



## Bank of Valletta

Bank of Valletta p.l.c.  
OFFICE OF THE COMPANY SECRETARY  
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BOV/121

### COMPANY ANNOUNCEMENT

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

#### Quote

The Board of Directors of Bank of Valletta p.l.c.(the Bank) has today, the 28<sup>th</sup> October 2005, approved the audited financial statements for the financial year ended 30<sup>th</sup> September 2005 and resolved that these audited financial statements are to be submitted for the approval of the shareholders at the forthcoming Annual General Meeting scheduled for Friday 16<sup>th</sup> December 2005. A preliminary statement of annual results is being attached herewith in terms of Listing Rules 8.6.19 and 9.53.

The Board of Directors further resolved to recommend that the Annual General Meeting approves the payment of a final Gross Dividend per share of Lm0.15 making for a final Net Dividend per share of Lm0.0975 which if approved by the Annual General Meeting would make for a total gross dividend per share for the year of Lm0.225 (total net dividend per share Lm0.14625).

The Board of Directors further resolved to:

- i) Approve a one for one bonus share issue to registered members on the register of members as at the close of trading on the Malta Stock Exchange on the 18<sup>th</sup> January 2006.
- ii) For this purpose to issue 55,416,441 fully paid ordinary shares of a nominal value of Lm0.25 per share against the debit of an equivalent amount of Lm13,854,110.25 to the Bank's retained earnings account.
- iii) The bonus shares shall be issued on the 18<sup>th</sup> January 2006 to all those persons who are registered as shareholders of the Bank as at the close of trading on the 18<sup>th</sup> January 2006 ('Eligible Members') and shall be allotted as of that date to all Eligible Members in the ratio of one (1) bonus share for every one (1) ordinary share held by Eligible Members.

Shareholders on the Bank's share register, at the Central Securities Depository of the Malta Stock Exchange, as at close of business on Friday 4<sup>th</sup> November 2005 will receive notice of the Annual General Meeting together with the Financial Statements for the financial year ended 30<sup>th</sup> September 2005. The final dividend approved at the Annual General Meeting will be paid on the 17<sup>th</sup> December 2005.

Unquote

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

28<sup>th</sup> October 2005



**Bank of Valletta p.l.c. Preliminary Statement of Annual Results  
for the year ended 30 September 2005**

**ABRIDGED INCOME STATEMENTS**

	The Group 2005 Lm'000	The Group 2004(restated) Lm'000	The Bank 2005 Lm'000	The Bank 2004(restated) Lm'000
Interest income	88,876	85,421	88,877	85,443
Interest expense	(44,313)	(44,523)	(44,322)	(44,534)
<b>Net interest income</b>	<b>44,563</b>	<b>40,898</b>	<b>44,555</b>	<b>40,909</b>
Commission and trading income	21,964	20,550	20,928	19,898
Operating expense	(30,681)	(29,781)	(29,871)	(29,027)
Net impairment losses	(11,734)	(13,447)	(11,694)	(13,372)
Share of profit from associated and jointly controlled entities	2,468	1,406	-	-
<b>Profit before tax</b>	<b>26,580</b>	<b>19,626</b>	<b>23,918</b>	<b>18,408</b>
Taxation	(8,448)	(6,889)	(8,152)	(6,587)
<b>Profit after tax</b>	<b>18,132</b>	<b>12,737</b>	<b>15,766</b>	<b>11,821</b>
Profit attributable to minority interests	(314)	(232)	-	-
<b>Profit attributable to the shareholders</b>	<b>17,818</b>	<b>12,505</b>	<b>15,766</b>	<b>11,821</b>
<b>Earnings per share</b>	<b>32.2c</b>	<b>22.6c</b>	<b>28.5c</b>	<b>21.3c</b>

