



Bank of Valletta

Bank of Valletta p.l.c.
OFFICE OF THE COMPANY SECRETARY
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BOV/146

COMPANY ANNOUNCEMENT

The following is a company announcement issued by Bank of Valletta p.l.c. pursuant to Malta Financial Services Authority Listing Rules 8.7.4, 8.7.11, 8.7.19 and 8.7.23:

Quote

The Board of Directors of Bank of Valletta p.l.c. (the Bank) has today, the 26th October 2007, approved the final audited financial statements for the financial year ended 30th September 2007. The Board resolved that these final audited financial statements be submitted for the approval of the shareholders at the forthcoming Annual General Meeting which is scheduled for Wednesday, 19th December 2007. A preliminary statement of annual results is being attached herewith in terms of Listing Rules 8.7.21 and 9.35.2.

The Board of Directors further resolved to recommend for the approval of the Annual General Meeting:

1. The payment of a final Gross Dividend per share of Lm0.135 (€0.3145) making for a final Net Dividend per share of Lm0.0878 (€0.2044) which, if approved by the Annual General Meeting, would make for a total gross dividend per share for the year of Lm0.2025 (€0.4717) (total net dividend per share Lm0.1316 (€0.3066)).

2. That the current text of clause 3(ii)(s) of the Memorandum is deleted, and replaced by the following text:

3(ii)(s) to act as a tied insurance intermediary in terms of the Insurance Intermediaries Act (Cap.487).

3. That with effect from Tuesday, 15th January 2008, the amount of €18,581,908 (Lm7,977,213) from the Bank of Valletta plc's retained earnings, is capitalised for the purpose of increasing the current nominal and paid up value of the 110,832,882 shares in issue from €0.582343 (the euro equivalent of the current nominal and paid up value of Lm0.25 converted at the fixed conversion rate of 0.4293) each share up to the new nominal and paid up value of €0.75 each share.

4. That with effect from Tuesday, 15th January 2008, the amount of €16,875,338 (Lm7,244,583) from the Bank of Valletta plc's retained earnings is capitalised for the purpose of a bonus issue of 22,500,451 fully paid ordinary shares of a nominal value of €0.75 per share, representing one bonus share for every 4.92581 shares held, to be allotted to the members appearing on the Register of Members as at the close of business on the Malta Stock Exchange on the 15th January 2008¹ (Eligible Members), thereby increasing the issued share capital from the current 110,832,882 shares to 133,333,333 shares of €0.75 each fully paid up, resulting in a paid up capital of €100,000,000.
5. That with effect from Tuesday, 15th January 2008, the text of the current clause 4 of the Memorandum is deleted and substituted by the following text:

"4. The authorised share capital of the Company is divided into 200,000,000 shares of €0.75 each.

The issued and fully paid up capital is €100,000,000 divided into 133,333,333 ordinary shares of a nominal value of €0.75 each"

Regulatory approval for the resolutions that involve changes to the Bank's share capital and amendments to the Bank's Memorandum and Articles of Association, is currently being sought. Application will be made for the necessary authorisations concerning the listing of the bonus share issue on the Malta Stock Exchange.

Shareholders on the Bank's share register, at the Central Securities Depository of the Malta Stock Exchange, as at the close of business on Wednesday, 7th November 2007² will receive notice of the Annual General Meeting, together with the Financial Statements for the financial year ended 30th September 2007. The final dividend, if approved at the Annual General Meeting, will be paid on the 20th December 2007.

Unquote

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

26th October 2007

Pursuant to the Malta Stock Exchange Bye-Laws, the Bank's Register of Members as at close of business on:

¹ Tuesday 15th January 2008 will include trades undertaken up to and including Thursday 10th January 2008.

² Wednesday 7th November 2007 will include trades undertaken up to and including Friday 2nd November 2007.



