



Bank of Valletta

OFFICE OF THE COMPANY SECRETARY
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BOV/196

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

During a meeting held on the 29 April 2011, the Board of Directors of Bank of Valletta p.l.c. approved the attached Group and Bank Interim Unaudited Financial Statements for the six months ended 31 March 2011.

An interim dividend of €0.0625 gross per share (€0.0406 net of tax) has been declared by the Board of Directors in respect of the six months ended 31 March 2011. This will be paid on the 26 May 2011 to those Members appearing on the Bank's Register of Members (as maintained at the Central Securities Depository at the Malta Stock Exchange) as at the close of business on Thursday, 12 May 2011¹.

The Interim Unaudited Financial Statements for the period ended 31 March 2011 are available for viewing and downloading on the Bank's website "www.bov.com".

Unquote

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

29 April 2011

¹ Pursuant to the Malta Stock Exchange Bye-Laws, the Bank's Register of Members as at close of business on Thursday, 12 May 2011 will include trades undertaken up to and including Monday, 9 May 2011



Bank of Valletta

HALF YEARLY REPORT

MARCH 2011

Income statements

for the six months ended 31 March

	The Group		The Bank	
	Mar-11 €000	Mar-10 €000	Mar-11 €000	Mar-10 €000
Interest receivable and similar income:				
- on loans and advances, balances with Central Bank of Malta and treasury bills	75,326	72,441	75,326	72,441
- on debt and other fixed income instruments	35,430	36,896	35,430	36,896
Interest payable	(42,947)	(47,432)	(42,947)	(47,432)
Net interest income	67,809	61,905	67,809	61,905
Fee and commission income	24,064	25,203	20,490	22,315
Fee and commission expense	(3,034)	(3,023)	(2,689)	(3,023)
Net fee and commission income	21,030	22,180	17,801	19,292
Dividend income	278	289	2,932	3,358
Trading profits	2,947	13,693	2,973	13,693
Net gain on investment securities and hedging instruments	680	576	680	576
Operating Income	92,744	98,643	92,195	98,824
Employee compensation and benefits	(26,096)	(25,499)	(25,416)	(24,958)
General administrative expenses	(12,063)	(11,735)	(11,514)	(11,280)
Amortisation of intangible assets	(666)	(613)	(666)	(613)
Depreciation	(2,163)	(2,483)	(2,095)	(2,429)
Operating profit before impairment losses	51,756	58,313	52,504	59,544
Net impairment losses	(10,398)	(7,237)	(10,398)	(7,189)
Operating profit	41,358	51,076	42,106	52,355
Share of results of associate and jointly controlled entity, net of tax	3,804	(3,609)	-	-
Profit before tax	45,162	47,467	42,106	52,355
Income tax expense	(14,548)	(17,911)	(14,809)	(17,876)
Profit for the period	30,614	29,556	27,297	34,479
Profit for the period attributable to:				
Equity holders of the Bank	30,348	29,230	27,297	34,479
Non-controlling interest	266	326	-	-
	30,614	29,556	27,297	34,479
Earnings per share	12c6	12c2	11c4	14c4

Statements of comprehensive income

for the six months ended 31 March

	The Group		The Bank	
	Mar-11 €000	Mar-10 €000	Mar-11 €000	Mar-10 €000
Profit for the period	30,614	29,556	27,297	34,479
Other comprehensive income				
Available-for-sale investments:				
- change in fair value	(2,983)	6,332	(2,983)	6,338
- deferred tax thereon	1,044	(2,215)	1,044	(2,218)
- change in fair value transferred to profit or loss	-	(153)	-	(153)
- deferred tax thereon	-	53	-	53
Other comprehensive income for the period, net of tax	(1,939)	4,017	(1,939)	4,020
Total comprehensive income	28,675	33,573	25,358	38,499
Total comprehensive income attributable to:				
Equity holders of the Bank	28,409	33,247		
Non-controlling interest	266	326		
	28,675	33,573		