**BALANCE SHEETS**

	The Group 2005 Lm'000	The Group 2004(restated) Lm'000	The Bank 2005 Lm'000	The Bank 2004(restated) Lm'000
<b>ASSETS</b>				
Balances with Central Bank of Malta, treasury bills and cash	173,578	193,752	173,578	193,752
Financial assets at fair value through profit or loss	568,556	565,084	567,759	563,857
Investments	334,758	286,893	334,660	286,756
Loans and advances to banks	113,423	79,750	113,423	79,750
Loans and advances to customers	837,577	838,141	837,577	838,141
Investments in associated and jointly controlled entities	18,711	12,614	8,942	5,687
Investments in subsidiary companies	-	-	567	567
Tangible fixed assets	34,872	32,038	34,522	31,788
Current tax	6,474	2,176	6,467	2,209
Deferred tax	9,493	11,900	9,427	11,595
Other assets	3,740	2,204	3,324	1,984
Prepayments and accrued income	12,780	13,857	12,771	13,795
<b>TOTAL ASSETS</b>	<b>2,113,962</b>	<b>2,038,409</b>	<b>2,103,017</b>	<b>2,029,881</b>
<b>LIABILITIES</b>				
Financial liabilities at fair value through profit or loss	8,470	6,506	8,470	6,506
Amounts owed to banks	363,596	345,921	363,596	345,921
Amounts owed to customers	1,509,001	1,458,508	1,509,826	1,459,165
Debt securities in issue	13,044	12,624	13,044	12,624
Other liabilities	32,220	27,669	31,738	27,076
Accruals and deferred income	17,428	15,677	17,310	15,566
Financial liabilities held for hedging	3,890	3,247	3,890	3,247
Subordinated liabilities	19,991	34,845	19,991	34,845
Minority interest	496	581	-	-
	<b>1,968,136</b>	<b>1,905,578</b>	<b>1,967,865</b>	<b>1,904,950</b>
<b>SHAREHOLDERS' FUNDS</b>	<b>145,826</b>	<b>132,831</b>	<b>135,152</b>	<b>124,931</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>2,113,962</b>	<b>2,038,409</b>	<b>2,103,017</b>	<b>2,029,881</b>
<b>MEMORANDUM ITEMS</b>				
Contingent liabilities	62,127	68,835	62,127	68,835
Commitments	387,801	339,572	387,801	339,572

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 30th September 2005

	Share Capital Lm'000	Share Premium Account Lm'000	Revaluation Reserve Lm'000	Other Reserve Lm'000	Retained Earnings Lm'000	Dividend Reserve Lm'000	Total Lm'000
<b>The Group</b>							
<b>At 30th September 2003 as originally reported</b>	13,854	424	14,674	3,694	90,386	3,962	126,994
Restatement of balance at 30th September 2003 as a result of the early adoption of IAS 39 (revised), the termination of cash flow hedge accounting and the application of the revised valuation methodology	-	-	(4,043)	-	3,918	-	(125)
At 1st October 2003 as restated	13,854	424	10,631	3,694	94,304	3,962	126,869
Retirement benefit liability in respect of prior years up to 30th September 2002	-	-	-	-	(1,617)	-	(1,617)
Share of taxation of associate in respect of prior years	-	-	-	-	(147)	-	(147)
Net fair value adjustments on financial instruments	-	-	(890)	-	-	-	(890)
Net gains released on disposal of available-for-sale assets	-	-	1,972	-	(2,060)	-	(88)
Deferred tax on revaluation surplus	-	-	(84)	-	-	-	(84)
Net gains/(losses) not recognised in the income statement	-	-	998	-	(3,824)	-	(2,826)
Profit attributable to the shareholders as originally reported	-	-	-	-	11,711	-	11,711
Restatement of balance at 30th September 2004 as a result of the early adoption of IAS 39 (revised), the termination of cash flow hedge accounting and the application of the revised valuation methodology	-	-	2,405	-	1,034	-	3,439
Cost of outstanding leave not previously accrued for	-	-	-	-	(240)	-	(240)
Profit attributable to the shareholders as restated	-	-	2,405	-	12,505	-	14,910
Dividends paid - final 2003	-	-	-	-	-	(3,962)	(3,962)
- interim 2004	-	-	-	-	(2,161)	-	(2,161)
Dividends proposed	-	-	-	-	(3,602)	3,602	-
	-	-	-	-	(5,763)	(360)	(6,123)
<b>At 30th September 2004 as restated</b>	<b>13,854</b>	<b>424</b>	<b>14,034</b>	<b>3,694</b>	<b>97,223</b>	<b>3,602</b>	<b>132,831</b>
Net fair value adjustments on financial instruments	-	-	372	-	928	-	1,300
Deferred tax on revaluation surplus	-	-	181	-	-	-	181
Net gains not recognised in the income statement	-	-	553	-	928	-	1,481
Profit attributable to the shareholders	-	-	-	-	17,818	-	17,818
Dividends paid - final 2004	-	-	-	-	-	(3,602)	(3,602)
- interim 2005	-	-	-	-	(2,702)	-	(2,702)
Dividends proposed	-	-	-	-	(5,403)	5,403	-
	-	-	-	-	9,713	1,801	11,514
<b>At 30th September 2005</b>	<b>13,854</b>	<b>424</b>	<b>14,587</b>	<b>3,694</b>	<b>107,864</b>	<b>5,403</b>	<b>145,826</b>

