



## **Bank of Valletta**

**Bank of Valletta p.l.c.**

**OFFICE OF THE COMPANY SECRETARY**

Second Floor, 58 Zachary Street, Valletta VLT 04 - Malta  
Telephone: (356) 2275 3032, 2275 3231 Fax: (356) 2275 3711

**BOV/128**

### **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 27<sup>th</sup> April 2006, 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 31<sup>st</sup> March 2006.

An interim dividend of 5.5 cents per share gross of tax has been declared by the Board of Directors in respect of the six months ended 31<sup>st</sup> March 2006. All shareholders on the Company's register at the Central Securities Depository of the Malta Stock Exchange, following trading on the 8<sup>th</sup> May 2006 (record date), will be paid this interim dividend on the 30<sup>th</sup> May 2006 (payment date).

#### **Unquote**

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

27<sup>th</sup> April 2006



**Bank of Valletta**

**HALF YEARLY REPORT**

**MARCH 2006**

## INCOME STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH

	The Group		The Bank	
	Mar-06 Lm'000	Mar-05 (restated) Lm'000	Mar-06 Lm'000	Mar-05 (restated) Lm'000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	26,525	21,592	26,525	21,591
- on debt and other fixed income instruments	20,572	18,346	20,572	18,346
Interest payable	(23,332)	(19,886)	(23,338)	(19,891)
<b>Net interest income</b>	<u>23,765</u>	<u>20,052</u>	<u>23,759</u>	<u>20,046</u>
Dividend income	28	17	778	17
Fees and commissions receivable	8,040	6,556	6,565	5,518
Fees and commissions payable	(1,186)	(972)	(1,088)	(949)
Trading profits	5,082	4,741	5,075	4,722
Net (losses)/gains on investment securities	(3)	12	(4)	12
Other operating income	1	10	1	10
<b>Operating income</b>	<u>35,727</u>	<u>30,416</u>	<u>35,086</u>	<u>29,376</u>
Administrative expenses	(14,378)	(13,806)	(14,013)	(13,435)
Depreciation	(1,457)	(1,344)	(1,424)	(1,312)
<b>Operating profit before impairment losses</b>	<u>19,892</u>	<u>15,266</u>	<u>19,649</u>	<u>14,629</u>
Net impairment losses	(3,878)	(6,621)	(3,878)	(6,621)
<b>Operating profit</b>	<u>16,014</u>	<u>8,645</u>	<u>15,771</u>	<u>8,008</u>
Share of profits of associated and jointly controlled entities	2,797	1,140	-	-
<b>Profit before tax</b>	<u>18,811</u>	<u>9,785</u>	<u>15,771</u>	<u>8,008</u>
Tax on profit	(5,679)	(3,050)	(5,339)	(2,881)
<b>Profit for the period</b>	<u>13,132</u>	<u>6,735</u>	<u>10,432</u>	<u>5,127</u>
Profit attributable to shareholders of the bank	12,926	6,570	<u>10,432</u>	<u>5,127</u>
Profit attributable to minority interest	206	165		
<b>Profit for the period</b>	<u>13,132</u>	<u>6,735</u>		
<b>Earnings per share</b>	<u>11c7</u>	<u>5c9</u>	<u>9c4</u>	<u>4c6</u>