Bank of Valletta p.l.c.
Preliminary Statement of Annual Results
for the year ended 30 September 2007

ABRIDGED INCOME STATEMENTS

| | The Group | | The Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2007 Lm'000 | 2006 Lm'000 | 2007 Lm'000 | 2006 Lm'000 |
| Interest income | 119,845 | 100,107 | 119,845 | 100,107 |
| Interest expense | (64,233) | (51,000) | (64,240) | (51,008) |
| Net interest income | 55,612 | 49,107 | 55,605 | 49,099 |
| Net commission income | 14,805 | 13,340 | 12,443 | 11,098 |
| Trading and other income | 2,350 | 7,520 | 4,601 | 9,703 |
| Operating expense | (31,733) | (31,076) | (30,928) | (30,360) |
| Net impairment losses | 151 | (4,611) | 151 | (4,611) |
| Operating profit | 41,185 | 34,280 | 41,872 | 34,929 |
| Share of profits from associate and jointly controlled entity | 2,488 | 4,078 | - | - |
| Profit before tax | 43,673 | 38,358 | 41,872 | 34,929 |
| Income tax expense | (14,250) | (12,165) | (14,047) | (11,735) |
| Profit for the year | 29,423 | 26,193 | 27,825 | 23,194 |
| Attributable to: | | | | |
| Shareholders of the Bank | 29,131 | 25,792 | 27,825 | 23,194 |
| Minority interest | 292 | 401 | - | - |
| | 29,423 | 26,193 | 27,825 | 23,194 |
| Earnings per share | 26c3 | 23c3 | 25c1 | 20c9 |

KEY FINANCIALS IN EURO

| | The Group | | The Bank | |
|---|---------------|---------------|---------------|---------------|
| | 2007 €'000 | 2006 €'000 | 2007 €'000 | 2006 €'000 |
| Total Assets | 5,687,172 | 5,418,237 | 5,653,072 | 5,388,216 |
| Total Equity | 401,058 | 369,099 | 367,202 | 338,283 |
| Profit before tax | 101,731 | 89,350 | 97,536 | 81,363 |
| Profit attributable to Shareholders of the Bank | 67,857 | 60,079 | 64,815 | 54,027 |
| Earnings per share | 61c | 54c | 58c | 49c |

BALANCE SHEETS

| | The Group | | The Bank | |
|---|------------------|------------------|------------------|------------------|
| | 2007 Lm'000 | 2006 Lm'000 | 2007 Lm'000 | 2006 Lm'000 |
| ASSETS | | | | |
| Balances with Central Bank of Malta, treasury bills and cash | 155,345 | 158,306 | 155,345 | 158,306 |
| Financial assets at fair value through profit or loss | 485,273 | 575,499 | 483,700 | 574,565 |
| Investments | 359,238 | 316,414 | 359,171 | 316,347 |
| Loans and advances to banks | 211,613 | 190,926 | 211,613 | 190,926 |
| Loans and advances to customers | 1,125,295 | 987,122 | 1,125,340 | 987,122 |
| Investments in associate and jointly controlled entity | 26,162 | 22,578 | 12,482 | 10,143 |
| Investments in subsidiary companies | - | - | 662 | 662 |
| Intangible assets | 1,821 | 1,848 | 1,821 | 1,848 |
| Property, plant and equipment | 34,733 | 32,992 | 34,512 | 32,719 |
| Current tax | 5,063 | 1,120 | 5,600 | 1,561 |
| Deferred tax | 15,988 | 17,917 | 15,988 | 17,940 |
| Other assets | 3,537 | 4,504 | 3,205 | 4,208 |
| Prepayments and accrued income | 17,435 | 16,823 | 17,425 | 16,814 |
| Total Assets | 2,441,503 | 2,326,049 | 2,426,864 | 2,313,161 |
| LIABILITIES | | | | |
| Financial liabilities at fair value through profit or loss | 7,732 | 3,215 | 7,732 | 3,215 |
| Amounts owed to banks | 326,255 | 403,445 | 326,255 | 403,445 |
| Amounts owed to customers | 1,847,594 | 1,673,710 | 1,847,822 | 1,674,382 |
| Debt securities in issue | 11,067 | 12,386 | 11,067 | 12,386 |
| Other liabilities | 32,161 | 31,735 | 31,973 | 31,571 |
| Accruals and deferred income | 22,527 | 20,451 | 22,382 | 20,284 |
| Financial liabilities designated for hedge accounting | 2,002 | 2,662 | 2,002 | 2,662 |
| Subordinated liabilities | 19,991 | 19,991 | 19,991 | 19,991 |
| Total Liabilities and Equity | 2,269,329 | 2,167,595 | 2,269,224 | 2,167,936 |
| EQUITY | | | | |
| Equity attributable to shareholders of the Bank | | | | |
| Called up share capital | 27,708 | 27,708 | 27,708 | 27,708 |
| Share premium account | 424 | 424 | 424 | 424 |
| Revaluation reserves | 8,383 | 10,793 | 8,314 | 10,937 |
| Other reserve | - | 966 | - | - |
| Retained earnings | 135,370 | 118,266 | 121,194 | 106,156 |
| | 171,885 | 158,157 | 157,640 | 145,225 |
| Minority interest | 289 | 297 | - | - |
| | 172,174 | 158,454 | 157,640 | 145,225 |
| Total Liabilities and Equity | 2,441,503 | 2,326,049 | 2,426,864 | 2,313,161 |
| MEMORANDUM ITEMS | | | | |
| Contingent liabilities | 58,691 | 60,785 | 58,691 | 60,785 |
| Commitments | 426,856 | 431,918 | 426,856 | 431,918 |