Statements of financial position

as at 31 March

	The Group		The Bank	
	Mar-11 €000	Sep-10 €000	Mar-11 €000	Sep-10 €000
ASSETS				
Balances with Central Bank of Malta, treasury bills and cash	156,017	135,773	156,017	135,773
Financial assets at fair value through profit or loss	934,036	963,488	932,061	961,370
Investments	1,231,543	1,243,454	1,231,519	1,243,430
Loans and advances to banks	226,629	264,965	226,629	264,965
Loans and advances to customers at amortised cost	3,517,650	3,496,744	3,517,650	3,496,744
Investments in associate and jointly controlled entity	71,518	68,689	52,870	52,870
Investments in subsidiary companies	-	-	1,393	1,393
Intangible assets	5,585	4,297	5,585	4,297
Property, plant and equipment	76,799	76,199	76,455	75,844
Current tax	-	1,482	-	1,167
Deferred tax asset	40,335	41,813	40,335	41,813
Other assets	13,643	13,047	12,078	11,802
Prepayments and accrued income	25,843	25,241	25,843	25,236
Total Assets	6,299,598	6,335,192	6,278,435	6,316,704
LIABILITIES				
Financial liabilities at fair value through profit or loss	32,633	47,867	32,633	47,867
Amounts owed to banks	359,159	347,369	359,159	347,369
Amounts owed to customers	5,184,031	5,185,264	5,184,762	5,185,606
Debt securities in issue	-	25,701	-	25,701
Other liabilities	76,839	73,429	76,584	73,174
Accruals and deferred income	30,197	35,635	29,641	34,891
Current tax	3,256	187	3,134	-
Financial liabilities designated for hedge accounting	16,560	30,692	16,560	30,692
Subordinated liabilities	120,000	120,000	120,000	120,000
Total Liabilities	5,822,675	5,866,144	5,822,473	5,865,300
EQUITY				
Equity attributable to shareholders of the Bank:				
Called up share capital	240,000	200,000	240,000	200,000
Share premium account	988	988	988	988
Revaluation reserves	22,992	24,931	22,880	24,819
Retained earnings	212,094	242,546	192,094	225,597
	476,074	468,465	455,962	451,404
Non-controlling interest	849	583	-	-
Total Equity	476,923	469,048	455,962	451,404
Total Liabilities and Equity	6,299,598	6,335,192	6,278,435	6,316,704
MEMORANDUM ITEMS				
Contingent liabilities	173,239	183,803	173,239	183,803
Commitments	1,114,130	1,096,124	1,114,130	1,096,124

These accounts were approved by the Board of Directors on 29 April 2011.

Statements of changes in equity for the six months ended 31 March

Attributable to Equity holders of the Bank

	Called up Share Capital €000	Share Premium Account €000	Revaluation Reserves €000	Retained Earnings €000	Total €000	Non- Controlling Interest €000	Total Equity €000
The Group							
At 30 September 2009	160,000	988	21,810	251,199	433,997	638	434,635
Profit for the period	-	-	-	29,230	29,230	326	29,556
Other comprehensive income							
Available-for-sale investments:							
- change in fair value, net of tax	-	-	4,117	-	4,117	-	4,117
- change in fair value transferred to profit or loss, net of tax	-	-	(100)	-	(100)	-	(100)
Total other comprehensive income	-	-	4,017	-	4,017	-	4,017
Total comprehensive income for the period	-	-	4,017	29,230	33,247	326	33,573
Transactions with owners, recorded directly in equity							
Bonus issue	40,000	-	-	(40,000)	-	-	-
Dividends	-	-	-	(22,360)	(22,360)	(280)	(22,640)
	40,000	-	-	(62,360)	(22,360)	(280)	(22,640)
At 31 March 2010	200,000	988	25,827	218,069	444,884	684	445,568
At 30 September 2010	200,000	988	24,931	242,546	468,465	583	469,048
Profit for the period	-	-	-	30,348	30,348	266	30,614
Other comprehensive income							
Available-for-sale investments:							
- change in fair value, net of tax	-	-	(1,939)	-	(1,939)	-	(1,939)
Total other comprehensive income	-	-	(1,939)	-	(1,939)	-	(1,939)
Total comprehensive income for the period	-	-	(1,939)	30,348	28,409	266	28,675
Transactions with owners, recorded directly in equity							
Bonus issue	40,000	-	-	(40,000)	-	-	-
Dividends	-	-	-	(20,800)	(20,800)	-	(20,800)
	40,000	-	-	(60,800)	(20,800)	-	(20,800)
At 31 March 2011	240,000	988	22,992	212,094	476,074	849	476,923