## BALANCE SHEETS AS AT 31 MARCH / 30 SEPTEMBER

	The Group		The Bank	
	Mar-06 Lm'000	Sep-05 Lm'000	Mar-06 Lm'000	Sep-05 Lm'000
<i>Assets</i>				
Balances with Central Bank of Malta, treasury bills and cash	157,786	173,578	157,786	173,578
Financial assets at fair value through profit or loss	570,386	568,556	569,347	567,759
Investments	338,072	334,758	337,974	334,660
Loans and advances to banks	117,570	113,423	117,570	113,423
Loans and advances to customers	935,569	837,577	935,569	837,577
Investments in associates and jointly controlled entities	21,059	18,711	8,942	8,942
Investments in subsidiary companies	-	-	567	567
Intangible assets	1,798	1,995	1,657	1,995
Property, plant and equipment	31,577	32,877	31,409	32,527
Current tax	3,755	6,474	3,820	6,467
Deferred tax	9,335	9,493	8,784	9,427
Other assets	3,801	3,740	3,944	3,324
Prepayments and accrued income	12,235	12,780	12,235	12,771
<b>Total Assets</b>	<b>2,202,943</b>	<b>2,113,962</b>	<b>2,189,604</b>	<b>2,103,017</b>
<i>Liabilities</i>				
Financial liabilities at fair value through profit or loss	3,488	8,470	3,488	8,470
Amounts owed to banks	403,307	363,596	403,307	363,596
Amounts owed to customers	1,560,579	1,509,001	1,561,533	1,509,826
Debt securities in issue	13,002	13,044	13,002	13,044
Other liabilities	32,233	32,220	31,875	31,738
Accruals and deferred income	14,859	17,428	14,595	17,310
Financial liabilities held for hedging	4,636	3,890	4,636	3,890
Subordinated liabilities	19,991	19,991	19,991	19,991
	<b>2,052,095</b>	<b>1,967,640</b>	<b>2,052,427</b>	<b>1,967,865</b>
<i>Equity</i>				
Called up share capital	27,708	13,854	27,708	13,854
Share premium account	424	424	424	424
Revaluation reserves	11,584	14,587	11,739	14,743
Other reserves	3,694	3,694	2,728	2,728
Retained earnings	106,936	113,267	94,578	103,403
Equity attributable to shareholders	150,346	145,826	137,177	135,152
Minority interest	502	496	-	-
Total equity	150,848	146,322	137,177	135,152
<b>Total Liabilities and equity</b>	<b>2,202,943</b>	<b>2,113,962</b>	<b>2,189,604</b>	<b>2,103,017</b>
Contingent liabilities	72,554	62,127	72,554	62,127
Commitments	386,119	387,801	341,957	387,801

These accounts were approved by the Board of Directors on 27 April 2006.



## CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH

	The Group		The Bank	
	Mar-06 Lm'000	Mar-05 (restated) Lm'000	Mar-06 Lm'000	Mar-05 (restated) Lm'000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	44,009	35,302	52,542	34,224
Interest and commission payments	(27,051)	(24,374)	(27,105)	(24,364)
Payments to employees and suppliers	(14,398)	(13,087)	(14,049)	(12,716)
Operating profit/(loss) before changes in operating assets and liabilities	<u>2,560</u>	<u>(2,159)</u>	<u>11,388</u>	<u>(2,856)</u>
(Increase)/decrease in operating assets:				
Loans and advances	(100,522)	(12,911)	(100,522)	(12,911)
Reserve deposit with Central Bank of Malta	(4,154)	817	(4,154)	817
Trading instruments	(1,831)	457	(1,588)	476
Treasury bills with original maturity more than 3 months	29,846	(17,071)	29,846	(17,071)
Other receivables	(61)	(676)	(620)	(813)
Increase/(decrease) in operating liabilities:				
Customer accounts and deposits by banks	86,578	28,536	86,707	29,044
Other payables	(4,328)	(1,052)	(4,204)	(910)
Net cash from/(used in) operating activities before tax	<u>8,088</u>	<u>(4,060)</u>	<u>16,853</u>	<u>(4,225)</u>
Tax paid	(2,512)	(1,802)	(2,510)	(1,794)
Net cash flows from/(used in) operating activities	<u>5,576</u>	<u>(5,862)</u>	<u>14,343</u>	<u>(6,019)</u>
<b>Cash flows from investing activities</b>				
Dividends received from equity shares	28	17	28	17
Dividends received from subsidiary companies	134	-	600	-
Interest received from held-to-maturity debt and other fixed income instruments	17,402	18,332	7,377	18,332
Investments in associated and jointly controlled entities	-	(390)	-	(390)
Purchase of equity investments	(230)	(1,430)	(230)	(1,430)
Proceeds on sale of equity investments	-	10	-	10
Purchase of held-to-maturity debt and other fixed income instruments	(15,482)	(108,085)	(15,482)	(108,085)
Proceeds on maturity/disposal of held-to-maturity debt and other fixed income instruments	10,967	99,560	10,967	99,560
Purchase of tangible fixed assets	(1,671)	(1,924)	(1,667)	(1,771)
Proceeds on disposal of tangible fixed assets	12	28	-	19
Net cash flows from investing activities	<u>11,160</u>	<u>6,118</u>	<u>1,593</u>	<u>6,262</u>