STATEMENT OF CHANGES IN EQUITY
For the year ended 30th September 2007

| | Attributable to Shareholders of the Bank | | | | | | | Total Equity Lm'000 |
|---|--|---------------------------------------|-----------------------------------|----------------------------|--------------------------------|-----------------|--------------------------------|---------------------------|
| | Share Capital Lm'000 | Share Premium Account Lm'000 | Revaluation Reserves Lm'000 | Other Reserve Lm'000 | Retained Earnings Lm'000 | Total Lm'000 | Minority Interest Lm'000 | |
| The Group | | | | | | | | |
| At 30th September 2005 | 13,854 | 424 | 14,587 | 3,694 | 113,267 | 145,826 | 496 | 146,322 |
| Net fair value adjustments on financial instruments | - | - | (2,373) | - | - | (2,373) | - | (2,373) |
| Net gains released on disposal of available-for-sale assets | - | - | (76) | - | - | (76) | - | (76) |
| Effect of adoption of revised IFRS by jointly controlled entity | - | - | - | - | (302) | (302) | - | (302) |
| Reversal of property revaluation, net of deferred tax | - | - | (1,345) | - | - | (1,345) | - | (1,345) |
| Net expense recognised directly in equity | - | - | (3,794) | - | (302) | (4,096) | - | (4,096) |
| Profit for the year | - | - | - | - | 25,792 | 25,792 | 401 | 26,193 |
| Total recognised income and expense for the year | - | - | (3,794) | - | 25,490 | 21,696 | 401 | 22,097 |
| Transfer of other reserve to retained earnings | - | - | - | (2,728) | 2,728 | - | - | - |
| Bonus issue | 13,854 | - | - | - | (13,854) | - | - | - |
| Dividends - final 2005 | - | - | - | - | (5,403) | (5,403) | (600) | (6,003) |
| - interim 2006 | - | - | - | - | (3,962) | (3,962) | - | (3,962) |
| | - | - | - | - | (9,365) | (9,365) | (600) | (9,965) |
| At 30th September 2006 | 27,708 | 424 | 10,793 | 966 | 118,266 | 158,157 | 297 | 158,454 |
| Net fair value adjustments on financial instruments | - | - | (4,484) | - | - | (4,484) | - | (4,484) |
| Revaluation of property net of deferred tax | - | - | 1,858 | - | - | 1,858 | - | 1,858 |
| Net expense recognised directly in equity | - | - | (2,626) | - | - | (2,626) | - | (2,626) |
| Profit for the year | - | - | - | - | 29,131 | 29,131 | 292 | 29,423 |
| Total recognised income and expense for the year | - | - | (2,626) | - | 29,131 | 26,505 | 292 | 26,797 |
| Transfer to retained earnings | - | - | 216 | (966) | 760 | 10 | - | 10 |
| Dividends - final 2006 | - | - | - | - | (7,924) | (7,924) | (300) | (8,224) |
| - interim 2007 | - | - | - | - | (4,863) | (4,863) | - | (4,863) |
| | - | - | 216 | (966) | (12,027) | (12,777) | (300) | (13,077) |
| At 30th September 2007 | 27,708 | 424 | 8,383 | - | 135,370 | 171,885 | 289 | 172,174 |

