



Bank of Valletta

Bank of Valletta p.l.c.

OFFICE OF THE COMPANY SECRETARY

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BOV/117

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 28th April 2005, 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 2005.

An interim dividend of 7.5 cents per share gross of tax has been declared by the Board of Directors in respect of the six months ended 31st March 2005. All shareholders on the Company's register at the Central Securities Depository of the Malta Stock Exchange, following trading on the 5th May 2005 (record date), will be paid this interim dividend on the 30th May 2005 (payment date).

Unquote

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

28th April 2005

www.bov.com E-mail: customercare@bov.com

Registered Office: 58, Zachary Street, Valletta VLT 04 - 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 2005

INCOME STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH

	The Group		The Bank	
	Mar-05 Lm'000	Mar-04 Lm'000	Mar-05 Lm'000	Mar-04 Lm'000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	21,334	21,659	21,333	21,678
- on debt and other fixed income instruments	18,604	17,695	18,604	17,695
Interest payable	(19,886)	(20,936)	(19,891)	(20,936)
Net interest income	<u>20,052</u>	<u>18,418</u>	<u>20,046</u>	<u>18,437</u>
Dividend income	17	48	17	48
Fees and commissions receivable	6,556	5,337	5,518	4,617
Fees and commissions payable	(972)	(752)	(949)	(799)
Trading profits	5,102	3,964	5,083	3,943
Net gains on non-trading financial instruments	12	77	12	77
Other operating income	10	13	10	13
Operating income	<u>30,777</u>	<u>27,105</u>	<u>29,737</u>	<u>26,336</u>
Administrative expenses	(13,806)	(12,992)	(13,435)	(12,694)
Depreciation	(1,344)	(1,153)	(1,312)	(1,091)
Operating profit before impairment losses	<u>15,627</u>	<u>12,960</u>	<u>14,990</u>	<u>12,551</u>
Net impairment losses	(6,621)	(6,029)	(6,621)	(6,029)
Operating profit	<u>9,006</u>	<u>6,931</u>	<u>8,369</u>	<u>6,522</u>
Share of profits of associated companies	1,140	1,108	-	-
Profit on ordinary activities before tax	<u>10,146</u>	<u>8,039</u>	<u>8,369</u>	<u>6,522</u>
Tax on profit for the period	(3,176)	(2,495)	(3,007)	(2,352)
Profit on ordinary activities after tax	<u>6,970</u>	<u>5,544</u>	<u>5,362</u>	<u>4,170</u>
Profit attributable to minority interests	(165)	(107)	-	-
Profit attributable to shareholders	<u>6,805</u>	<u>5,437</u>	<u>5,362</u>	<u>4,170</u>
Earnings per share	<u>12c3</u>	<u>9c8</u>	<u>9c7</u>	<u>7c5</u>

BALANCE SHEETS AS AT 31 MARCH / 30 SEPTEMBER

	The Group		The Bank	
	Mar-05 Lm'000	Sep-04 Lm'000	Mar-05 Lm'000	Sep-04 Lm'000
<i>Assets</i>				
Balances with Central Bank of Malta, treasury bills and cash	227,570	193,752	227,570	193,752
Financial assets held for trading	40,629	41,126	39,383	39,899
Investments	825,182	817,823	825,045	817,686
Loans and advances to banks	55,743	79,750	55,743	79,750
Loans and advances to customers	826,728	826,070	826,728	826,070
Investments in associated companies	14,333	12,614	6,077	5,687
Investments in subsidiary companies	-	-	567	567
Tangible fixed assets	32,606	32,038	32,239	31,788
Current tax	4,280	4,729	4,339	4,762
Deferred tax	10,042	11,003	9,872	10,698
Other assets	2,880	2,204	2,796	1,984
Prepayments and accrued income	13,085	13,857	13,034	13,795
Total Assets	<u>2,053,078</u>	<u>2,034,966</u>	<u>2,043,393</u>	<u>2,026,438</u>
<i>Liabilities</i>				
Financial liabilities held for trading	425	1,103	425	1,103
Amounts owed to banks	387,005	345,921	387,005	345,921
Amounts owed to customers	1,452,028	1,458,508	1,453,193	1,459,165
Debt securities in issue	12,359	12,624	12,359	12,624
Other liabilities	27,215	27,300	26,762	26,707
Accruals and deferred income	12,880	15,677	12,761	15,566
Financial liabilities held for hedging	7,216	8,651	7,216	8,651
Subordinated liabilities	19,991	34,845	19,991	34,845
Minority interest	747	581	-	-
	<u>1,919,866</u>	<u>1,905,210</u>	<u>1,919,712</u>	<u>1,904,582</u>
<i>Shareholders' Funds</i>				
Called up share capital	13,854	13,854	13,854	13,854
Share premium account	424	424	424	424
Revaluation reserves	16,211	15,672	15,973	15,622
Other reserves	3,694	3,694	2,728	2,728
Retained earnings	96,327	92,510	88,000	85,626
Dividend reserve	2,702	3,602	2,702	3,602
	<u>133,212</u>	<u>129,756</u>	<u>123,681</u>	<u>121,856</u>
Total Liabilities and Shareholders' Funds	<u>2,053,078</u>	<u>2,034,966</u>	<u>2,043,393</u>	<u>2,026,438</u>
Contingent liabilities	<u>67,491</u>	<u>68,835</u>	<u>67,491</u>	<u>68,835</u>
Commitments	<u>341,957</u>	<u>339,572</u>	<u>341,957</u>	<u>339,572</u>

