



Bank of Valletta

Bank of Valletta p.l.c.
Office of the Company Secretary
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BOV/267

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 30 April 2015, 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 2015. These financial statements have been reviewed by KPMG Malta in accordance with International Standards on Review Engagements 2400 (Revised).

An interim dividend of €0.039 gross per share (€0.025 net of tax) has been declared by the Board of Directors in respect of the six months ended 31 March 2015. This will be paid on 27 May 2015 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 Tuesday, 12 May 2015¹.

The Interim Unaudited Financial Statements for the period ended 31 March 2015 are available for viewing and downloading on the Bank's website "www.bov.com".

Unquote

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

30 April 2015

¹ Pursuant to the Malta Stock Exchange Bye-Laws, the Bank's Register of Members as at close of business on Tuesday, 12 May 2015 will include trades undertaken up to and including Friday, 8 May 2015.

Statements of profit or loss for the six months ended 31 March 2015

	The Group		The Bank	
	Mar-15 €000	Mar-14 €000	Mar-15 €000	Mar-14 €000
Interest receivable and similar income:				
- on loans and advances, balances with				
Central Bank of Malta and treasury bills	77,818	77,269	77,818	77,269
- on debt and other fixed income instruments	29,504	28,026	29,504	28,026
Interest payable	(36,245)	(43,703)	(36,245)	(43,703)
Net interest income	71,077	61,592	71,077	61,592
Fee and commission income	32,165	29,911	28,270	26,262
Fee and commission expense	(4,002)	(3,538)	(4,002)	(3,538)
Net fee and commission income	28,163	26,373	24,268	22,724
Dividend income	821	263	7,765	2,571
Trading profits	19,895	12,777	19,886	12,765
Net (loss)/gain on investment securities and hedging instruments	(445)	725	(445)	725
Operating income	119,511	101,730	122,551	100,377
Employee compensation and benefits	(29,067)	(28,403)	(28,246)	(27,569)
General administrative expenses	(21,863)	(14,566)	(21,270)	(13,891)
Amortisation of intangible assets	(1,166)	(1,104)	(1,166)	(1,104)
Depreciation	(2,539)	(2,460)	(2,496)	(2,410)
Net impairment losses	(13,915)	(9,874)	(13,915)	(9,874)
Operating profit	50,961	45,323	55,458	45,529
Share of results of associates, net of tax	7,818	5,397	-	-
Profit before tax	58,779	50,720	55,458	45,529
Income tax expense	(18,340)	(16,049)	(19,085)	(16,136)
Profit for the period	40,439	34,671	36,373	29,393
Attributable to:				
Equity holders of the Bank	40,163	34,449	36,373	29,393
Non-controlling interest	276	222	-	-
	40,439	34,671	36,373	29,393
Earnings per share	11c2	09c6	10c1	08c2

Statements of profit or loss and other comprehensive income for the six months ended 31 March 2015

	The Group		The Bank	
	Mar-15 €000	Mar-14 €000	Mar-15 €000	Mar-14 €000
Profit for the period	40,439	34,671	36,373	29,393
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Available-for-sale investments:				
- change in fair value	10,643	(645)	10,643	(645)
- deferred tax thereon	(3,725)	226	(3,725)	226
- change in fair value transferred to profit or loss	(211)	(762)	(211)	(762)
- deferred tax thereon	74	267	74	267
Items that will not be reclassified to profit or loss:				
Actuarial losses on defined benefit plans	(820)	-	(820)	-
- deferred tax thereon	287	-	287	-
Other comprehensive income for the period, net of tax	6,248	(914)	6,248	(914)
Total comprehensive income for the period	46,687	33,757	42,621	28,479
Total comprehensive income attributable to:				
Equity holders of the Bank	46,411	33,535		
Non-controlling interest	276	222		
	46,687	33,757		