STATEMENT OF CHANGES IN EQUITY
For the year ended 30th September 2007

| | Share Capital Lm'000 | Share Premium Account Lm'000 | Revaluation Reserves Lm'000 | Other Reserve Lm'000 | Retained Earnings Lm'000 | Total Lm'000 |
|---|----------------------------|---------------------------------------|-----------------------------------|----------------------------|--------------------------------|-----------------|
| The Bank | | | | | | |
| At 30th September 2005 | 13,854 | 424 | 14,743 | 2,728 | 103,403 | 135,152 |
| Net fair value adjustments on financial instruments | - | - | (2,385) | - | - | (2,385) |
| Net gains released on disposal of available-for-sale assets | - | - | (76) | - | - | (76) |
| Reversal of property revaluation, net of deferred tax | - | - | (1,345) | - | - | (1,345) |
| Net expense recognised directly in equity | - | - | (3,806) | - | - | (3,806) |
| Profit for the year | - | - | - | - | 23,194 | 23,194 |
| Total recognised income and expense for the year | - | - | (3,806) | - | 23,194 | 19,388 |
| Transfer of other reserve to retained earnings | - | - | - | (2,728) | 2,728 | - |
| Bonus issue | 13,854 | - | - | - | (13,854) | - |
| Dividends - final 2005 | - | - | - | - | (5,403) | (5,403) |
| - interim 2006 | - | - | - | - | (3,962) | (3,962) |
| Reserves acquired on merger of BOV Stockbrokers Limited | - | - | - | - | 50 | 50 |
| | 13,854 | - | - | (2,728) | (20,441) | (9,315) |
| At 30th September 2006 | 27,708 | 424 | 10,937 | - | 106,156 | 145,225 |
| Net fair value adjustments on financial instruments | - | - | (4,481) | - | - | (4,481) |
| Revaluation of property net of deferred tax | - | - | 1,858 | - | - | 1,858 |
| Net expense recognised directly in equity | - | - | (2,623) | - | - | (2,623) |
| Profit for the year | - | - | - | - | 27,825 | 27,825 |
| Total recognised income and expense for the year | - | - | (2,623) | - | 27,825 | 25,202 |
| Dividends - final 2006 | - | - | - | - | (7,924) | (7,924) |
| - interim 2007 | - | - | - | - | (4,863) | (4,863) |
| | - | - | - | - | (12,787) | (12,787) |
| At 30th September 2007 | 27,708 | 424 | 8,314 | - | 121,194 | 157,640 |

The share premium account and the revaluation reserves are non-distributable.