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 30th September 2005

	Share Capital Lm'000	Share Premium Account Lm'000	Revaluation Reserve Lm'000	Other Reserve Lm'000	Retained Earnings Lm'000	Dividend Reserve Lm'000	Total Lm'000
<b>The Bank</b>							
<b>At 30th September 2003 as originally reported</b>	<b>13,854</b>	<b>424</b>	<b>14,661</b>	<b>2,728</b>	<b>84,039</b>	<b>3,962</b>	<b>119,668</b>
Restatement of balance at 30th September 2003 as a result of the early adoption of IAS 39 (revised), the termination of cash flow hedge accounting and the application of the revised valuation methodology			(4,043)		3,918		(125)
At 1st October 2003 as restated	13,854	424	10,618	2,728	87,957	3,962	119,543
Retirement benefit liability in respect of prior years up to 30th September 2002	-	-	-	-	(1,617)	-	(1,617)
Net fair value adjustments on financial instruments	-	-	(927)	-	-	-	(927)
Net gains released on disposal of available-for-sale assets	-	-	1,972	-	(2,060)	-	(88)
Deferred tax on revaluation surplus	-	-	(84)	-	-	-	(84)
Net gains/(losses) not recognised in the income statement	-	-	961	-	(3,677)	-	(2,716)
Profit attributable to the shareholders as originally reported	-	-	-	-	11,027	-	11,027
Restatement of balance at 30th September 2004 as a result of the early adoption of IAS 39 (revised), the termination of cash flow hedge accounting and the application of the revised valuation methodology	-	-	2,405	-	1,034	-	3,439
Cost of outstanding leave not previously accrued for	-	-	-	-	(240)	-	(240)
Profit attributable to the shareholders as restated	-	-	2,405	-	11,821	-	14,226
Dividends paid - final 2003 -interim 2004	-	-	-	-	- (2,161)	(3,962)	(3,962) (2,161)
Dividends proposed	-	-	-	-	(3,602)	3,602	-
	-	-	-	-	(5,763)	(360)	(6,123)
<b>At 30th September 2004 as restated</b>	<b>13,854</b>	<b>424</b>	<b>13,984</b>	<b>2,728</b>	<b>90,339</b>	<b>3,602</b>	<b>124,931</b>
Net fair value adjustments on financial instruments	-	-	578	-	-	-	578
Deferred tax on revaluation surplus	-	-	181	-	-	-	181
Net gains not recognised in the income statement	-	-	759	-	-	-	759
Profit attributable to the shareholders	-	-	-	-	15,766	-	15,766
Dividends paid - final 2004 - interim 2005	-	-	-	-	- (2,702)	(3,602)	(3,602) (2,702)
Dividends proposed	-	-	-	-	(5,403)	5,403	-
	-	-	-	-	7,661	1,801	9,462
<b>At 30th September 2005</b>	<b>13,854</b>	<b>424</b>	<b>14,743</b>	<b>2,728</b>	<b>98,000</b>	<b>5,403</b>	<b>135,152</b>

