspondent banking arrangements is progressing well. The Bank shall become a direct SEPA participant on 19th November 2019.

The company announcement of the 3rd September informed the market that the CEO's term of office is due to expire at the end of this year and that Mr Mallia has informed the Board that he will not be seeking to renew his contract. The appointment of the new CEO is subject to regulatory approval.

The BOV Group continued on the journey outlined in its 2020+ vision. During the period under review, bank-wide training for the Core Banking IT system has intensified. The business restructuring programme has been incorporated in the wider reach of the transformation programme. This programme, for which the bank has engaged the assistance of two global consultancy firms, covers a number of specific streams, mostly relating to governance and risk management and is primarily aimed towards the strengthening of the Bank's regulatory capital position, lower the risk profile while ensuring long term viability in line with the Group's primary strategic priority.

Unquote



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

28 October 2019