Statements of changes in equity

for the six months ended 31 March

	Called up Share Capital €000	Share Premium Account €000	Revaluation Reserves €000	Retained Earnings €000	Total Equity €000
The Bank					
At 30 September 2009	160,000	988	21,688	229,466	412,142
Profit for the period	-	-	-	34,479	34,479
Other comprehensive income					
Available-for-sale investments:					
- change in fair value, net of tax	-	-	4,120	-	4,120
- change in fair value transferred to profit or loss, net of tax	-	-	(100)	-	(100)
Total other comprehensive income	-	-	4,020	-	4,020
Total comprehensive income for the period	-	-	4,020	34,479	38,499
Transactions with owners, recorded directly in equity					
Bonus issue	40,000	-	-	(40,000)	-
Dividends	-	-	-	(22,360)	(22,360)
	40,000	-	-	(62,360)	(22,360)
At 31 March 2010	200,000	988	25,708	201,585	428,281
At 30 September 2010	200,000	988	24,819	225,597	451,404
Profit for the period	-	-	-	27,297	27,297
Other comprehensive income					
Available-for-sale investments:					
- change in fair value, net of tax	-	-	(1,939)	-	(1,939)
Total other comprehensive income	-	-	(1,939)	-	(1,939)
Total comprehensive income for the period	-	-	(1,939)	27,297	25,358
Transactions with owners, recorded directly in equity					
Bonus issue	40,000	-	-	(40,000)	-
Dividends	-	-	-	(20,800)	(20,800)
	40,000	-	-	(60,800)	(20,800)
At 31 March 2011	240,000	988	22,880	192,094	455,962

Statements of cash flows

for the six months ended 31 March

	The Group		The Bank	
	Mar-11 €000	Mar-10 €000	Mar-11 €000	Mar-10 €000
Cash flows from operating activities				
Interest and commission receipts	129,912	127,947	126,359	125,031
Interest and commission payments	(51,419)	(72,602)	(50,886)	(72,501)
Payments to employees and suppliers	(38,160)	(36,809)	(36,930)	(35,813)
Operating profit before changes in operating assets and liabilities	40,333	18,536	38,543	16,717
Increase in operating assets:				
Loans and advances	(56,659)	(245,910)	(56,659)	(245,910)
Reserve deposit with Central Bank of Malta	174	(3,282)	174	(3,282)
Fair value through profit or loss financial assets	7,013	71,462	7,013	71,462
Fair value through profit or loss equity instruments	133	259	(10)	602
Treasury bills with original maturity of more than 3 months	(15,947)	33,669	(15,947)	33,669
Other assets	(596)	(2,163)	(276)	(1,932)
Increase/(decrease) in operating liabilities:				
Amounts owed to customers	(1,233)	246,008	(844)	245,530
Amounts owed to banks	24,392	(9,239)	24,392	(9,239)
Other liabilities	2,010	(12,099)	2,008	(12,401)
Net cash (used in)/from operating activities before tax	(380)	97,241	(1,606)	95,216
Tax paid	(7,475)	(9,573)	(7,986)	(9,430)
Net cash (used in)/from operating activities	(7,855)	87,668	(9,592)	85,786
Cash flows from investing activities				
Dividends received	1,253	1,790	2,932	3,359
Interest received from held-to-maturity debt and other fixed income instruments	21,348	23,846	21,348	23,846
Investments in associate and jointly controlled entity	-	(18,844)	-	(18,844)
Purchase of equity investments	(1,341)	-	(1,341)	-
Purchase of debt instruments	(123,508)	(146,635)	(123,508)	(146,635)
Proceeds from sale or maturity of debt instruments	114,700	88,225	114,700	88,225
Purchase of property, plant and equipment	(4,718)	(1,796)	(4,660)	(1,763)
Proceeds on disposal of property, plant and equipment	2	-	2	-
Net cash from/(used in) investing activities	7,736	(53,414)	9,473	(51,812)
Cash flows from financing activities				
Redemption of Debt securities in issue	(25,701)	-	(25,701)	-
Proceeds from issue of subordinated bonds	-	23,433	-	23,433
Dividends paid to equity holders of the Bank	(20,800)	(22,360)	(20,800)	(22,360)
Dividends paid to non-controlling interest	-	(280)	-	-
Net cash (used in)/from financing activities	(46,501)	793	(46,501)	1,073
Net change in cash and cash equivalents	(46,620)	35,047	(46,620)	35,047
Effect of exchange rate changes on cash and cash equivalents	18	(482)	18	(482)
Net change in cash and cash equivalents	(46,638)	35,529	(46,638)	35,529
	(46,620)	35,047	(46,620)	35,047
Cash and cash equivalents at 1 October	230,850	146,365	230,850	146,365
Cash and cash equivalents at 31 March	184,230	181,412	184,230	181,412