## CASH FLOW STATEMENTS

	The Group 2005 Lm'000	The Group 2004(restated) Lm'000	The Bank 2005 Lm'000	The Bank 2004(restated) Lm'000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	78,533	76,940	76,423	75,331
Interest and commission payments	(44,713)	(49,066)	(44,608)	(49,207)
Payments to employees and suppliers	(29,747)	(26,430)	(29,056)	(25,358)
Operating profit before changes in operating assets and liabilities	4,073	1,444	2,759	766
(Increase)/decrease in operating assets:				
Loans and advances	(15,112)	(55,605)	(15,112)	(52,530)
Reserve deposit with Central Bank of Malta	(835)	(1,895)	(835)	(1,895)
Trading securities	(1,393)	1,409	(1,393)	1,409
Trading equity instruments	(2,079)	2,687	(2,509)	224
Treasury bills with original maturity more than 3 months	13,107	(21,361)	13,107	(21,361)
Other assets	(1,536)	218	(1,340)	110
Increase in operating liabilities:				
Customer accounts and deposits by banks	60,717	82,067	60,885	82,035
Other liabilities	7,172	1,899	7,689	1,628
Net cash inflows from operating activities before tax	64,114	10,863	63,251	10,386
Tax paid	(10,470)	(8,813)	(10,373)	(8,691)
Net cash inflows from operating activities	53,644	2,050	52,878	1,695
<b>Cash flows from investing activities</b>				
Dividends received from equity shares	261	257	260	252
Dividends received from associated and jointly controlled entities	354	642	354	642
Dividends received from subsidiary companies	-	-	600	360
other fixed income instruments	38,506	33,273	38,506	33,273
Investment in associated and jointly controlled entities	(3,255)	(507)	(3,255)	(507)
Purchase of equity instruments	(325)	(854)	(325)	(854)
Proceeds on sale of equity instruments	113	204	113	204
Purchase of debt instruments	(72,644)	(61,317)	(72,644)	(61,317)
Proceeds on sale of debt instruments	23,726	17,847	23,726	17,847
Purchase of tangible fixed assets	(4,951)	(3,131)	(4,788)	(3,131)
Proceeds on disposal of tangible fixed assets	14	33	18	33
Net cash outflows from investing activities	(18,201)	(13,553)	(17,435)	(13,198)
<b>Cash flows from financing activities</b>				
Dividends paid	(6,304)	(6,123)	(6,304)	(6,123)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>14,285</b>	<b>(17,626)</b>	<b>14,285</b>	<b>(17,626)</b>
Effect of exchange rate changes on cash and cash equivalents	(458)	(165)	(458)	(165)
Net increase/(decrease) in cash and cash equivalents	14,743	(17,461)	14,743	(17,461)
Increase/(decrease) in cash and cash equivalents	14,285	(17,626)	14,285	(17,626)
Cash and cash equivalents at 1st October	90,588	108,214	90,588	108,214
<b>Cash and cash equivalents at 30th September</b>	<b>104,873</b>	<b>90,588</b>	<b>104,873</b>	<b>90,588</b>

These figures have been extracted from the Bank of Valletta Group's audited financial statements for the year ended 30 September 2005, as approved by the Directors on 28 October 2005 and are being published in terms of MFSA Listing Rule 9.53.

The Bank of Valletta Group has registered a profit of Lm26.6 million before tax for the year under review (2004 as restated: Lm19.6 million) representing an increase of 35.4% over last year. Comparative figures have been restated as explained hereunder.

Up to the last financial year, interest margin and foreign exchange profits earned on the Group's securities portfolios were passed through the Group Income Statement, while changes in the value of most of the underlying securities portfolio and interest rate swaps hedges were passed through reserves. IAS 39 as revised in June 2005, has led the Group to reconsider this accounting treatment. The conclusion reached by management was that, as treasury activities represent a material proportion of the Group's business, its results should substantially be reflected through profit or loss. Although this may result in greater volatility in earnings, the Group believes that the performance of its underlying business should be fully and fairly reflected in its reported earnings.

