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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

Introduction

As previously announced in Company Announcement No 311 issued on 26th June 2017, Bank of Valletta p.l.c. is changing its accounting year end from 30th September to 31st December. Consequently, the current financial year 2017 will, exceptionally, have a duration of fifteen months covering the period from 1st October 2016 to 31st December 2017. Thereafter, each financial year will have a twelve month duration from 1st January to 31st December.

The first interim results for the six month period from 1st October 2016 to 31st March 2017 were published on 27th April 2017. A gross interim dividend of €0.045 per share was paid to the shareholders on 26th May 2017 as per Company Announcement No 310.

As a result of the change in financial year end:

- the second interim results for the 12 month period from 1st October 2016 to 30th September 2017 will be published by end October 2017.
- The preliminary statement of audited results for the full 15 month financial period from 1st October 2016 to 31st December 2017 will be published by end March 2018. Any further dividend which may be considered will be based on the results for the full 15 month financial period.

Voluntary disclosure of financial information for the six month period ended 30th June 2017

Due to the change in financial year end, the Bank will publish interim results covering the first six months of the financial year ending 31st December 2018 by August 2018, which interim results will cover the six month period to 30th June 2018, and which will include comparative financial information for the interim six month period ended and as at 30th June 2017. This is in accordance with the requirements of Chapter 5 of the Listing Rules and in accordance with the requirements of International Accounting Standard 34 – Interim Financial Reporting.

Therefore, the Board of Directors has decided to voluntarily provide early disclosure of summary financial information for Bank of Valletta p.l.c. and its subsidiary entities ("the Group") for the interim six month period ended 30th June 2017, including comparative financial information for the six month period ended and as at 30th June 2016.

The summary financial information being disclosed by the Group includes:

- Summarised statements profit and loss;
- Summarised statements of financial position;
- Segment information as at 30th June 2017;
- Commentary on the summarised financial information.

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Basis of preparation

This summary financial information has been extracted from the Group's unaudited management accounts for the six month period ended 30th June 2017, and as provided in Listing Rule 5.39, where an Issuer publishes financial information in cases other than as provided for in the Listing Rules, the Issuer shall comply with generally accepted accounting principles and practice.

The voluntary summary financial information has not been prepared in accordance with all the disclosure requirements of 'International Accounting Standard 34 – Interim Financial Reporting'.

In all other respects, the accounting policies applied in the summary financial information are the same as those applied in the preparation of the annual audited financial statements of the Group for the year ended 30th September 2016. The Share of results of equity accounted investees have been recognised in line with the March 2017 interim audited statements.

Summary statements of profit or loss
For the six months ended 30th June 2017

	Jun-17 € million	Jun-16 € million	Change € million
Interest receivable	103	109	(6)
Interest payable	(31)	(33)	2
Net interest Income	72	76	(4)
Fees and commissions	34	31	3
Trading profits	9	8	1
Dividends and other income	1	1	-
Costs	(62)	(62)	-
Net impairment releases/(losses)	6	(3)	9
CORE PROFIT	***60***	***51***	***9***
FV movement	(1)	33	(34)
Share of results of equity accounted investees, net of tax	9	1	8
Profit before tax	**68**	**85**	**(17)**

The FV movement to June 2016 includes gain on disposal of interest in Visa Europe amounting to €22 million.

Profit adjusted to exclude gain on VISA transaction	***68***	***63***	***5***

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Summary statements of financial position
As at 30th June 2017

	Jun-17 € million	Dec-16 € million	Change € million
Cash and short-term funds	3,100	2,736	364
Investments	3,841	3,833	8
Loans and advances to customers	4,241	4,141	100
Other assets	427	421	6
Total assets	**11,609**	**11,131**	**478**
Amounts owed to customers	10,026	9,464	562
Other borrowings	581	728	(147)
Other liabilities	241	210	31
	10,848	10,402	446
Equity	761	729	32
Total liabilities and equity	**11,609**	**11,131**	**478**

Segment information

	Personal Banking & Wealth Management		Corporate Banking		Proprietary Investments		Liquidity management		Total Reportable Segments	
	Jun-17 € million	Jun-16 € million	Jun-17 € million	Jun-16 € million	Jun-17 € million	Jun-16 € million	Jun-17 € million	Jun-16 € million	Jun-17 € million	Jun-16 € million
Operating income for the six months	54	49	56	58	21	55	(16)	(13)	**115**	**149**
Profit before taxation for the six months	24	19	50	45	28	53	(34)	(32)	**68**	**85**

	Personal Banking & Wealth Management		Corporate Banking		Proprietary Investments		Liquidity management		Total Reportable Segments	
	Jun-17 € million	Dec-16 € million	Jun-17 € million	Dec-16 € million	Jun-17 € million	Dec-16 € million	Jun-17 € million	Dec-16 € million	Jun-17 € million	Dec-16 € million
Total Assets	2,073	2,034	2,244	2,194	4,192	4,168	3,100	2,735	**11,609**	**11,131**
Total Liabilities	2,201	2,142	2,619	2,561	4,074	4,082	1,954	1,617	**10,848**	**10,402**

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Commentary on the summary financial information

Overview

The Group reported a profit before taxation of €68 million for the six month period ended 30th June 2017.

The results to June 2016 include a gain of €22 million arising on the disposal of the Bank's interest in Visa Europe. The results for the six months to June 2017 are €5 million, or 8%, higher than the comparative period adjusted to exclude this one off significant item and represents a Return on Equity (ROE) before tax of 18%.

Performance

During the period under review, persisting low yields and negative interest rates on balances with banks had an adverse impact on net interest margin and profitability. This was mitigated by the growth in fees and commissions and trading income as the Group's efforts to supplement interest margin with other revenue streams yielded satisfactory results.

Costs remained in line with the comparative period and reflect the Group's efforts to exert a higher level of control over the discretionary spend to mitigate higher costs resulting from the increased cost of compliance and investment in the Core Banking Transformation Programme. The Cost to income ratio stands at 50% (June 2016, as adjusted: 48%).

Net impairment releases for the six month period ended 30th June 2017 amounted to €6 million (2016: charge of €3 million) following the settlement of various non performing exposures reflecting the Group's efforts to improve the quality of the loan book.

Financial position

Total assets as at 30th June 2017 increased by 4.3% compared to 31st December 2016 reflecting the economic activity and increased customer and investor confidence during the period under review. This resulted in increases in both retail and corporate deposits. The excess of incoming funds were deployed into liquid short term assets.

Loans and advances to customers increased by 2.4% during the six months under review reflecting a satisfactory demand for credit with growth in both the mortgage and corporate loan books.

Total equity as at 30th June 2017 amounted to €761 million.

The Group's Core Tier 1 ratio was 13.3%. The Bank is planning to strengthen its capital base by issuing €150 million in a fresh issue of share capital. As a domestically significant institution, the Bank is required to hold capital buffers higher than those for less significant banks. Therefore additional regulatory capital buffers will enable the Bank to undertake new investments, sustain lending activity and distribute appropriate dividends to its shareholders.

Unquote

Dr. Ruth Spiteri Longhurst B.A., LL.D.
Company Secretary

07 August 2017