



Bank of Valletta

Bank of Valletta p.l.c.
OFFICE OF THE COMPANY SECRETARY
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BOV/135

COMPANY ANNOUNCEMENT

The following is a company announcement issued by Bank of Valletta p.l.c. pursuant to Malta Financial Services Authority Listing Rule 8.5.5:

Quote

The Board of Directors of Bank of Valletta p.l.c. (the Bank) has today, the 27th October 2006, approved the final audited financial statements for the financial year ended 30th September 2006 and resolved that these final audited financial statements be submitted for the approval of the shareholders at the forthcoming Annual General Meeting scheduled for Wednesday 20th December 2006. A preliminary statement of annual results is being attached herewith in terms of Listing Rules 8.5.20 and 9.39.2.

The Board of Directors further resolved to recommend that the Annual General Meeting approves the payment of a final Gross Dividend per share of Lm0.11 making for a final Net Dividend per share of Lm0.0715 which if approved by the Annual General Meeting would make for a total Gross Dividend per share for the year of Lm0.165 (total net dividend per share Lm0.10725).

The final dividend approved at the aforesaid Annual General Meeting shall be paid on the 21st December 2006 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 Wednesday, 8th November 2006.¹

Unquote

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

27th October 2006

¹ Pursuant to the Malta Stock Exchange Bye-Laws, the Bank's Register of Members as at close of business on Wednesday 8th November 2006 will include trades undertaken up to and including Friday 3rd November 2006.



Bank of Valletta p.l.c. Preliminary Statement of Annual Results
for the year ended 30 September 2006

ABRIDGED INCOME STATEMENTS

	The Group		The Bank	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Interest income	100,107	88,876	100,107	88,877
Interest expense	(51,000)	(44,313)	(51,008)	(44,322)
Net interest income	49,107	44,563	49,099	44,555
Net Commission Income	13,340	11,355	11,098	9,409
Trading and other income	7,520	10,609	9,703	11,519
Operating expense	(31,076)	(30,681)	(30,360)	(29,871)
Net impairment losses	(4,611)	(11,734)	(4,611)	(11,694)
Share of profits from associate and jointly controlled entity	4,078	2,468	-	-
Profit before tax	38,358	26,580	34,929	23,918
Income tax expense	(12,165)	(8,448)	(11,735)	(8,152)
Profit for the year	26,193	18,132	23,194	15,766
Attributable to:				
Shareholders of the Bank	25,792	17,818	23,194	15,766
Minority interest	401	314	-	-
	26,193	18,132	23,194	15,766
Earnings per share	23c3	16c1	20c9	14c2

BALANCE SHEETS

	The Group		The Bank	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
ASSETS				
Balances with Central Bank of Malta, treasury bills and cash	158,306	173,578	158,306	173,578
Financial assets at fair value through profit or loss	575,499	568,556	574,565	567,759
Investments	316,414	334,758	316,347	334,660
Loans and advances to banks	190,926	113,423	190,926	113,423
Loans and advances to customers	987,122	837,577	987,122	837,577
Investments in associate and jointly controlled entity	22,578	18,711	10,143	8,942
Investments in subsidiary companies	-	-	662	567
Intangible assets	1,848	1,996	1,848	1,996
Property, plant and equipment	32,992	32,876	32,719	32,527
Current tax	1,120	6,474	1,561	6,467
Deferred tax	17,917	9,493	17,940	9,427
Other assets	4,504	3,740	4,208	3,323
Prepayments and accrued income	16,823	12,780	16,814	12,771
TOTAL ASSETS	2,326,049	2,113,962	2,313,161	2,103,017
LIABILITIES				
Financial liabilities at fair value through profit or loss	3,215	8,470	3,215	8,470
Amounts owed to banks	403,445	363,596	403,445	363,596
Amounts owed to customers	1,673,710	1,509,001	1,674,382	1,509,826
Debt securities in issue	12,386	13,044	12,386	13,044
Other liabilities	31,735	32,220	31,571	31,738
Accruals and deferred income	20,451	17,428	20,284	17,310
Financial liabilities held for hedging	2,662	3,890	2,662	3,890
Subordinated liabilities	19,991	19,991	19,991	19,991
Total Liabilities	2,167,595	1,967,640	2,167,936	1,967,865
EQUITY				
Equity attributable to shareholders of the Bank				
Called up share capital	27,708	13,854	27,708	13,854
Share premium account	424	424	424	424
Revaluation reserves	10,793	14,587	10,937	14,743
Other reserve	966	3,694	-	2,728
Retained earnings	118,266	113,267	106,156	103,403
	158,157	145,826	145,225	135,152
Minority interest	297	496	-	-
Total Equity	158,454	146,322	145,225	135,152
Total Liabilities and Equity	2,326,049	2,113,962	2,313,161	2,103,017
MEMORANDUM ITEMS				
Contingent liabilities	60,785	62,127	60,785	62,127
Commitments	431,918	387,801	431,918	387,801

