



Bank of Valletta

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BOV/186

COMPANY ANNOUNCEMENT

The following is a company announcement issued by Bank of Valletta p.l.c. pursuant to Malta Financial Services Authority Listing Rules 9.51 to 9.53:

Quote

Bank of Valletta plc hereby announces that during the financial period commencing on 1st April 2010 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.

During the third quarter (Q3) of the current financial year, the retail and corporate businesses of the Bank have continued to perform well. Net interest margin has improved further, and the contribution to profits from commission and trading activities remained strong and ahead of expectations. Operating expenses are on track, and overall credit quality remains satisfactory. However, whereas the first half of the year saw a sustained improvement in the international credit and equity markets, Q3 has seen a reversal of sentiment and the return of risk aversion. This marked change in mood resulted from heightened concerns relating to the debt burden of certain eurozone countries and the need for greater fiscal discipline. The implementation of austerity measures by various governments has served to steady the markets somewhat, but have, at the same time, raised concerns as to whether these measures will impact negatively the incipient economic recovery that was seen earlier in the year.

The return of risk aversion referred to above has caused a widening of spreads in parts of the credit markets, and this has resulted in the reversal of the modest fair value gains reported at the half year. As at the end of Q3, the cumulative fair value movements for the year to date are showing a modest negative position, much of which relate to Interest Rate Swaps which it is expected will reverse over time. A further small gain has been recorded during Q3 on the Bank's Available for Sale portfolio.

Looking forward, the results for the full year will be influenced by the behaviour of the credit markets in the last quarter. The expectation is that profits from the core retail and corporate operations will be satisfactory and ahead of those achieved in FY 2009.

The Bank has continued to manage its balance sheet in a prudent manner, maintaining strong liquidity and capital ratios, and a further increase in customer deposits has been experienced. As previously announced, the results of the stress tests carried out under the auspices of the European Central Bank were very satisfactory insofar as Bank of Valletta was concerned, with post stress scenario capital ratios comfortably in excess of the required levels.

Unquote

Catherine Formosa

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

30th July 2010