



## Bank of Valletta

Bank of Valletta p.l.c.  
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BOV/249

### 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 2013 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.

The period under review was characterised by subdued credit growth that was mitigated by a satisfactory increase in the demand for house loans. On the other hand, deposits, both retail and institutional, grew at a faster rate than expected. Higher levels of liquidity, coupled with the continuing low interest rate scenario indicate that pressures on the narrowing margins of the Bank's proprietary operations are expected to continue over the coming months. Local competition also maintained pressure on interest margins in the retail business.

Concurrently, net commission income continued to register satisfactory growth across all business lines, primarily driven by investment related activities, trade finance and card related business. Control on costs continued to be exercised, and expenses to date are in line with expectations. The Bank retained its cautious approach towards provisioning, especially in the light of the requirements of the new banking rule on provisioning. During the period under review, price movements on the Bank's investment book remained positive.

During the same period, Fitch Ratings confirmed BOV's long-term credit rating at BBB+, citing the Bank's leading domestic franchise, its strong funding base and its satisfactory liquidity position, which benefits from a large and stable customer deposit base. The agency also referred to BOV's revenue-generating capacity, which has shown resilience even in a scenario of low interest rates. When commenting on asset quality, Fitch observed that "doubtful loans appear to have stabilised and are beginning to benefit from an improved provisioning policy implemented by BOV over the past two years."

The Bank expects the second half of its financial year to be marked by a pick-up in local economic activity. The latest Central Bank of Malta projections for the Maltese economy indicate that real gross domestic product growth in Malta is expected to accelerate from the low levels reached in 2012. The same projections imply that after last year's slowdown, economic growth is expected to pick up again in 2014, driven by domestic demand as private consumption and investment starts to recover. Government spending, particularly in the energy sector, will also drive this recovery. While uncertainties still remain in respect of the overall economic outlook at EU level, the European Central Bank (ECB) introduced forward guidance, assuring the financial markets that its policy stance will remain accommodative with low interest rates for as long as necessary.

Bank of Valletta will, as from 1 November 2014, become subject to direct supervision by the ECB under the Single Supervisory Mechanism (SSM). An Asset Quality Review, conducted by the ECB will take place over the coming months, with the aim of evaluating asset quality before the new supervisory arrangement comes into effect.

The Bank will continue to focus on improving customer service, reviewing operational efficiency and supporting the local economy, while maintaining strong capital and liquidity buffers in line with best international practice.

**Unquote**

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

30 January 2014