These accounts were approved by the Board of Directors on 28 April 2005.

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

	Share Capital	Share Premium Account	Revaluation Reserves	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 2004	13,854	424	15,672	3,694	92,510	3,602	129,756
Cost of outstanding leave not previously accrued for	-	-		-	(286)	-	(286)
Net fair value adjustments on financial instruments	-	-	621	-	-	-	621
Net gains released on disposal of available-for sale assets & financial liabilities held for hedging	-	-	(82)	-	-	-	(82)
Net gains not recognised in the income statement	-	-	539	-	(286)	-	253
Profit attributable to the shareholders	-	-	-	-	6,805	-	6,805
Dividends paid	-	-	-	-	-	(3,602)	(3,602)
Interim Dividend			-	-	(2,702)	2,702	-
	-	-	-	-	4,103	(900)	3,203
At 31 March 2005	13,854	424	16,211	3,694	96,327	2,702	133,212
The Bank							
At 30 September 2004	13,854	424	15,622	2,728	85,626	3,602	121,856
Cost of outstanding leave not previously accrued for	-	-		-	(286)	-	(286)
Net fair value adjustments on financial instruments	-	-	433	-	-	-	433
Net gains released on disposal of available-for sale assets & financial liabilities held for hedging	-	-	(82)	-	-	-	(82)
Net gains not recognised in the income statement	-	-	351	-	(286)	-	65
Profit attributable to the shareholders	-	-	-	-	5,362	-	5,362
Dividends paid	-	-	-	-	-	(3,602)	(3,602)
Interim Dividend			-	-	(2,702)	2,702	-
	-	-	-	-	2,660	(900)	1,760
At 31 March 2005	13,854	424	15,973	2,728	88,000	2,702	123,681

CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH

	The Group		The Bank	
	Mar-05 Lm'000	Mar-04 Lm'000	Mar-05 Lm'000	Mar-04 Lm'000
Cash flows from operating activities				
Interest and commission receipts	35,663	32,513	34,585	32,175
Interest and commission payments	(24,374)	(26,568)	(24,364)	(26,555)
Payments to employees and suppliers	(13,087)	(13,030)	(12,716)	(12,732)
Operating loss before changes in operating assets and liabilities	<u>(1,798)</u>	<u>(7,085)</u>	<u>(2,495)</u>	<u>(7,112)</u>
(Increase)/decrease in operating assets:				
Loans and advances	(12,911)	(42,370)	(12,911)	(39,370)
Reserve deposit with Central Bank of Malta	817	769	817	769
Trading instruments	497	(3,303)	516	(6,176)
Treasury bills with original maturity more than 3 months	(17,071)	20,629	(17,071)	20,629
Other assets	(676)	(97)	(813)	(13)
Increase/(decrease) in operating liabilities:				
Customer accounts and deposits by banks	28,536	39,259	29,044	39,060
Other liabilities	(1,453)	4,578	(1,311)	4,481
Net cash (outflow)/inflow from operating activities before income tax	<u>(4,060)</u>	<u>12,380</u>	<u>(4,225)</u>	<u>12,268</u>
Tax paid	(1,802)	(2,324)	(1,794)	(2,222)
Net cash (outflow)/inflow from operating activities	<u>(5,862)</u>	<u>10,056</u>	<u>(6,019)</u>	<u>10,046</u>
Cash flows from investing activities				
Dividends received from equity shares	17	48	17	48
Interest received from held-to-maturity debt and other fixed income instruments	18,332	18,069	18,332	18,069
Investments in associated companies	(390)	-	(390)	-
Purchase of equity investments	(1,430)	(895)	(1,430)	(895)
Proceeds on sale of equity investments	10	-	10	-
Purchase of held-to-maturity debt and other fixed income instruments	(108,085)	(90,241)	(108,085)	(90,241)
Proceeds on maturity/disposal of held-to-maturity debt and other fixed income instruments	99,560	91,212	99,560	91,212
Purchase of tangible fixed assets	(1,924)	(1,015)	(1,771)	(1,005)
Proceeds on disposal of tangible fixed assets	28	1	19	1
Net cash inflow from investing activities	<u>6,118</u>	<u>17,179</u>	<u>6,262</u>	<u>17,189</u>

