



Bank of Valletta

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BOV/258

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

Comprehensive Assessment of significant European banks: a satisfactory result for BOV

Bank of Valletta (BOV) has successfully undergone the “Comprehensive Assessment” carried out by the European Central Bank (ECB) on 130 banks in the euro area which have been deemed as “significant credit institutions”. The comprehensive assessment is a financial health check on banks that started in November 2013 and took 12 months to complete, ending in October 2014. Results for all banks were published today at noon by the ECB, which shall assume responsibility for the direct supervision of these banks on 4th November 2014. BOV is considered as a significant European bank, in view of its standing as the largest credit institution in Malta.

The Comprehensive Assessment consisted of two main parts: an asset quality review (AQR) which assessed the adequacy of banks’ asset valuation, classification of non-performing exposures, collateral and provisioning; and a stress test, which evaluated the resilience of banks’ balance sheets to stress scenarios. The stress test was performed in close cooperation with the European Banking Authority (EBA).

The outcome of the Comprehensive Assessment was expressed as the Common Equity Tier 1 (CET1) ratio which would result from the integration of the AQR and the quality-assured stress test. The CET1 ratio is a widely-used measure of the resilience of banks to unexpected losses. It relates the risks assumed by a bank to its regulatory capital and reserves.

BOV started the Comprehensive Assessment with a CET1 ratio of 11.2%. This fell to 10.71% as a result of the AQR assessment. The CET1 ratio rose to 13.22% after application of the baseline scenario, compared to the threshold of 8% set by the ECB. It fell to 8.92% after application of the more severe adverse scenario, compared to the threshold of 5.5%.

BOV will continue to be vigilant in the management of risks and will strengthen its corporate governance to ensure that it continues to perform its role in a sustainable and effective way.

Unquote

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

Company Secretary

26 October 2014