Statements of financial position as at 31 March 2015

	The Group		The Bank	
	Mar-15	Sep-14	Mar-15	Sep-14
	€000	€000	€000	€000
ASSETS				
Balances with Central Bank of Malta, treasury bills and cash	109,762	130,966	109,762	130,966
Financial assets at fair value through profit or loss	503,506	527,774	501,541	523,480
Investments	2,968,632	2,422,237	2,968,632	2,422,237
Loans and advances to banks	1,168,136	1,045,988	1,168,136	1,045,988
Loans and advances to customers at amortised cost	3,982,865	3,861,532	3,982,865	3,861,532
Investments in associates	94,031	88,553	52,870	52,870
Investments in subsidiary companies	-	-	1,230	1,230
Intangible assets	11,460	11,642	11,460	11,642
Property, plant and equipment	88,053	88,117	87,880	87,888
Deferred tax asset	78,238	78,550	78,238	78,550
Assets held for realisation	11,256	9,755	11,256	9,755
Other assets	3,280	7,659	3,280	7,659
Prepayments and accrued income	23,222	24,018	23,227	22,469
Total Assets	9,042,441	8,296,791	9,000,377	8,256,266
LIABILITIES				
Financial liabilities at fair value through profit or loss	63,207	44,903	63,207	44,903
Amounts owed to banks	114,138	86,579	114,138	86,579
Amounts owed to customers	7,777,243	7,119,530	7,779,782	7,120,674
Debt securities in issue	95,400	95,400	95,400	95,400
Other liabilities	122,364	130,168	122,194	130,068
Accruals and deferred income	36,561	27,643	36,099	27,174
Current tax	19,407	16,090	20,051	15,934
Deferred tax	5,100	5,100	5,100	5,100
Financial liabilities designated for hedge accounting	48,101	36,909	48,101	36,909
Subordinated liabilities	120,000	120,000	120,000	120,000
Total Liabilities	8,401,521	7,682,322	8,404,072	7,682,741
EQUITY				
Equity attributable to shareholders of the Bank:				
Called up share capital	360,000	330,000	360,000	330,000
Share premium account	988	988	988	988
Revaluation reserves	35,917	29,136	35,805	29,024
Retained earnings	243,034	253,245	199,512	213,513
Equity attributable to owners of the Bank	639,939	613,369	596,305	573,525
Non-controlling interest	981	1,100	-	-
Total Equity	640,920	614,469	596,305	573,525
Total Liabilities and Equity	9,042,441	8,296,791	9,000,377	8,256,266
MEMORANDUM ITEMS				
Contingent liabilities	256,867	233,451	256,867	233,451
Commitments	1,765,878	1,647,091	1,765,878	1,647,091

These accounts were approved by the Board of Directors on 30 April 2015.

The revised Banking Rule 09 requires banks in Malta to hold additional reserves for general banking risks against non-performing loans. This reserve is required to be funded from planned dividend. As at the reporting date, under the three year transitional rules, this reserve amounts to €5.431 million.

Statements of changes in equity

for the six months ended 31 March 2015

	Attributable to Equity holders of the Bank						Total Equity €000
	Called up Share Capital €000	Share Premium Account €000	Revaluation Reserves €000	Retained Earnings €000	Total €000	Non- Controlling Interest €000	
The Group							
At 30 September 2013	300,000	988	24,621	250,735	576,344	661	577,005
Profit for the period	-	-	-	34,449	34,449	222	34,671
Other comprehensive income							
Available-for-sale investments:							
- change in fair value, net of tax	-	-	(419)	-	(419)	-	(419)
- change in fair value transferred to profit or loss, net of tax	-	-	(495)	-	(495)	-	(495)
Total other comprehensive income	-	-	(914)	-	(914)	-	(914)
Total comprehensive income for the period	-	-	(914)	34,449	33,535	222	33,757
Transactions with owners, recorded directly in equity							
Bonus issue	30,000	-	-	(30,000)	-	-	-
Dividends	-	-	-	(25,350)	(25,350)	-	(25,350)
	30,000	-	-	(55,350)	(25,350)	-	(25,350)
At 31 March 2014	330,000	988	23,707	229,834	584,529	883	585,412
At 30 September 2014	330,000	988	29,136	253,245	613,369	1,100	614,469
Profit for the period	-	-	-	40,163	40,163	276	40,439
Other comprehensive income							
Available-for-sale investments:							
- change in fair value, net of tax	-	-	6,918	-	6,918	-	6,918
- change in fair value transferred to profit or loss, net of tax	-	-	(137)	-	(137)	-	(137)
Actuarial losses on defined benefit plans, net of tax	-	-	-	(533)	(533)	-	(533)
Total other comprehensive income	-	-	6,781	(533)	6,248	-	6,248
Total comprehensive income for the period	-	-	6,781	39,630	46,411	276	46,687
Transactions with owners, recorded directly in equity							
Bonus issue	30,000	-	-	(30,000)	-	-	-
Dividends	-	-	-	(19,841)	(19,841)	(395)	(20,236)
	30,000	-	-	(49,841)	(19,841)	(395)	(20,236)
At 31 March 2015	360,000	988	35,917	243,034	639,939	981	640,920