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

	The Group Mar-05 Lm'000	The Group Mar-04 Lm'000	The Bank Mar-05 Lm'000	The Bank Mar-04 Lm'000
Cash flows from financing activities				
Subordinated liabilities	(14,854)	-	(14,854)	-
Dividends paid	(3,602)	(3,962)	(3,602)	(3,962)
Net cash outflow from financing activities	<u>(18,456)</u>	<u>(3,962)</u>	<u>(18,456)</u>	<u>(3,962)</u>
(Decrease)/increase in cash and cash equivalents	<u>(18,200)</u>	<u>23,274</u>	<u>(18,213)</u>	<u>23,274</u>
Effect of exchange rate changes on cash and cash equivalents	555	1,400	555	1,400
Net (decrease)/increase in cash and cash equivalents	<u>(18,755)</u>	<u>21,874</u>	<u>(18,768)</u>	<u>21,874</u>
(Decrease)/increase in cash and cash equivalents	<u>(18,200)</u>	<u>23,274</u>	<u>(18,213)</u>	<u>23,274</u>
Cash and cash equivalents at 1 October	90,588	108,214	90,588	108,214
Cash and cash equivalents at 31 March	<u>72,388</u>	<u>131,488</u>	<u>72,375</u>	<u>131,488</u>

REVIEW OF PERFORMANCE

The published figures, which are in compliance with International Accounting Standard 34 (Interim Financial Reporting), have been extracted from the Bank of Valletta Group's unaudited management accounts for the six months ended 31 March 2005. These 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 Lm10.1 million for the six months which ended on 31 March 2005, an increase of 26.2% over the net profit before tax of Lm8.0 million registered for the six months ended on 31 March 2004. The Group has achieved an annualised return of 15.4% on average shareholders' funds (March 2004: 12.6%). Earnings per share amount to 12.3 cents (March 2004: 9.8 cents).

Operating income amounted to Lm30.8 million, an increase of 13.5% over March 2004. This comprised interest margin of Lm20.1 million, an increase of 8.9% over March 2004, and non-interest income of Lm10.7 million, an increase of 23.5%. The faster rate of growth in non-interest income reflects the Group's drive towards diversification of its sources of revenue. The main contributors to this growth were sales of investment products, credit cards and trade finance. Non-interest income was also boosted by a strong performance on trading profits. Operating profit for the six months totaled LM9 million, an increase of 30% on the LM6.9 million recorded to March 2004. The Group's share of profit from its associated companies, which are engaged in the business of life assurance and general insurance, remained stable at Lm1.1 million.

Total costs, amounting to Lm15.2 million, showed an increase of 7.1% over March 2004, arising mainly from increased personnel and depreciation costs. The ratio of costs to income, including share of profit from associates, has improved from 50.1% in March 2004 to 47.5% in March 2005.

Net impairment losses amounted to Lm6.6 million, compared to Lm6.0 million in March 2004. These include a specific impairment charge amounting to Lm5.2 million (March 2004: Lm5.6 million). This charge resulted mainly from the Group taking a more conservative view of the estimated realisable value of collateral on certain accounts. The charge for general impairment allowance amounted to Lm1.4 million (March 2004: Lm0.4 million) following a change in the method of computation. The profits for the period are also impacted by a one-off charge of Lm3.5 million resulting from a change in policy on the treatment of suspended interest on impaired accounts.

Total assets at the end of March 2005 stand at Lm2.05 billion (September 2004: Lm2.03 billion), while shareholders' funds amount to Lm133.2 million (September 2004: Lm129.8 million). Advances, net of impairment allowances, stood at Lm826.7 million, slightly above the September 2004 figure of Lm826.1 million. While there was a decrease in business lending during the period under review, this was more than offset by higher lending to the personal sector, especially for home loans. Customer deposits, at Lm1.45 billion are fractionally below the September 2004 balance of Lm1.46 billion. Customers' preferences continued to shift towards the shorter term deposits and alternative investment products.

Overall, the underlying profit trend for the Bank has been positive, but there are clear signs of increased competition on all fronts. The Board of Directors does not issue forecasts for the full year, but is expecting that the improvements in results seen in the first six months can be sustained for the second half.

An interim dividend of 7.5 cents per share, gross of tax, has been declared by the Board of Directors in respect of the six months ended 31 March 2005. This represents an increase of 25% on the March 2004 dividend of 6.0 cents per share.

The Board of Directors is grateful to all our customers for their support and business, and to all the staff at the Bank for their hard work and commitment during a period of considerable challenge and change.

All shareholders on the Company's register at the Central Securities Depository of the Malta Stock Exchange following trading on 5 May 2005 (record date) will be paid the interim dividend on 30 May 2005 (payment date).