



Bank of Valletta

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BOV/216

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 October 2011 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.

During the first quarter of the current financial year, the Bank has continued to experience subdued demand for new credits, both in the personal (home loan) and corporate sectors. This reflects the current uncertainty concerning economic prospects prevailing across the eurozone. Customer Deposits have seen further growth, predominantly from the corporate sector. Personal deposits have been flat, in part due to substantial issuance of government paper during the period.

Net interest income has been satisfactory, but commission and trading income has been subdued, with lower demand experienced for investment related services, largely as a result of the uncertain market conditions that prevailed in the latter part of calendar year 2011. 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 lack of confidence in the eurozone sovereign debt and banking sectors has caused spreads to remain at elevated levels, resulting in some unrealised fair value mark downs being recorded in the earlier part of the quarter. Market sentiment has improved somewhat since the turn of the year, but the mood remains anxious and fragile – particularly given the lack of a clear resolution to the Greek debt restructuring debate. Overall, the net profit for the quarter is much in line with that earned for the first quarter of FY 2011.

Looking forward, the expectation is that the eurozone will enter into a mild recession during 2012, with uncertainty continuing to stalk the markets until such time as a greater degree of clarity is brought to the resolution of the long-running sovereign debt crisis. The likelihood is that the implementation of austerity and bank recapitalisation measures across Europe will negatively impact consumer confidence, and the prospects for growth during 2012 are slim. An early and lasting resolution to the eurozone debt crisis is badly needed, as the current uncertainty and fear of contagion will cause spreads to remain elevated, negatively impacting capital values.

In the meantime, BOV will continue with its approach of supporting the Maltese economy in a responsible manner, whilst at the same time maintaining deliberately prudent funding, asset quality, liquidity and capital adequacy policies.

Unquote

Catherine Formosa

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

27 January 2012