



Bank of Valletta

Bank of Valletta p.l.c.
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BOV/158

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 2008 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 third quarter of the current financial year has witnessed:-

- (a) a very modest write back on some of the financial markets investment portfolio position mark downs that had taken place earlier in the year;
- (b) ongoing softness in commission income from investment, bancassurance and broking related activities, as local investors continued to adopt cautious investment strategies in the light of extremely volatile market conditions;
- (c) sustained credit growth and quality against a backdrop of an increasingly competitive local market environment;
- (d) a moderate increase in the overall net impairment provision, resulting from the Group's prudent collective impairment policy, and from lower recoveries than the previous year.

The combined effect of the above has been a marked improvement in profitability during the third quarter, when compared (on a pro rata basis) with the results for the six months through to 31st March 2008.

After a period of relative calm between mid March and mid June, the international capital markets have witnessed a renewed bout of volatility. However, this recent volatility has been predominantly experienced in the equity sector, with the fixed income markets being affected to a much lesser extent, particularly when compared with conditions earlier in the year. Any additional markdowns that have been required to date have been comparatively modest. Subject to this state of affairs continuing, and the volatility not spreading to the fixed income sector, the Board of Directors expects that the results for the second half of the current financial year will show a significant improvement over those reported for the first half.

Overall, conditions prevailing in the banking sector, both domestically and internationally, remain extremely challenging. The expectation is that these challenging conditions will continue for some time, as the impact of the particularly severe credit crunch spills over into a wider economic slowdown. Accordingly, the Group will continue to maintain strong and conservative capital adequacy and liquidity positions. Credit quality remains satisfactory, as does the growth recorded in customers' deposits.

Bank of Valletta will continue to focus on meeting our customers' expectations, and on providing a consistent and differentiated customer experience that is based on our brand promise credo of supportiveness and mutuality, thus seeking to sustain and strengthen its position as Malta's bank of first choice.

Unquote

**Victor J. Cardona ACIB, BA (Hons) Econ. CSA
Company Secretary**

1st August 2008