STATEMENT PURSUANT TO THE LISTING RULES ISSUED BY THE LISTING AUTHORITY

I confirm that to the best of my knowledge:

- The condensed interim financial statements give a true and fair view of the financial position as at 31 March 2011, financial performance and cashflows for the six month period then ended, in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).
- The interim Directors' report includes a fair review of the information required in terms of the Listing Rules.

Tonio Depasquale
Chief Executive Officer

Notes to the Condensed Financial Statements for the six months to 31 March 2011

1. Basis of preparation

The published figures have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The condensed group financial statements have been extracted from Bank of Valletta's unaudited group management accounts for the six months ended 31 March 2011, and have been reviewed in terms of ISRE 2410 'Review of Interim Financial Information performed by the independent auditor of the entity'. The half-yearly results are being published in terms of Chapter 5 of the Listing Rules of the Malta Financial Services Authority.

These have been drawn up in accordance with the accounting policies used in the preparation of the annual audited financial statements of the Group for the year ended 30 September 2010.

As required by IAS 34, Interim Financial Reporting, these interim financial statements include comparative statements of financial position information of the previous financial year end and comparative income statements and statements of comprehensive income information for the comparable interim periods of the immediately preceding financial year.

2. Segment Information

	Credit, deposit-taking and other retail		Financial markets, investments and non-retail		Total	
	Mar-11 €000	Mar-10 €000	Mar-11 €000	Mar-10 €000	Mar-11 €000	Mar-10 €000
The Group						
Operating Income for the six months	78,896	74,483	13,848	24,160	92,744	98,643
Profit before tax for the six months	29,162	28,548	16,000	18,919	45,162	47,467
	Mar-11 €000	Sep-10 €000	Mar-11 €000	Sep-10 €000	Mar-11 €000	Sep-10 €000
Total Assets	3,760,030	3,650,924	2,539,568	2,735,732	6,299,598	6,386,656

The Bank and Group's condensed interim financial information has been reviewed by its independent auditor. The auditor's report, as at 31 March 2011, is reproduced hereunder:

Report on Review of Interim Financial Information to the Directors of Bank of Valletta p.l.c.:

Introduction

We have reviewed the accompanying condensed consolidated statements of financial position of Bank of Valletta p.l.c. as at 31 March 2011 and the related condensed consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the six month period then ended and the explanatory notes. The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

