



Bank of Valletta

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BOV/357

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

Q1 January to March - Financial Year 2019

Financial performance for the first three months of the current Financial Year was broadly in line with expectations and lower than that achieved during the first quarter last year.

Results have been affected by:

- Net interest income remains under pressure by a low/negative interest environment and high levels of liquidity.
- Higher costs by continuing investment in HR, IT security, governance and risk management.
- Lower impairment provisions reversals.

Total assets registered moderate growth, reflecting the local buoyant economic activity as well as customer and investor confidence. Satisfactory growth was achieved in both corporate and retail lending with higher than expected increases being recorded in mortgage lending. Overall, customer deposits have increased since the year end. Incoming funds from local retail and corporate customers exceeded reductions in the deposits of international corporate clients. The advances/deposits ratio stands at the December 2018 level and the Group remains highly liquid with short term funds exceeding the €4 billion mark.

Overall asset quality improved with further reduction in corporate non-performing loans.

Regulatory capital ratios show improvement over those as at December 2018, as the Bank continues to implement its capital optimisation plan. The Bank's Asset Liability Management Committee actively monitors and manages the key capital ratios on a regular basis. As was outlined in the publication of the FY 2018 results, the Bank will be seeking to raise new contingent to further strengthen its regulatory capital, with work in this regard well under way and in line with the plan to go to the market later this year.

In February, the Bank suffered a sophisticated cyber incident. Senior management responded with immediate actions to protect the organisation and, once it was ascertained that these systems were safe and secure, managed to resume operations within a few hours. This clearly demonstrated the resilience of the organisation and the effectiveness of the Bank's business continuity plans. The

Bank immediately started enhancing its security infrastructure in order to strengthen its cyber-resilient ecosystem. While a substantial part of the irregular payments has already been recovered, the Bank is continuing with its endeavours to recoup the remaining funds. Nevertheless, it has prudently set aside a provision for these outstanding amounts as at end March, which provision will continue to be re-assessed in the light of new developments.

The BOV Group continued on the journey of implementing its 2020 Vision. During the period under review, bank wide training for the Core Banking Transformation programme has started and is ongoing. The Bank has, in early May, signed the new Collective Agreement which has been successfully completed following detailed discussions and negotiations carried out over the last months. The business restructuring programme is also progressing. This is primarily aimed towards the strengthening of the Bank's capital position while ensuring long term viability, as this remains the Group's primary strategic priority.

Unquote

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

15 May 2019