



## Bank of Valletta

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BOV/205

### 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

#### INTERIM DIRECTORS' STATEMENT

Bank of Valletta plc hereby announces that during the financial period commencing on 1 April 2011 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 subdued demand for new credits, both in the personal (home loan) and corporate sectors. Customer Deposits growth during the quarter has been satisfactory. Net interest income has been ahead of FY 2010 levels, but net commission and trading income has been adversely affected by the ongoing situation in Libya and muted demand for investment products, reflecting the ongoing uncertainty in the financial markets. The heightened lack of confidence experienced in the eurozone sovereign debt market, resulting from the failure to find a lasting resolution to the problems in Greece, caused real fears of contagion to grow, with the Spanish and Italian markets being affected. This uncertainty caused spreads to widen, resulting in further unrealised fair value mark downs being recorded for the quarter. Operating expenses are in line with expectations. The impairment charge for the quarter continues to reflect the difficult environment that has been experienced by certain sectors of the economy. The cumulative operating profits for the year to date are a little behind those for the equivalent period of FY 2010, but the overall results have been adversely impacted by the one-off charge estimated at €14.5 million (before third party recoveries) in respect of the Offer relating to the La Valette Multi Manager Property Fund, as referred to in Company Announcement BOV/199 issued on 26 May 2011.

At the start of Q4, the on-going Libya crisis and nervousness in the eurozone emanating from the sovereign debt crisis continued to impact investor and consumer confidence, and overall economic growth will be sluggish at best. An early and lasting resolution to the eurozone debt crisis is badly needed, as the uncertainty and fear of contagion resulted in continuing volatility, which, in turn, caused bond spreads to remain elevated or widen further, negatively impacting capital values. The accord reached by the eurozone political leadership (in conjunction with the ECB and IMF) on 21 July may improve sentiment somewhat, although it remains to be seen whether this accord will provide a permanent or lasting resolution to the sovereign debt crisis which has plagued Europe over the past fifteen months.

In the meantime, BOV's deliberately prudent funding, asset quality, liquidity and capital adequacy policies have been maintained, and these were reflected in the satisfactory results reported following the stress tests recently carried out by the European Banking Authority in collaboration with the European Central Bank.

Unquote

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

26 July 2011