Statements of changes in equity

for the six months ended 31 March 2015

	Called up Share Capital €000	Share Premium Account €000	Revaluation Reserves €000	Retained Earnings €000	Total Equity €000
The Bank					
At 30 September 2013	300,000	988	24,509	215,585	541,082
Profit for the period	-	-	-	29,393	29,393
Other comprehensive income					
Available-for-sale investments:					
- change in fair value, net of tax	-	-	(419)	-	(419)
- change in fair value transferred to profit or loss, net of tax	-	-	(495)	-	(495)
Total other comprehensive income	-	-	(914)	-	(914)
Total comprehensive income for the period	-	-	(914)	29,393	28,479
Transactions with owners, recorded directly in equity					
Bonus issue	30,000	-	-	(30,000)	-
Dividends	-	-	-	(25,350)	(25,350)
	30,000	-	-	(55,350)	(25,350)
At 31 March 2014	330,000	988	23,595	189,628	544,211
At 30 September 2014	330,000	988	29,024	213,513	573,525
Profit for the period	-	-	-	36,373	36,373
Other comprehensive income					
Available-for-sale investments:					
- change in fair value, net of tax	-	-	6,918	-	6,918
- change in fair value transferred to profit or loss, net of tax	-	-	(137)	-	(137)
Actuarial losses on defined benefit plans, net of tax	-	-	-	(533)	(533)
Total other comprehensive income	-	-	6,781	(533)	6,248
Total comprehensive income for the period	-	-	6,781	35,840	42,621
Transactions with owners, recorded directly in equity					
Bonus issue	30,000	-	-	(30,000)	-
Dividends	-	-	-	(19,841)	(19,841)
	30,000	-	-	(49,841)	(19,841)
At 31 March 2015	360,000	988	35,805	199,512	596,305

Statements of cash flow

for the six months ended 31 March 2015

	The Group		The Bank	
	Mar-15 €000	Mar-14 €000	Mar-15 €000	Mar-14 €000
Cash flows from operating activities				
Interest and commission receipts	132,771	126,783	127,313	123,122
Interest and commission payments	(29,044)	(44,696)	(29,037)	(44,765)
Payments to employees and suppliers	(50,930)	(42,970)	(49,516)	(41,460)
Operating profit before changes in operating assets and liabilities	52,797	39,117	48,760	36,897
(Increase)/decrease in operating assets:				
Loans and advances	(226,058)	(24,196)	(226,058)	(24,196)
Reserve deposit with Central Bank of Malta	(9,066)	(4,040)	(9,066)	(4,040)
Fair value through profit or loss financial assets	44,615	102,563	44,615	102,563
Fair value through profit or loss equity instruments	(980)	2,938	(3,310)	2,146
Treasury bills with original maturity of more than 3 months	(6,501)	31,962	(6,501)	31,962
Other assets	2,878	(1,803)	2,878	(1,369)
Increase/(decrease) in operating liabilities:				
Amounts owed to banks and customers	479,936	341,268	481,331	342,043
Other liabilities	8,792	(682)	8,710	(756)
Net cash from operating activities before tax	346,413	487,127	341,359	485,250
Tax paid	(18,079)	(11,055)	(18,024)	(11,523)
Net cash from operating activities	328,334	476,072	323,335	473,727
Cash flows from investing activities				
Dividends received	3,161	263	7,765	2,571
Interest received from held-to-maturity debt and other fixed income instruments	24,134	21,654	24,134	21,654
Purchase of equity investments	-	(200)	-	(200)
Purchase of debt instruments	(727,821)	(546,394)	(727,821)	(546,394)
Proceeds from sale or maturity of debt instruments	347,744	226,413	347,744	226,413
Purchase of property, plant and equipment	(3,472)	(4,703)	(3,472)	(4,666)
Proceeds on disposal of property, plant and equipment	-	3	-	3
Net cash used in investing activities	(356,254)	(302,964)	(351,650)	(300,619)
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	(19,841)	(25,350)	(19,841)	(25,350)
Dividends paid to non-controlling interest	(395)	-	-	-
Net cash used in financing activities	(20,236)	(25,350)	(19,841)	(25,350)
Net change in cash and cash equivalents	(48,156)	147,758	(48,156)	147,758
Cash and cash equivalents at 1 October	1,012,503	937,103	1,012,503	937,103
Cash and cash equivalents at 31 March	964,347	1,084,861	964,347	1,084,861

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 2015, 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.