STATEMENT OF CHANGES IN EQUITY
30th September 2006

	Share Capital Lm'000	Share Premium Account Lm'000	Revaluation Reserve Lm'000	Other Reserve Lm'000	Retained Earnings Lm'000	Total Lm'000	Minority Interest Lm'000	Total Equity Lm'000
The Group								
At 30th September 2004	13,854	424	14,034	3,694	100,825	132,831	582	133,413
Net fair value adjustments on financial instruments	-	-	372	-	928	1,300	-	1,300
Deferred tax on revaluation surplus	-	-	181	-	-	181	-	181
Net income recognised directly in equity	-	-	553	-	928	1,481	-	1,481
Profit for the year	-	-	-	-	17,818	17,818	314	18,132
Total recognised income and expense for the year	-	-	553	-	18,746	19,299	314	19,613
Dividends - final 2004	-	-	-	-	(3,602)	(3,602)	(200)	(3,802)
- interim 2005	-	-	-	-	(2,702)	(2,702)	(200)	(2,902)
	-	-	-	-	(6,304)	(6,304)	(400)	(6,704)
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)
Deferred tax on revaluation surplus	-	-	(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)
At 30th September 2006	27,708	424	10,793	966	118,266	158,157	297	158,454

STATEMENT OF CHANGES IN EQUITY
For the year ended 30th September 2006

	Share Capital Lm'000	Share Premium Account Lm'000	Revaluation Reserve Lm'000	Other Reserve Lm'000	Retained Earnings Lm'000	Total Lm'000
The Bank						
At 30th September 2004	13,854	424	13,984	2,728	93,941	124,931
Net fair value adjustments on financial instruments	-	-	578	-	-	578
Deferred tax on revaluation surplus	-	-	181	-	-	181
Net income recognised directly in equity	-	-	759	-	-	759
Profit for the year	-	-	-	-	15,766	15,766
Total recognised income and expense for the year	-	-	759	-	15,766	16,525
Dividends - final 2004	-	-	-	-	(3,602)	(3,602)
- interim 2005	-	-	-	-	(2,702)	(2,702)
	-	-	-	-	(6,304)	(6,304)
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 Ltd	-	-	-	-	50	50
At 30th September 2006	27,708	424	10,937	-	106,156	145,225

The Share Premium Account and the Revaluation Reserve are non-distributable.

CASH FLOW STATEMENTS

	The Group		The Bank	
	2006 Lm'000	2005 Lm'000	2006 Lm'000	2005 Lm'000
Cash flows from operating activities				
Interest and commission receipts	100,985	78,533	96,786	76,423
Interest and commission payments	(52,293)	(44,713)	(50,386)	(44,608)
Payments to employees and suppliers	(28,054)	(29,747)	(27,401)	(29,056)
Operating profit before changes in operating assets and liabilities	20,638	4,073	18,999	2,759
(Increase)/decrease in operating assets:				
Loans and advances	(173,256)	(15,112)	(173,256)	(15,112)
Reserve deposit with Central Bank of Malta	(6,892)	(835)	(6,892)	(835)
Fair value through profit or loss securities	(2,825)	(1,393)	(2,825)	(1,393)
Fair value through profit or loss equity instruments	(4,118)	(2,079)	(3,981)	(2,509)
Treasury bills with original maturity more than 3 months	36,156	13,107	36,156	13,107
Other assets	(764)	(1,536)	(884)	(1,340)
Increase/(decrease) in operating liabilities:				
Customer accounts and deposits by banks	222,397	60,717	213,881	60,885
Other liabilities	(7,620)	7,572	(7,306)	7,689
Net cash inflows from operating activities before tax	83,716	64,514	73,892	63,251
Tax paid	(13,556)	(10,470)	(13,663)	(10,373)
Net cash inflows from operating activities	70,160	54,044	60,229	52,878
Cash flows from investing activities				
Dividends received from equity shares	506	261	504	260
Dividends received from associate and jointly controlled entity	1,115	354	1,115	354
Dividends received from subsidiary companies	-	-	1,094	600
Interest received from held-to-maturity debt and other fixed income instruments	-	-	-	-
Investment in associate and jointly controlled entity	20,895	38,506	20,895	38,506
Investment in subsidiaries	(1,201)	(3,255)	(1,201)	(3,255)
Cash acquired on merger	-	-	(370)	-
Purchase of equity instruments	-	-	275	-
Purchase of equity instruments	(319)	(325)	(381)	(325)
Proceeds on sale of equity instruments	-	113	31	113
Purchase of debt instruments	(12,680)	(72,644)	(12,680)	(72,644)
Proceeds on sale or maturity of debt instruments	26,209	23,726	26,209	23,726
Purchase of property, plant and equipment	(4,524)	(4,951)	(4,513)	(4,788)
Proceeds on disposal of property, plant and equipment	9	14	-	18
Net cash inflows/(outflows) from investing activities	30,010	(18,201)	30,978	(17,435)
Cash flows from financing activities				
Repayment of subordinated funds	-	(14,854)	-	(14,854)
Dividends paid to group's shareholders	(9,365)	(6,304)	(9,365)	(6,304)
Dividends paid to minority interests	(600)	(400)	-	-
Net cash outflows from financing activities	(9,965)	(21,558)	(9,365)	(21,158)
Increase in cash and cash equivalents	90,205	14,285	81,842	14,285
Effect of exchange rate changes on cash and cash equivalents	769	(458)	769	(458)
Net increase in cash and cash equivalents	89,436	14,743	81,073	14,743
Increase in cash and cash equivalents	90,205	14,285	81,842	14,285
Cash and cash equivalents at 1st October	104,873	90,588	104,873	90,588
Cash and cash equivalents at 30th September	195,078	104,873	186,715	104,873