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

	The Group Mar-06 Lm'000	The Group Mar-05 Lm'000	The Bank Mar-06 Lm'000	The Bank Mar-05 Lm'000
<b>Cash flows from financing activities</b>				
Subordinated liabilities	-	(14,854)	-	(14,854)
Dividends paid	(5,403)	(3,602)	(5,403)	(3,602)
Cash used in financing activities	<u>(5,403)</u>	<u>(18,456)</u>	<u>(5,403)</u>	<u>(18,456)</u>
<b>Increase/(Decrease) in cash and cash equivalents</b>	<u>11,333</u>	<u>(18,200)</u>	<u>10,533</u>	<u>(18,213)</u>
Effect of exchange rate changes on cash and cash equivalents	(632)	555	(632)	555
Net increase/(decrease) in cash and cash equivalents	11,965	(18,755)	11,165	(18,768)
<b>Increase/(Decrease) in cash and cash equivalents</b>	<u>11,333</u>	<u>(18,200)</u>	<u>10,533</u>	<u>(18,213)</u>
Cash and cash equivalents at 1 October	104,873	90,588	104,873	90,588
Cash and cash equivalents at 31 March	<u>116,206</u>	<u>72,388</u>	<u>115,406</u>	<u>72,375</u>

## Notes to the financial statements for the six months to 31 March 2006

### Basis of preparation

The published figures, which have been prepared in accordance with IFRS for interim financial statements (IAS 34 'Interim Financial Reporting'), have been extracted from the Bank of Valletta Group's unaudited management accounts for the six months ended 31 March 2006. These have been drawn up according to the accounting policies used in the preparation of the annual audited financial statements. The half-yearly results are being published in terms of Chapters 8 and 9 of the Listing Rules of the Malta Financial Services Authority.

### Restatement of prior period figures

In the financial year ended on 30 September 2005, the Group:-

- early adopted IAS 32 Revised and IAS 39 Revised, and also the June 2005 amendment to IAS 39 Revised;
- terminated the use of cash flow hedge accounting; and
- adopted an internal synthetic pricing model for the fair valuation of bonds classified as available-for-sale and which are traded infrequently.

The comparative Income Statement for the six months ended on 31 March 2005 has been restated in accordance with these changes. All comparisons made to prior year figures in the following Review of Performance refer to the restated results. On 18 January 2006, a one-for-one bonus issue of ordinary shares was made. This necessitated a restatement of earnings and dividends per share for the six months ended on 31 March 2005. Earnings and dividends per share (including comparatives) are stated by reference to the post-bonus issue share capital of the Group.

Certain amounts have been reclassified to conform with the current period's presentation.

## Notes to the financial statements for the six months to 31 March 2006 - continued

### Review of performance

The Bank of Valletta Group has recorded a net profit before tax of Lm18.8 million for the six months which ended on 31 March 2006, an increase of 92.2% over the restated net profit before tax of Lm9.8 million for the six months ended on 31 March 2005. The Group has achieved an annualised return of 25.3% on average shareholders' funds (March 2005: 14.9%). Earnings per share amount to 11.7 cents (March 2005: 5.9 cents).