Deloitte

Deloitte Place
Mriehel Bypass, Mriehel, Malta

29 April 2011

Background

The FY 2010 annual report and general meeting highlighted the uncertainty and fragmentation of the recovery, and therefore the outlook for the current financial year. It also noted - as events of the past few years have repeatedly reminded us – of the need to be alert to the unexpected – to the external “event risk”. The sovereign debt crisis that has been plaguing the eurozone since April 2010 has continued unabated, with, as predicted by many financial commentators, Portugal following Greece and Ireland in seeking financial assistance from the European Union and the IMF. Whereas Spain and Italy appear to have been successful in de-coupling themselves from the three weaker “peripheral” states, attention is now turning as to whether the sheer weight of Greece’s debt is sustainable, or whether a restructuring of that debt is required after all. Fortunately, the Bank’s exposure to the three more seriously challenged eurozone economies is very limited, but the wider concern is the fear of contagion into the broader euro market should the EU leadership not move in a determined and conclusive manner to secure a long term solution to the current uncertainty. It is clear that the longer this takes, the more likely it is that domestic political pressures in the different European states may serve to make a lasting solution more difficult to achieve.

This sense of uncertainty caused by the eurozone crisis has been exacerbated in the second quarter of FY 2011 by two further external event shocks - the political upheaval in Libya and elsewhere across North Africa, and the tragic aftermath of the earthquake in Japan. Both these events have a direct bearing on the local economy – Libya because of the strong business ties with Malta, and Japan because of its global influence as the world’s third largest economy, and the effect on the oil price triggered by the uncertain future surrounding nuclear power generation. The Bank has limited direct exposure to Libya, but some secondary exposure does exist, due to the growing number of Maltese businesses that have been trading with that country in recent years, and the number of Maltese nationals employed there. Overall the position is very manageable, and we are working closely with our clients to support them through this period of challenging circumstances. From a credit perspective, we have taken a cautious view on this secondary exposure, and have added to our collective allowance in this regard to cater for the higher downside risks. The bigger concerns at this stage are more geo-political than

business in nature, particularly as an early solution to the upheaval in Libya is becoming more elusive with the passage of time.

Review of performance

The Bank of Valletta Group has recorded a profit before taxation of €45.2 million for the six months ended 31 March 2011. This compares with €47.5 million pre-tax profit earned in the first six months of the previous financial year. As can be seen from the table below, the Net Operating Profit before fair value movements for the period has shown a modest increase of 4% (€47.0 million for 2011 compared with €45.2 million for the same period of the previous year). However, whereas there has been a satisfactory turnaround in the contribution to profits from our insurance sector interests, fair value movements for the period showed a negative €5.6 million compared with a gain of €5.9 million recorded in the first half of the previous year.

Our results for the six months are summarised in the table below. This table should be read in conjunction with the explanatory notes that follow:

Bank of Valletta Group Summarised Unaudited Results for six months to 31 March

	Note	2011 € million	2010 € million
Net Interest Margin	(a)	67.8	61.9
Net Commission and Trading Income	(b)	30.6	30.8
Operating Expenses	(c)	(41.0)	(40.3)
Net Impairment Charges	(d)	(10.4)	(7.2)
Net Operating Profit before Fair Value movements		47.0	45.2
Fair Value Movements	(e)	(5.6)	5.9
Operating Profit		41.4	51.1
Share of results of associate and jointly controlled entity	(f)	3.8	(3.6)
Profit before tax		45.2	47.5

(a) Net Interest Margin

Net Interest Margin for the period of €67.8 million increased by €5.9 million from €61.9 million for the six months to March 2010. This improvement in the interest margin contribution arose principally from the time lag effect on the re-pricing of deposits and the gradual escalation of rates in anticipation of the expected interventions of central banks to contain inflationary pressures. In the event, the European Central Bank (ECB) announced a 25 basis points (0.25%) increase in its intervention rate in early April 2011 – the first increase in rates in almost three years.

(b) Net Commission and Trading Income

Net Commission and Trading Income was virtually flat year-on-year. Demand for credit has been muted, and investment related activities (Capital Markets, Funds and Wealth Management, Bancassurance and Stockbroking) have been subdued, as negative sentiment returned to the markets in late 2010 and early 2011 in the wake of the continuing eurozone sovereign debt crisis. Local capital markets activity in bond issuance has slowed down markedly, in part due to the publication of new regulations by the Listing Authority. The local equity market has been further negatively influenced by the events in Libya and elsewhere across North Africa. Foreign exchange business has been satisfactory, and our cards business continues to deliver improved results.

