



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

MEDIA RELEASE

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Bank of Valletta plc (BOV) was a direct participant in the 2011 EU-wide stress testing exercise coordinated by the European Banking Authority (EBA), in cooperation with the Malta Financial Services Authority (MFSA), the Central Bank of Malta, the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB). This was the second time that BOV participated in such an exercise.

The exercise was conducted using the scenarios, methodology and key assumptions provided by the EBA (see the aggregate report published on the EBA website¹) on a sample of 91 banks covering over 65% of the EU banking system's total assets. It seeks to assess the resilience of European banks to severe shocks and their specific solvency response to hypothetical stress events under certain restrictive conditions. The assumptions and methodology were established to assess banks' capital adequacy against a 5% Core Tier 1 capital benchmark. A more rigorous methodology was applied in this year's exercise in order to restore confidence in the resilience of the banks tested. The adverse stress test scenario was set by the ECB and covers a two-year time horizon (2011-2012). The stress test has been carried out using a static balance sheet assumption as at December 2010.

As a result of the assumed shock under the adverse scenario, the estimated Core Tier 1 capital ratio of BOV would change marginally from 10.5% as at end December 2010 to 10.4% as at end 2012.

The overall results confirm the resilience of the bank to the plausible but unlikely shocks assumed in the exercise and that it meets the capital benchmark set out for the purpose of the EU-wide stress test.

The MFSA and the Central Bank of Malta have held detailed discussions with BOV on the results of the stress test and confirm the positive outcome of the test. This stress test complements the risk management procedures and regular stress testing programmes set up by BOV under the Pillar 2 framework of the Basel II and CRD² requirements.

¹ <http://www.eba.europa.eu/EU-wide-stress-testing/2011.aspx>

² Directive EC/2006/48 – Capital Requirements Directive (CRD)

The BOV results may be accessed through the respective websites of the Central Bank of Malta and the Malta Financial Services Authority.

Given that the stress test was carried out under a number of key common simplifying assumptions (e.g. constant balance sheet) the information on benchmark scenarios is provided only for comparative purposes and should in no way be construed as a forecast or a projection of the performance of the Maltese bank.

According to the criteria set by the EBA and the ECB, a number of cross-border subsidiaries in Malta were included in this exercise on a consolidated basis as part of their foreign parent institution. In these cases, therefore, the stress test exercise has been conducted by the relevant supervisory authorities of their home country and the results are being published by their respective supervisory authorities.

Further information on the EU-wide stress testing exercise and the results for the 91 European banks in the exercise is available on the websites of EBA and the ECB.