The results for the six months under review were driven by a strong performance from Financial Markets and Investments, by robust growth in the loan book, sales of investment and other banking products, and the increased contribution from the Group's insurance businesses. The results were also favourably impacted by a reduction in the charge for impairment.

Operating income amounted to Lm35.7 million, an increase of Lm5.3 million, or 17.5%; this comprised interest margin of Lm23.8 million, an increase of Lm3.7 million (18.5%) over March 2005, and commission and trading income of Lm11.9 million, an increase of Lm1.6 million (15.4%).

Interest margin was strengthened as a result of a shift in the asset mix from quasi-liquid assets to advances. Margin for the comparative period to March 2005 had also been negatively impacted by a charge of approximately Lm2.3 million (net) resulting from a change in policy in 2005 on the treatment of suspended interest on impaired accounts. Net commission income, which amounted to Lm6.9 million, increased by Lm1.3 million, or 22.7%, over 2005, and was driven by sales of investment products, life assurance, advances and foreign trade finance. Trading profits also performed strongly, rising by 7.2% last year to reach Lm5.1 million.

The Group's share of profit from its associated and jointly-controlled companies, which are engaged in the business of general insurance and life assurance, amounted to Lm2.8 million, up from Lm1.1 million last year.

Total costs, amounting to Lm15.8 million, increased by Lm0.7 million, or 4.5%, over March 2005. This arose mainly on higher personnel remuneration, contributions to the community and IT depreciation. The group cost-income ratio has improved from 49.8% in March 2005 to 44.3% in March 2006. As a result of the above, profit before impairment charges amounted to Lm22.7 million, an increase of Lm6.3 million or 38% over March 2005.

Net impairment losses amounted to Lm3.9 million, compared to Lm6.6 million in March 2005. These include a specific impairment charge amounting to Lm2.9 million (March 2005: Lm5.2 million). This arose from a more prudent view of collateral held against certain impaired accounts, leading to a downward revaluation of the realisable value, as well as an exercise whereby relatively small impaired accounts which had been long outstanding were written off as bad debts. The charge for collective impairment amounted to Lm1.0 million (March 2005: Lm1.4 million), resulting from an increase in the loan book.

Total assets at the end of March 2006 stood at Lm2.2 billion (September 2005: Lm2.1 billion), while equity amounted to Lm150.8 million (September 2005: Lm146.3 million). Advances, net of impairment allowances, stood at Lm826.7 million, an increase of Lm98.0 million, or 11.7%, since 30 September 2005. Most of the new lending was made to the business sector, although personal lending for housing finance also continued to increase. Customer deposits reached the Lm1.56 billion level, an increase of Lm51.6 million (3.4%) over the six months.

The Board of Directors noted the satisfactory results for the half year. Whereas the Board does not issue profit forecasts, it is expecting that, barring unforeseen circumstances, the rate of profitability achieved in the first six months can be sustained through the second half of the financial year.

The Board is grateful to all BOV customers who have chosen to do business with the Group, and wants to assure them of the Group's continued commitment to provide top quality service and financial products. The Board also wishes to congratulate and thank all Group employees for the hard work and dedication that made the reported results possible.

### Interim dividend

An interim dividend of 5.5 cents per share, gross of tax, has been declared by the Board in respect of the six months ended 31 March 2006, as compared to last year's interim dividend of 3.75 cents per share – an increase of 46%.

**All shareholders on the Company's register at the Central Securities Depository of the Malta Stock Exchange following trading on 8 May 2006 (record date) will be paid the interim dividend on 30 May 2006 (payment date). All shareholders on the Company's register at the Central Securities Depository of the Malta Stock Exchange following trading on 8 May 2006 (record date\*) will be paid the interim dividend on 30 May 2006 (payment date).**

**\* The last day for trading in Bank of Valletta p.l.c. shares, in order to be entitled for this dividend, is Wednesday 3 May 2006.**