



## Bank of Valletta

Bank of Valletta p.l.c.  
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### 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 1<sup>st</sup> April 2009 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.

Following the extreme conditions that prevailed during the first half of the current financial year, a sense of calm and cautious optimism has very gradually emerged in the international financial markets since the middle of March, as the markets started to believe that the bold action of the policy makers had indeed served to avert a potentially catastrophic meltdown in the global financial system. Both equity and debt markets improved, and the more positive tone and sentiment have been sustained to date.

As a result of these improved capital market conditions, the third quarter has seen a write-back of a proportion of the markdowns incurred on the Financial Markets and Investments book during the first six months. Interest margins remain under pressure, but are gradually improving as deposits re-price and measures taken for the widening of certain select lending margins are implemented. Competition for deposits remains keen, and this has been reflected in average rates continuing at levels well above the ECB intervention rate. In general, banking fees and commissions have shown a marginal improvement, whilst costs have been controlled at FY 2008 levels. Notwithstanding the number of Bond issues that took place during the period, a sustained and encouraging growth in deposits has been experienced. Loans and Advances have likewise continued to grow at a satisfactory rate in both the Home Loan and Business sectors.

Overall, the profitability of the Bank for the third quarter was significantly higher than that reported for the half year, principally as a result of the Financial Markets portfolio write-backs referred to above.

Looking forward, it is very much hoped that the growing confidence in the credit markets will be sustained. Conditions in the Maltese economy remain uncertain, and it is to be expected that some deterioration in credit quality will be experienced, particularly should the current economic downturn continue beyond the end of 2009. In this regard, the international economic environment remains challenging.

As stated in the half yearly review, the Bank has continued to manage the business in a prudent and cautious manner. Liquidity has been maintained at a high level, and the successful €50 million bond issue completed in June has added a further 1.5% to our already very strong Capital Ratios. Finally, and as promised, Bank of Valletta has continued to make credit available throughout the period, and to support our many customers and the Maltese economy as a whole.

Unquote

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

27<sup>th</sup> July 2009