



## Bank of Valletta

Bank of Valletta p.l.c.

Office of the Company Secretary,

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BOV/253

### 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 April 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.

The period under review was characterised by weak demand for business credit, that was partly countered by robust demand for home loans. Growth in deposits far exceeded growth in lending, leading to increasing levels of liquidity. The persisting low yields on proprietary investments, coupled with negative rates on overnight deposits with the European Central Bank (ECB), had an adverse influence on the interest margin, which was somewhat mitigated by increased volumes. Fair value movements resulted in moderate price gains over the period.

Fees and commission income continued to grow across all key business lines. Costs remained under control and whilst higher than last year, due partly to increased regulatory costs, are in line with what was expected for this financial year. The Bank's long standing cautious approach towards provisioning was retained during this period.

The Bank will, as from November 2014, come under the direct supervision of the ECB as part of the Single Supervisory Mechanism. In preparation for this transition, the ECB is carrying out an Asset Quality Review and has commenced a stress testing exercise, with the aim of evaluating asset quality, assessing the adequacy of provisions and determining the resilience of the Bank's capital buffers under extreme conditions. The final outcome of these two exercises is expected to be announced towards the end of October 2014.

The latest EU economic forecast indicates that Malta's growth outlook is robust, and that expansion in economic activity is expected to be driven by domestic demand, in particular strong household consumption and a number of large-scale investment projects. The Bank therefore looks towards the future with cautious optimism, and reiterates its commitment towards supporting the local economy and providing its customers with excellent service quality. In this context, the Bank expects to invest significantly in extending and upgrading its IT infrastructure over the coming years. At the same time the Bank will continue to operate a prudent business model, giving priority to the maintenance of high capital and liquidity buffers in the interests of national financial stability.

#### Unquote

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

31 July 2014