During the financial year under review, the Group opted for an early adoption of IAS 32 (Revised) and IAS 39 (Revised), as well as the June 2005 amendment to IAS 39 (Revised). This adoption necessitated a restatement of prior year results on a comparable basis. While no changes were made to the portfolio of securities which are being held to maturity, the remainder of the portfolio was segmented between those holdings which are intended to be held for the longer term, but which are available for sale (AFS), and those where the bank measures performance by reference to both interest income and movements in capital values. AFS securities (mostly Malta Government Stocks) are carried at cost with any premium or discount on acquisition being amortised through profit or loss over the duration of the holding. Any changes in capital values (which will not be realised if the investment is held to redemption) will continue to be passed through reserves. However, the remainder of the portfolio will be accounted for through profit or loss under IAS 39's Fair Value through Profit or Loss (FVTPL) provisions. The Bank's Interest Rate Swap (IRS) portfolio was also designated as FVTPL. The effect of the adoption of IAS39 (Revised) was to decrease the reported profit before tax for the year under review by Lm0.7 million and to increase the profit before tax for the prior year by Lm1.6 million.

Performance was driven by improvement in all the Group's sources of revenue. Net interest income increased from Lm40.9 million in 2004 to Lm44.6 million this year, an increase of 9.0%. This improvement, which arose mainly from a lower cost of funds, was achieved despite the fact that margin for the year was impacted by a one-off charge of Lm3.4 million resulting from a change in policy on the treatment of suspended interest on impaired accounts. Commission and trading income increased by 6.9% over last year to reach Lm22.0 million. Share of profit from associated and jointly controlled entities rose from Lm1.4 million in 2004 to Lm2.5 million. Towards the end of the financial year, the Group increased its shareholding in Middlesea Valletta Life Assurance Co Ltd from 39% of equity to 50%, thereby moving from a position of significant influence over the operations of the company, to one of joint control.

Total income increased by 8.3% while operating expenses rose by 3.0%. This led to an improvement in the Group's cost/income ratio from 47.4% in 2004 to 44.5% for the year under review. The charge for net impairment losses amounts to Lm11.7 million, or Lm1.7 million less than the Lm13.4 million charge for 2004. The charge for 2005 comprises a specific impairment charge of Lm6.6 million (2004: Lm17.2 million) and a charge for collective impairment of Lm5.1 million (2004: write-back of Lm3.8 million).

Return on average assets is of 1.3% (2004: 1.0%) while return on average equity stands at 19.1% (2004: 15.1%). Earnings per share increased from 22.6c in 2004 to 32.2c this year.

Group total assets increased by 3.7% to reach Lm2.11 billion. This growth was financed by both retail and wholesale deposits. Customer deposits increased by 3.5% and now amount to Lm1.51 billion, while inter-bank and money market borrowing increased by 5.1% to reach Lm363.6 million. Net advances to customers decreased marginally by 0.1% and stand at Lm837.6 million. Shareholders' funds rose by 9.8% and amount to Lm145.8 million.

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 14.1% (2004 as restated: 14.2%).

A gross interim dividend of 7.5c per share was paid in May 2005 (2004: 6.0c). The directors propose a gross final dividend of 15.0c per share (2004: 10.0c) resulting in a gross total dividend of 22.5c per share (2004: 16.0c). Aggregate net dividend payout for the year is Lm8.1 million (2004: Lm5.8 million). The Board is also recommending a one for one bonus issue of shares (effective 18th January, 2006). This will serve to increase the permanent capital base of the Bank, and, it is hoped, enhance the affordability and liquidity of the Bank's shares.

**Notice is hereby given that 4 November 2005 is the "effective date" for the purposes of Article 2 (f) of the Articles of Association of the Company.**

**All shareholders on the Company's register at the Central Securities Depository of the Malta Stock Exchange following trading on 4 November 2005 will:**

- i) receive notice of and be entitled to attend and vote at the Annual General Meeting of the Company scheduled for 18 December 2005, and**
- ii) be paid the final dividend as approved by the Annual General Meeting.**

By order of the Board  
28 October 2005