CASH FLOW STATEMENTS

| | The Group | | The Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2007 Lm'000 | 2006 Lm'000 | 2007 Lm'000 | 2006 Lm'000 |
| Cash flows from operating activities | | | | |
| Interest and commission receipts | 126,083 | 100,985 | 121,253 | 96,786 |
| Interest and commission payments | (66,790) | (52,293) | (64,580) | (50,386) |
| Payments to employees and suppliers | (28,456) | (28,050) | (27,698) | (27,396) |
| Operating profit before changes in operating assets and liabilities | 30,837 | 20,642 | 28,975 | 19,004 |
| (Increase)/decrease in operating assets: | | | | |
| Loans and advances | (125,706) | (173,256) | (125,751) | (173,256) |
| Reserve deposit with Central Bank of Malta | (5,876) | (6,892) | (5,876) | (6,892) |
| Fair value through profit or loss securities | 90,127 | (2,825) | 90,127 | (2,825) |
| Fair value through profit or loss equity instruments | 99 | (4,118) | 738 | (3,981) |
| Treasury bills with original maturity more than 3 months | (2,469) | 36,156 | (2,469) | 36,156 |
| Other assets | 967 | (764) | 1,003 | (884) |
| Increase/(decrease) in operating liabilities: | | | | |
| Customer accounts and deposits by banks | 91,021 | 222,397 | 90,577 | 222,244 |
| Other liabilities | 2,970 | (7,620) | 2,940 | (7,306) |
| Net cash from operating activities before tax | 81,970 | 83,720 | 80,264 | 82,260 |
| Tax paid | (14,499) | (13,556) | (14,370) | (13,663) |
| Net cash from operating activities | 67,471 | 70,164 | 65,894 | 68,597 |
| Cash flows from investing activities | | | | |
| Dividends received from equity shares | 356 | 506 | 356 | 504 |
| Dividends received from associate and jointly controlled entity | 1,244 | 1,115 | 1,244 | 1,115 |
| Dividends received from subsidiary companies | - | - | 1,037 | 1,094 |
| Interest received from HTM debt and other fixed income instruments | 15,489 | 20,895 | 15,734 | 20,895 |
| Investment in associate and jointly controlled entity | (2,339) | (1,201) | (2,339) | (1,201) |
| Investment in subsidiaries | - | - | - | (370) |
| Cash acquired on merger | - | - | - | 275 |
| Purchase of equity instruments | (93) | (319) | (93) | (381) |
| Proceeds on sale of equity instruments | 198 | - | 198 | 31 |
| Purchase of debt instruments | (104,982) | (12,680) | (104,982) | (12,680) |
| Proceeds on sale or maturity of debt instruments | 53,969 | 26,209 | 53,969 | 26,209 |
| Purchase of property, plant and equipment | (2,225) | (4,528) | (2,205) | (4,518) |
| Proceeds on disposal of property, plant and equipment | 25 | 9 | - | - |
| Net cash (used in)/from investing activities | (38,358) | 30,006 | (37,081) | 30,973 |
| Cash flows from financing activities | | | | |
| Repayment of subordinated funds | - | - | - | - |
| Debt securities in issue | - | - | - | - |
| Dividends paid to bank's shareholders | (12,787) | (9,365) | (12,787) | (9,365) |
| Dividends paid to minority interests | (300) | (600) | - | - |
| Net cash used in financing activities | (13,087) | (9,965) | (12,787) | (9,365) |
| Increase in cash and cash equivalents | 16,026 | 90,205 | 16,026 | 90,205 |
| Effect of exchange rate changes on cash and cash equivalents | (1,236) | 769 | (1,236) | 769 |
| Net increase in cash and cash equivalents | 17,262 | 89,436 | 17,262 | 89,436 |
| Cash and cash equivalents at 1st October | 195,078 | 104,873 | 195,078 | 104,873 |
| Cash and cash equivalents at 30th September | 211,104 | 195,078 | 211,104 | 195,078 |

These figures have been extracted from the Bank of Valletta Group's audited financial statements for the year ended 30th September 2007, as approved by the Directors on 26th October 2007, and are being published in terms of MFSA Listing Rule 9.35.

The Bank of Valletta Group has registered a profit of Lm43.7 million (€101.8 million) before taxation for the year under review, compared to Lm38.4 million (€89.4 million) in 2006, representing an increase of 13.9%.

Return on equity for the year was of 26.4% (2006: 25.2%), while earnings per share amounted to Lm0.263 (€0.613), up from Lm0.233 (€0.543) in 2006. Performance was driven by increases in interest margin, resulting from strong balance sheet growth; effective cost management, through which growth in costs was limited to 2.1%; and a strong performance on commission income. Credit Card business has continued to grow satisfactorily, and excellent performances have been registered by the Group's stockbroking, bancassurance, trade finance, and foreign exchange businesses. Financial Markets + Investments (FM+I) has been adversely affected in the last quarter by the events in the international capital markets, and the impact of the mark to market write downs made to the FM+I portfolio as at the year end

The financial year under review was characterised by four dominant themes:

1. The sustained improvement in the performance of the Credit division and the quality of its loan book: During the year the Group has seen a growth of 12.6% in its loan book, and a continuing improvement in the quality of that business. Growth has come from both the business and home loan (mortgage) sectors. Loans and advances to customers (gross of impairment allowances), increased by Lm128.6 million (€299.6 million), and now stand at Lm1.15 billion (€2.68 billion). Impaired lending, as a percentage of the total book, has decreased from 7.4 % at September 2006 to 4.8 % as at the year end, and further improvements are expected. The charge for impaired loans has once again shown a marked reduction in the current year.

