



Bank of Valletta

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BOV/226

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 1 April 2012 up to the date of this Announcement, other than those matters referred to in separate Company Announcements issued during the period, 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 of the current financial year (Q3), the Bank continued to experience very subdued demand for new credits, both in the personal (home loan) and corporate sectors. As a result of this, credit growth on a year to date basis has been limited. Customer Deposits growth during the quarter has been sustained.

Net interest income has been satisfactory, but commission and trading income have remained subdued, with lower demand being experienced for investment related services, largely as a result of the uncertain conditions that continue to prevail across the eurozone and global markets. Credit quality has been maintained. Operating expenses are much in line with expectations.

The first three months of the current financial year saw a deepening of the eurozone crisis, and a spillover into the credit and inter-bank markets, with a number of substantial European banks being shut out from access to funding. Relief was brought about by the extraordinary measures taken by the European Central Bank (ECB) in December 2011 and February 2012, which through its Long Term Refinancing Operations (LTRO) made unlimited 3 year liquidity available to European financial institutions at very attractive rates. These measures served to calm markets somewhat during Q2. In total, European banks took close to €1 trillion of the LTRO facility.

However, uncertainty returned to the markets in Q3 as a result of the general and Presidential elections that were held in Greece and France respectively, and the worsening of the crisis affecting the domestic banking sector in Spain. This caused Italian and Spanish government bond yields to return to elevated levels. Whereas eurozone policymakers are seeking to implement measures to restore calm to the markets, sentiment remains fragile, with a growing belief and understanding that implementation of the structural reforms necessary to address the situation in the eurozone will take time, and that the resulting uncertain outlook and lack of confidence will have adverse implications for global economic growth.

Overall, the cumulative operating profits for the year to date are satisfactory and in line with expectations. At the start of Q4, the expectation is that both in Malta and across Europe, economic growth will be sluggish at best. No early and lasting resolution to the eurozone debt crisis appears to be in sight, and therefore continuing uncertainty and volatility, which may in turn impact bond spreads and prices, are to be expected. It is also expected that the current ultra low interest rate environment will prevail for some time to come.

In the meantime, BOV will continue with its consistent approach of supporting the Maltese economy in a responsible manner, and seeking to meet the reasonable expectations of borrowers and savers alike, whilst at the same time maintaining deliberately prudent funding, asset quality, liquidity and capital adequacy policies. At the end of Q3, the Prime Minister inaugurated the Bank's new Representative Office in Brussels – an office which, it is envisaged, will serve to consolidate Bank of Valletta's position as the key intermediary, interlocutor and facilitator for the local business community in accessing important EU investment, trade, training, development and funding opportunities.

Unquote

Catherine Formosa

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

17 July 2012