



Bank of Valletta

Bank of Valletta p.l.c.

Office of the Company Secretary

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BOV/100

COMPANY ANNOUNCEMENT

The following is a company announcement issued by Bank of Valletta p.l.c. pursuant to Malta Financial Services Authority Listing Rules 8.6.2 and 8.6.19:

Quote

During a meeting, held on the 30th April 2004, the Board of Directors of Bank of Valletta p.l.c. approved the attached Group and Bank interim financial statements for the six months ended 31st March 2004.

An interim dividend of 6.0 cents per share, gross of tax, has been declared by the Board of Directors in respect of the six months ended 31st March 2004. All shareholders on the Company's register at the Central Securities Depository of the Malta Stock Exchange, following trading on the 6th May 2004 (record date), will be paid this interim dividend on the 28th May 2004 (payment date).

Unquote

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

30th April 2004

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Registered Office: BOV Centre, High Street, Sliema SLM 16 - Malta Registration Number C 2833

Bank of Valletta p.l.c. is a public limited company licensed to conduct Investment Services business by the Malta Financial Services Authority.

Bank of Valletta p.l.c. is an insurance sub-agent of Middlesea Valletta Life Assurance Company Limited and regulated by the Malta Financial Services Authority



Bank of Valletta

HALF YEARLY REPORT

MARCH 2004

INCOME STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH

	The Group		The Bank	
	Mar-04 Lm'000	Mar-03 Lm'000	Mar-04 Lm'000	Mar-03 Lm'000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	21,659	24,244	21,678	24,308
- on debt and other fixed income instruments	17,695	19,810	17,695	19,810
Interest payable	(20,936)	(27,562)	(20,936)	(27,585)
Net interest income	18,418	16,492	18,437	16,533
Dividend income	48	3	48	543
Fees and commissions receivable	5,337	4,561	4,617	3,975
Fees and commissions payable	(752)	(572)	(799)	(537)
Trading profits	3,964	3,899	3,943	3,789
Net gains on non-trading financial instruments	77	15	77	15
Other operating income	13	12	13	12
Operating income	27,105	24,410	26,336	24,330
Administrative expenses	(12,992)	(12,353)	(12,694)	(12,075)
Depreciation	(1,153)	(1,765)	(1,091)	(1,727)
Operating profit before impairment losses	12,960	10,292	12,551	10,528
Net impairment losses	(6,029)	(4,682)	(6,029)	(4,682)
Operating profit	6,931	5,610	6,522	5,846
Share of profits of associated companies	1,108	814	-	-
Profit on ordinary activities before tax	8,039	6,424	6,522	5,846
Tax on profit for the period	(2,495)	(1,900)	(2,352)	(1,985)
Profit on ordinary activities after tax	5,544	4,524	4,170	3,861
Profit attributable to minority interests	(107)	(103)	-	-
Profit attributable to shareholders	5,437	4,421	4,170	3,861
Earnings per share	9c8	8c0	7c5	7c0

BALANCE SHEETS AS AT 31 MARCH / 30 SEPTEMBER

	The Group		The Bank	
	Mar-04 Lm'000	Sep-03 Lm'000	Mar-04 Lm'000	Sep-03 Lm'000
<i>Assets</i>				
Balances with Central Bank of Malta, treasury bills and cash	179,351	211,306	179,351	211,306
Financial assets held for trading	49,623	46,320	48,806	42,630
Investments	778,708	779,213	778,496	779,001
Loans and advances to banks	100,924	102,095	100,924	102,095
Loans and advances to customers	814,945	781,082	814,945	784,082
Investments in associated companies	12,592	11,533	5,180	5,180
Investment in subsidiary companies	-	-	567	567
Tangible fixed assets	31,213	31,351	30,896	30,982
Current tax	3,852	5,480	3,806	5,504
Deferred tax	7,876	6,570	7,477	6,093
Other assets	2,519	2,422	2,107	2,094
Prepayments and accrued income	13,916	14,365	13,916	14,748
Total Assets	1,995,519	1,991,737	1,986,471	1,984,282
<i>Liabilities</i>				
Financial liabilities held for trading	4,481	786	4,481	786
Amounts owed to banks	340,719	336,805	340,789	336,805
Amounts owed to customers	1,428,446	1,428,254	1,428,866	1,428,943
Debt securities in issue	12,769	13,391	12,769	13,391
Other liabilities	20,529	20,724	20,271	20,563
Accruals and deferred income	13,806	18,686	13,799	18,618
Financial liabilities held for hedging	10,262	9,760	10,262	9,760
Subordinated liabilities	35,015	35,748	35,015	35,748
Minority interest	696	589	-	-
	1,866,723	1,864,743	1,866,252	1,864,614
<i>Shareholders' Funds</i>				
Called up share capital	13,854	13,854	13,854	13,854
Share premium account	424	424	424	424
Revaluation reserve	15,001	14,674	15,004	14,661
Other reserves	3,694	3,694	2,728	2,728
Retained earnings	93,662	90,386	86,048	84,039
Dividend reserve	2,161	3,962	2,161	3,962
	128,796	126,994	120,219	119,668
Total Liabilities and Shareholders' Funds	1,995,519	1,991,737	1,986,471	1,984,282
Contingent liabilities	62,925	61,368	62,925	61,368
Commitments	294,597	304,210	294,597	304,210