(c) Operating Expenses

Operating expenses for the six months totalled €41 million, an increase of just 1.6% over the same period last year, with most of the increase arising from personnel, IT and regulatory expenses. Notwithstanding our continuing investment in IT - necessary to sustain and further competitiveness - strict and effective overall cost control remains a priority for management.

(d) Net Impairment charges

As noted in the 2010 Annual report, the difficult economic conditions of the past two years have had a knock-on effect on credit quality. The specific impact to date has been modest and manageable, as management has adopted a cautious outlook in respect of certain sectors at a time when the overall economic situation remains characterised by some uncertainties. The collective charge for the period includes a precautionary additional allowance in respect of certain exposures – most of them indirect – to the current events in North Africa. Overall credit quality remains satisfactory, with the proportion of non performing accounts to total loans and advances showing only a marginal increase since September 2010.

(e) Fair Value movements

The eurozone sovereign debt crisis continues to trouble the credit markets, and the rescue package put together for Greece in June 2010, has been followed with similar bail-out packages being required for both Ireland and Portugal. This uncertainty and the gathering inflationary pressures have caused spreads to widen somewhat, and these factors have been reflected in a fair value charge for the six months of €5.6 million. This compares with a credit of €5.9 million during the six-month period to 31 March 2010, a period which immediately preceded the onset of the eurozone sovereign debt concerns. A further sum of €1.9 million net of tax has been charged directly to reserves, representing widening spreads on the available for sale portfolio.

(f) Jointly Controlled and Associated Companies

The Jointly Controlled and Associated Companies represent our insurance sector interests through our holdings in MSV Life plc, in which BOV has a direct equity interest of 50%, and in Middlesea Insurance plc (MSI), where our holding amounts to 31.08% of the issued share capital of the company. The Group's share of profits of €3.8 million is made up as follows:-

six months to 31 March	2011	2010
	€ million	€ million
MSV share of profit	2.7	3.6
MSI share of profit/(loss)	1.1	(7.2)
Net profit/(loss) for the period	<u>3.8</u>	<u>(3.6)</u>

The above represents BOV's share of profits and losses on its MSV Life and MSI shareholdings based on the audited accounts of these companies through to 31 December 2010 and 2009. Therefore, the March 2010 loss includes the impact on MSI's FY 2009 results of the write off of its entire investment in Progress Assicurazioni SpA, following the decision that was taken to wind up the operations of that company.

Review of Financial Position

Total Assets as at 31 March 2011 stood at €6.30 billion (30 September 2010 - €6.33 billion; 31 March 2010 - €6.39 billion) while total Equity amounted to €476.9 million (30 September 2010 - €469.0 million; 31 March 2010 - €445.6 million). Loans and Advances, net of impairment allowances, stood at €3.5 billion, much in line with the position as at 30 September 2010, reflecting the subdued demand for credit experienced during the period. Credit quality remains largely unchanged, with Non Performing Loans amounting to 5.3% of Gross Advances (September 2010: 5.2%).

Likewise, Customer Deposits, standing at €5.2 billion, are little changed since the year end, due largely to the normal levels of volatility experienced in the institutional sector. Domestic retail deposits have continued to show satisfactory growth, notwithstanding a high level of government issuance during the period and keen ongoing competition for deposits in the market. Deposits have increased by €172 million or 3.4% since 31 March 2010.

The modification of the Bank's rating during the period was unexpected and disappointing. However, Fitch were at pains to point out that the modification was more a reflection of Fitch's having adopted a "more cautious view" on the position of banks operating in small economies, rather than because of any material change in Bank of Valletta's situation.

Fitch commented favourably on BOV's satisfactory profitability and its sound liquidity and funding model, as well as on our adequate capitalisation.

During the period under review, the Bank has continued to manage its balance sheet in a deliberate and prudent manner, while furthering our detailed preparations for the implementation of the Basel III regulatory regime. Liquidity remains strong, with minimal use being made of inter-bank funding, and as at 31 March 2011, our core Tier I Capital stood at 10.8% (30 September 2010: 10.5%; 31 March 2010: 10.0%), whilst our total overall capital ratio position was a strong 15.3% (30 September 2010: 15.0%; 31 March 2010: 14.4%).

