



Bank of Valletta

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BOV/237

## 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 p.l.c. hereby announces that during the financial period commencing on 1 October 2012 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.

The period under review was characterised by low-key economic activity, where demand for credit remained subdued, while deposits grew at a discreet rate. Rising liquidity buffers, coupled with zero interest rates on overnight deposits with the European Central Bank (ECB), maintained pressure on interest margins. Concurrently, net commission income registered a satisfactory year-on-year increase, driven by payments, cards and investment business. Costs remained close to last year's levels, while impairment charges decreased over the corresponding period in 2012.

The affirmation by Fitch of BOV's BBB+ rating was attributed to the Bank's strong domestic franchise, its stable funding model and its healthy liquidity position. The agency commended BOV's operating profitability, which has shown resilience even in a scenario of low interest rates, its prudent provisioning policy and its regulatory capital ratios.

Despite the continuing recession in most developed economies, the performance of money markets remained positive during the period under review. In the case of Europe, this was largely due to two stabilising actions taken by the ECB – the setting up of a mechanism (Outright Monetary Transactions), whereby the ECB was empowered to purchase bonds issued by Eurozone sovereigns on secondary markets; and the decision, taken in December, to continue with its main refinancing operations "for as long as necessary", thereby ensuring a steady flow of liquidity to the markets. The ECB's unambiguous support for the euro system led to what ECB President Mario Draghi has hailed as a "normalisation" of the financial markets. As a result, during the quarter under review price gains were recorded on the Bank's proprietary investment portfolio.

In the short term, local demand for credit is expected to remain subdued in the run-up to, and the immediate aftermath of the general election in March. Economic activity in a number of Member States will continue to be dampened, primarily, in this case, by austerity programmes. However, renewed confidence in the financial markets coupled with the possibility of some European economic recovery later in 2013 is expected to result in a more stable Eurozone scenario for the remainder of the year.

In this environment, Bank of Valletta will continue to extend strong support to the Maltese economy, ensuring an uninterrupted flow of credit to business and personal borrowers, while maintaining capital and liquidity buffers in accordance with best international practice.

### Unquote

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

14 February 2013