2. The continuing growth of customer deposits and BOV's strength in this sector: Total deposits have increased by Lm174 million (€405 million) from September 2006 to reach Lm1.85 billion (€4.3 billion) as at the year end, and the Group has seen strong growth in retail demand for both Lm and foreign currency deposits. Growth on both sides of the balance sheet led to an increase in net interest income, which amounted to Lm55.6 million (€129.5 million), compared to Lm49.1 million (€114.4 million) in 2006.

3. The volatile environment in which our FM+I business operated during the year: During July and August of this year, the international markets experienced the most severe credit and liquidity crisis in recent banking history, causing Central Banks to intervene on an unprecedented scale. The Group's portfolio is of extremely high quality, and has been positioned defensively, with short absolute maturities and a low modified duration. However, the market turmoil was such that it resulted in the values of all but certain sovereign issues being quoted lower, and in the dislocation of certain hedging strategies. In this regard, the impact on the Group's results for FY 2007 was of approximately Lm4.3 million (€10.0 million) arising from fair value write downs, and Lm1.9 million (€4.4 million) from hedge ineffectiveness. The mark downs equate to less than 0.5% of the funds that FM+I have under management. However, barring unforeseen extreme developments, the Group expects the gradual unwinding of the hedge ineffectiveness, and the clawing back of a proportion of the mark downs over time, as liquidity, order and equilibrium are restored to the international credit markets.

The Group's associated and jointly-controlled entities contributed Lm2.5 million (€5.8 million) to profit for the year, compared to Lm4.1 million (€9.5 million) last year. This reduction in profitability was principally due to the lower reported profits from their investment operations.

4. The bank-wide preparations for the adoption of the Euro: The Group has been preparing for adoption of the Euro as the national currency for the past two years. The work involved covered the analysis, development and testing of all applications, systems and procedures for these to be euro compliant. Extensive staff training, rigorous planning and scenario testing for the logistics of the actual changeover period were also undertaken. BOV, as the National Partner Bank of the National Euro Changeover Committee, is playing a special role in ensuring a smooth and efficient transition for the benefit of the general public. We are continuing to work closely with the Malta Bankers' Association, the Central Bank of Malta, and the Malta Financial Services Authority, and we have also tapped into the experience of the banking communities and national regulators of other eurozone and prospective eurozone countries.

The Group solvency ratio, which is computed in accordance with the Banking Directive on the Solvency Ratio of Credit Institutions, issued in terms of the Banking Act, Cap 371, is 14.08% (2006: 14.50%).

A gross interim dividend of Lm0.0675 (€0.1572) per share was paid on 30 May 2007. The directors propose a gross final dividend of Lm0.135 (€0.3145) per share. This results in a gross total dividend of Lm0.2025 (€0.4717) per share for the full year, compared to Lm0.165 (€0.3843) for 2006, an increase of 22.7%. The aggregate net dividend for the year is Lm14.6 million (€34.0 million), as against Lm11.9 million (€27.7 million) last year.

The Board is also recommending, effective 15th January 2008, an increase in the nominal and paid up value of the ordinary shares in issue from €0.582343 (which will, after euro conversion, be the equivalent of the current nominal and paid up value of Lm0.25 per share) to €0.75 per share. The increase will be funded by a capitalisation of reserves amounting to €18.582 million (Lm7.977 million). Furthermore, and also effective 15th January 2008, the Board is recommending a bonus issue of 1 share for every 4.92581 shares held. The bonus issue will be funded by a capitalisation of reserves amounting to €16.875 million (Lm7.245 million). These two moves will serve to strengthen the balance sheet through the increase in the permanent paid up capital of the Bank to €100 million, and will also serve to enhance the affordability and liquidity of the Bank's shares.

Notice is hereby given that Wednesday 7th November 2007 is the "effective date" for the purposes of Article 2 (f) of the Bank's Articles of Association.

All shareholders appearing on the Bank's Register of Members as at the close of business on Wednesday 7th November 2007 will:
i) receive notice of and be entitled to attend and vote at the Bank's Annual General Meeting scheduled for Wednesday 19th December 2007, and ii) be paid, on the Thursday 20th December 2007, the final dividend as approved by the Annual General Meeting.

Pursuant to the Malta Stock Exchange Bye-Laws, the Bank's Register of Members as at close of business on Wednesday 7th November 2007 will include trades undertaken up to and including Friday 2nd November 2007.

By order of the Board
26 October 2007