The Bank of Valletta has once again been selected for participation in the stress test initiative being carried out under the auspices of the recently established European Banking Authority, and which tests will involve close to 90 leading banks across Europe. This initiative is due to be completed by June 2011, and the Bank is quietly confident that the outcome of the tests will be favourable.

Interim Dividend

The Board has resolved to declare a gross Interim Dividend of €0.0625 per share, which is in line with last year's interim dividend (as restated for the bonus issue of January 2011). This dividend will be paid on 26 May 2011 to shareholders on the Bank's Register of Members at the close of business on 12 May 2011. The final dividend will be determined by the Board later in the year, and will take account of the results for the year as a whole, as well as the conditions prevailing at the time.

The La Valette Multi Manager Property Fund

As noted in the annual report, certain companies in the Bank of Valletta Group have been served with judicial protests in connection with the La Valette Multi Manager Property Fund (the Fund). Counter protests rebutting the allegations contained in these protests have been filed.

The Malta Financial Services Authority (MFSA) has been carrying out an investigation relating to certain matters pertaining to the Fund, and the Bank is in regular communication with the MFSA in this regard. As has been publicly acknowledged by the MFSA, this investigation is still in progress, and has not as yet been completed. Bank of Valletta believes that until such time as the investigation is completed in all respects, and that due process at regulation and at law has taken place, all matters relating thereto are subject to the strict rules of confidentiality that bind dealings between the Bank and the Authority. Accordingly, the Bank believes that it would be inappropriate to make any comment on details relating to the ongoing investigation until such time as this has been fully concluded in all respects.

The Bank wishes to reiterate that it greatly regrets the poor performance of the Property Fund, and the distress that this has caused to investors. BOV also wishes to stress that it absolutely respects the right of any shareholder to take issue with and to institute regulatory and/or legal action against the Bank or any of its subsidiaries. BOV also fully respects the right of each and every shareholder to file a complaint, whether with the BOV Group and/or with the Regulator.

Notwithstanding that the first of the judicial protests was received in August 2010, these have not, to date, been followed up by the filing of legal action. BOV continues to believe that it has meritorious defences against the unsubstantiated allegations as contained in the judicial protests, and intends vigorously to contest and defend any claim based thereon that may be forthcoming.

Outlook

As we move into the second half of FY 2011, the mood is one of heightened caution, both because of the potential wider impact effects of the events in North Africa on the local economy, and because of the continuing eurozone tensions. The demand for credit is subdued and investor risk appetite has, very understandably, once again turned cautious. Going forward, our trade finance business will inevitably be adversely impacted by the current disruption in Libya. On the positive side, activity in tourism and in certain export oriented sectors appears to be holding up, as does employment data, and the

commencement of a number of significant capital works programmes co-funded by the EU should serve to give a welcome boost to the construction sector. As always, we will continue to manage our capital and balance sheet in a cautious and prudent manner, whilst at the same time providing support to Maltese business in a dependable and responsible way.

Conclusion

The Board of Directors would like to express sincere thanks to Tonio Depasquale and his senior executive team, as well as all of the Bank's staff for their dedication, commitment and hard work, over what has been yet another challenging period. We are also, as always, grateful to our many customers for the business they bring to the Bank, and for the great confidence and trust that they consistently demonstrate. BOV remains firm in its commitment to support and sustain its many customers and the economy as a whole through these times of challenges and possible opportunities. This support has been clearly recognised, acknowledged and appreciated by our customer base. Finally, we have, as always, maintained a healthy and open dialogue with the regulatory authorities at the MFSA and the Central Bank, and we are grateful to them for their constant support, wise counsel and advice.

By Order of the Board

29 April 2011

All shareholders on the Bank's Register of Members at the Central Securities Depository of the Malta Stock Exchange as at close of business on 12 May 2011 (including trades undertaken up to and including 9 May 2011) will be paid the interim dividend on 26 May 2011.