These accounts were approved by the Board of Directors on 30 April 2004.

STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 MARCH

	Share Capital	Share Premium Account	Revaluation Reserve	Other Reserve	Retained Earnings	Dividend Reserve	Total
	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000	Lm'000
The Group							
At 30 September 2003	13,854	424	14,674	3,694	90,386	3,962	126,994
Net fair value adjustments on financial instruments	-	-	415	-	-	-	415
Net gains released on disposal of available-for sale assets	-	-	(88)	-	-	-	(88)
Net gains not recognised in the income statement	-	-	327	-	-	-	327
Profit attributable to the shareholders	-	-	-	-	5,437	-	5,437
Dividends paid	-	-	-	-	-	(3,962)	(3,962)
Interim Dividend	-	-	-	-	(2,161)	2,161	-
	-	-	-	-	3,276	(1,801)	1,475
At 31 March 2004	13,854	424	15,001	3,694	93,662	2,161	128,796
The Bank							
At 30 September 2003	13,854	424	14,661	2,728	84,039	3,962	119,668
Net fair value adjustments on financial instruments	-	-	431	-	-	-	431
Net gains released on disposal of available-for sale assets & financial liabilities held for hedging	-	-	(88)	-	-	-	(88)
Net gains not recognised in the income statement	-	-	343	-	-	-	343
Profit attributable to the shareholders	-	-	-	-	4,170	-	4,170
Dividends paid	-	-	-	-	-	(3,962)	(3,962)
Interim Dividend	-	-	-	-	(2,161)	2,161	-
	-	-	-	-	2,009	(1,801)	208
At 31 March 2004	13,854	424	15,004	2,728	86,048	2,161	120,219

CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH

	The Group		The Bank	
	Mar-04 Lm'000	Mar-03 Lm'000	Mar-04 Lm'000	Mar-03 Lm'000
Cash flows from operating activities				
Interest and commission receipts	32,513	32,884	32,175	32,209
Interest and commission payments	(26,568)	(32,692)	(26,555)	(32,630)
Payments to employees and suppliers	(13,030)	(12,506)	(12,732)	(12,228)
Operating profit before changes in operating assets and liabilities	<u>(7,085)</u>	<u>(12,314)</u>	<u>(7,112)</u>	<u>(12,649)</u>
(Increase)/decrease in operating assets:				
Gross loans and advances	(42,370)	(6,619)	(39,370)	(6,619)
Reserve deposit with Central Bank of Malta	769	(815)	769	(815)
Trading instruments	(3,303)	(2,957)	(6,176)	(2,840)
Treasury bills with contractual maturity over 3 months	20,629	(19,427)	20,629	(19,427)
Cheques in course of collection	-	1,393	-	1,393
Other assets	(97)	(489)	(13)	7
Increase/(decrease) in operating liabilities:				
Customer accounts and deposits by banks	39,259	(118,756)	39,060	(119,380)
Other liabilities	4,578	400	4,481	140
Net cash inflow/(outflow) from operating activities before income tax	<u>12,380</u>	<u>(159,584)</u>	<u>12,268</u>	<u>(160,190)</u>
Tax paid	(2,324)	(1,764)	(2,222)	(1,739)
Net cash inflow/(outflow) from operating activities	<u>10,056</u>	<u>(161,348)</u>	<u>10,046</u>	<u>(161,929)</u>
Cash flows from investing activities				
Dividends received from equity shares	48	3	48	3
Dividends received from subsidiary companies	-	-	-	540
Interest received from held-to-maturity debt and other fixed income instruments	18,069	19,335	18,069	19,335
Purchase of equity investments	(895)	(138)	(895)	(138)
Purchase of held-to-maturity debt and other fixed income instruments	(90,241)	(104,523)	(90,241)	(104,523)
Proceeds on maturity/disposal of held-to-maturity debt and other fixed income instruments	91,212	94,358	91,212	94,358
Purchase of tangible fixed assets	(1,015)	(1,940)	(1,005)	(1,899)
Proceeds on disposal of tangible fixed assets	1	9	1	9
Net cash inflows/(outflows) from investing activities	<u>17,179</u>	<u>7,104</u>	<u>17,189</u>	<u>7,685</u>

CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH - continued

	The Group		The Bank	
	Mar-04 Lm'000	Mar-03 Lm'000	Mar-04 Lm'000	Mar-03 Lm'000
Cash flows from financing activities				
Dividends paid	(3,962)	(4,803)	(3,962)	(4,803)
Net cash outflow from financing activities	<u>(3,962)</u>	<u>(4,803)</u>	<u>(3,962)</u>	<u>(4,803)</u>
Increase/(decrease) in cash and cash equivalents	<u>23,274</u>	<u>(159,047)</u>	<u>23,274</u>	<u>(159,047)</u>
Effect of exchange rate changes on cash and cash equivalents	1,400	424	1,400	424
Net decrease in cash and cash equivalents	21,874	(159,471)	21,874	(159,471)
Increase/(decrease) in cash and cash equivalents	<u>23,274</u>	<u>(159,047)</u>	<u>23,274</u>	<u>(159,047)</u>
Cash and cash equivalents at 1 October	108,214	139,132	108,214	139,132
Cash and cash equivalents at 31 March	<u>131,488</u>	<u>(19,915)</u>	<u>131,488</u>	<u>(19,915)</u>

REVIEW OF PERFORMANCE

The published figures, which have been extracted from the Bank of Valletta Group's unaudited management accounts for the six months ended 31 March 2004, have been drawn up according to the accounting policies used in the preparation of the annual audited financial statements. These figures are being published in terms of chapters 8 and 9 of the Listing Rules of the Malta Financial Services Authority. The format used conforms with that specified in Banking Directive BD/07/2002 (Publication of Audited Financial Statements of Credit Institutions Authorised Under the Banking Act 1994).

The Bank of Valletta Group has recorded a net profit before tax of Lm8.0 million for the six months which ended on 31 March 2004, an increase of 25.1% over the net profit before tax of Lm6.4 million registered for the six months ended on 31 March 2003. The Group has achieved an annualised return of 12.6% on average shareholders' funds (2003: 11.3%). Earnings per share amount to 9c8 (2003: 8c0). The earnings per share for March 2003 have been restated to reflect the weighted average number of shares that were in issue during the six months to 31 March 2004.

The Group's strategy, of strengthening and diversifying income sources whilst restraining expenditure, is clearly reflected in these interim results. Operating income increased by 11.0% and amounts to Lm27.1 million (March 2003: Lm24.4 million). Concurrently, operating expense, at Lm14.1 million (March 2003: Lm14.1 million) was contained at last year's level. Profits from associates amounted to Lm1.1 million in March 2004, compared to Lm0.8 million for the same period last year.

The increase in operating income was driven by both interest margin and non-interest income. Sales of collective investment schemes and life assurance products performed strongly, and were the main contributors to the increase in non-interest income. The sale of such investment products should continue to be favoured by the relative stability in the global financial markets, and the positive international economic outlook. Core margin income was boosted by the shortening of average deposit terms and the increase in the loan book. The twin effects of increasing income and the maintenance of a stable cost base led to a marked improvement in the Group's cost-income ratio, which was reduced from 57.8% as at March 2003 to 52.2% for the period under review.

Net impairment losses amounted to Lm6.0 million, compared to Lm4.7 million in March 2003. Allowances for impaired lending are regulated by Banking Directive BD/09/2002 (Credit and Country Risk Provisioning by Credit Institutions Authorised Under the Banking Act 1994). The Group has implemented the requirements of this Directive in phases over a period of three years and three months, which commenced in the financial year ending 30 September 2001, in accordance with Articles 50 to 53 of the Directive. The last tranche required to bring the Group into full compliance with the Directive was made on 31 December 2003. This charge is considered as an expense pertaining to the current financial year, and is being recognised in the consolidated financial statements on a time apportionment basis.

Total assets at the end of March 2004 stand at Lm2.0 billion (September 2003: Lm1.99 billion), while shareholders' funds amount to Lm128.8 million (September 2003: Lm127.0 million). Advances, net of impairment allowances, rose by Lm33.9 million to reach Lm814.9 million (September 2003: Lm781.1 million). This increase in lending was financed by the utilisation of liquid assets, which were reduced by Lm32.0 million. Customer deposits remained stable at Lm1.43 billion.

An interim dividend of 6.0 cents per share, gross of tax, has being declared by the Board of Directors in respect of the six months ended 31 March 2004 (March 2003: nil).

All shareholders on the Company's register at the Central Securities Depository of the Malta Stock Exchange following trading on 6 May 2004 (record date) will be paid the interim dividend on 28 May 2004 (payment date).