These figures have been extracted from the Bank of Valletta Group's audited financial statements for the year ended 30th September 2006, as approved by the Directors on 27th October 2006 and are being published in terms of MFSA Listing Rule 9.53.

The Bank of Valletta Group has registered a profit of Lm38.4 million before tax for the year under review (2005: Lm26.6 million), representing an increase of 44.3% over last year.

Return on equity for the year was of 25.2% (2005: 19.1%), while earnings per share amounted to 23.3 cents (2005: 16.1 cents, as restated for the 1:1 bonus issue effected on 18 January 2006). In an increasingly competitive environment, performance was strong across the board, driven by a higher contribution in net interest and commission income. While income, including share of profits from associate and jointly-controlled entity, grew by 7.3%, costs rose by only 1.3%. This signifies that the Group has made more efficient use of the resources at its disposal, as reflected in a highly satisfactory cost-income ratio of 42% (2005: 44.5%). Impairment losses were also down, reflecting continuing improvement in the quality of the loan book.

Total income amounted to Lm74.0 million, up from Lm69.0 million last year. Interest margin accounted for Lm49.1 million, or 66%, of this total. Net commission income amounted to Lm13.3 million, rising by 17.5% over last year. The most significant increases were on fund management, advances, life assurance and stockbroking. Trading profits came under pressure as a result of interest rate movements, but exchange earnings on foreign currency transactions held firm in the face of intense competition. Income from the Group's associated companies in the insurance industry rose by 65.2% to Lm4.1 million.

Total overheads, amounting to Lm31.1 million, increased by 1.3% over last year. Staff-related costs were down in absolute terms: increases in employees' remuneration, including performance-related pay, were offset by lower retirement costs. Increases in overheads resulted from higher energy prices, professional consultancy costs and depreciation, including the depreciation of the new BOV Centre, which came into operation during the year.

Net impairment charge amounts to Lm4.6 million, down from Lm11.7 million in 2005. The substantial decrease in impairment charge reflects an improvement in the quality of the loan book, and the strengthening of the debt collection function. Non-performing loans now make up 7.4% of gross advances, down from 9.7% a year ago.

The consolidated balance sheet grew by Lm212.1 million, and now totals Lm2.33 billion. This growth was financed primarily by customer deposits, which rose by Lm164.7 million, or 11%, and now stand at Lm1.67 billion. On the assets side, advances rose by Lm149.5 million, or 17%. Growth in the loan book was well-spread, and arose mainly in personal lending, home loans and business lending. Investments, and financial assets at fair value through profit or loss (FVTPL), stand at Lm891.9 million, a decrease of Lm11.4 million over last year.

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 14.5% (2005: 16.5%).

A gross interim dividend of 5.5c per share was paid in May 2006 (2005 as restated: 3.75c). The directors propose a gross final dividend of 11.0c per share (2005 as restated: 7.5c) resulting in a gross total dividend of 16.5c per share (2005 as restated: 11.25c). Aggregate net dividend for the year is Lm11.9 million (2005: Lm8.1 million).

Notice is hereby given that Wednesday 8th November 2006 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 8th November 2006 will:

- i) receive notice of and be entitled to attend and vote at the Bank's Annual General Meeting scheduled for Wednesday 20th December 2006, and**
- ii) be paid, on the Thursday 21st December 2006, 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 8th November 2006 will include trades undertaken up to and including Friday 3rd November 2006.

By order of the Board

27 October 2006