



Bank of Valletta

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BOV/194

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 plc hereby announces that during the financial period commencing on 1st October 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.

As noted in the FY 2010 Annual Report, certain companies in the Bank of Valletta Group were served with judicial protests in connection with the La Valette Multi Manager Property Fund (the Fund). Counter protests rebutting the allegations contained in these protests have been filed. The Malta Financial Services Authority has been carrying out an investigation on certain matters pertaining to the Fund, and the Bank is in regular communication with the Authority in this regard.

During the first quarter of the current year (Q1), the Bank has experienced subdued demand for new credits, both in the personal (home loan) and corporate sectors. Customer Deposits have been flat, in part due to substantial issuance of government paper during the quarter, but also due to the normal levels of volatility experienced in the international deposits sector. Net interest income has been satisfactory, and commission and trading income has been marginally ahead of the equivalent period of last year, but a little behind anticipated levels. The current lack of confidence in the eurozone sovereign debt market has caused spreads to widen, resulting in unrealised fair value mark downs being recorded for the quarter. Operating expenses are in line with those forecast. The impairment charge for the quarter continues to reflect the difficult environment that has been experienced by certain sectors of the economy. Overall, the Group's net profit for the quarter is much in line with that for the first quarter of FY 2010, but falls short of expectations for Q1, largely due to the fair value mark downs referred to above.

Looking forward, the likelihood is that the implementation of austerity measures across Europe will impact consumer confidence, and that growth will be sluggish at best. An early and lasting resolution to the eurozone debt crisis is badly needed, as the current uncertainty and fear of contagion will cause spreads to remain elevated, negatively impacting capital values.

In the meantime, BOV's deliberately prudent funding, asset quality, liquidity and capital adequacy policies have been maintained. There is every expectation that the Bank of Valletta will be invited to participate in the eurozone-wide stress test in the coming weeks, and the Bank will be working closely with the Central Bank of Malta and the MFSA in this regard.

Unquote

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

4 February 2011