Charles Borg
Chief Executive Officer

1. Reporting entity

Bank of Valletta p.l.c ('The Bank') is a credit institution incorporated and domiciled in Malta with its registered address at 58, Zachary Street, Valletta. The condensed interim financial statements of the Bank as at and for the six months ended 31 March 2015 include the Bank, subsidiaries and associates (together referred to as the 'The Group').

The consolidated financial statements of the Group as at and for the year ended 30 September 2014 are available upon request from the Bank's registered office and are available for viewing on its website at www.bov.com.

2. 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 2015, and have been reviewed in terms of ISRE 2400 (Revised) 'Engagements to review Historical Financial Statements'. The half-yearly results are being published in terms of Chapter 5 of the Listing Rules of the Malta Financial Services Authority.

The accounting policies applied in these financial statements are the same as those applied in the preparation of the annual audited financial statements of the Group for the year ended 30 September 2014. As at March 2015, the Bank has assessed the impact of IFRS 10, IFRS 11 and IFRS 12 entitled *Consolidated Financial Statements*, *Joint Arrangements* and *Disclosure of Interest in Other Entities : Transition Guidance*, effective as from 1 January 2014 and concluded that the outlined IFRSs do not have an impact on the Group's financial statements.

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

Related party transactions with other members of the BOV Group covering the period 1 October 2014 to 31 March 2015 have not materially affected the performance for the period under review.

3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 September 2014.

4. Segment information

	Credit, deposit-taking and other retail		Financial markets, investments and non-retail		Total	
	Mar-15 €000	Mar-14 €000	Mar-15 €000	Mar-14 €000	Mar-15 €000	Mar-14 €000
The Group						
Operating income for the six months	88,855	79,929	30,657	21,801	119,511	101,730
Profit before tax for the six months	23,043	25,714	35,736	25,006	58,779	50,720
	Mar-15 €000	Sep-14 €000	Mar-15 €000	Sep-14 €000	Mar-15 €000	Sep-14 €000
Total Assets	4,224,078	4,107,160	4,818,363	4,189,631	9,042,441	8,296,791

5. Fair value measurement

5.1 Fair value hierarchy

The Group	Fair Value				Carrying Value
	Level 1 €000	Level 2 €000	Level 3 €000	Total €000	€000
At 31 March 2015					
Assets					
Assets measured at fair value					
Financial assets at fair value through profit or loss					
-debt and other fixed income instruments	336,261	8,948	-	345,209	345,209
-equity and other non-fixed income instruments	58,068	14,330	6,554	78,952	78,952
-loans and advances to customers	-	49,330	-	49,330	49,330
-derivative financial instruments	-	30,015	-	30,015	30,015
Investments					
Debt and other fixed income instruments					
-available-for-sale	194,369	91,700	-	286,069	286,069
Equity and other non-fixed income instruments					
-available-for-sale	-	944	-	944	944
Property	-	-	73,445	73,445	73,445
Assets not measured at fair value (see note 5.2)					
Debt and other fixed income instruments					
-held-to-maturity	2,150,933	591,360	-	2,742,293	2,681,619
Balances with Central Bank of Malta, treasury bills and cash					109,762
Loans and advances to banks					1,168,136
Loans and advances to customers at amortised cost					3,982,865
Investments in associates					94,031
Investments in subsidiary companies					-
Intangible assets					11,460
IT Infrastructure and equipment					14,608
Deferred tax asset					78,238
Assets held for realisation					11,256
Other assets					3,280
Prepayments and accrued income					23,222
					9,042,441
Liabilities					
Liabilities measured at fair value					
Financial liabilities at fair value through profit or loss					
-derivative financial instruments	-	63,207	-	63,207	63,207
Financial liabilities designated for hedge accounting					
-derivative financial instruments	-	48,101	-	48,101	48,101
Liabilities not measured at fair value (see note 5.2)					
Debt securities in issue	101,832	-	-	101,832	95,400
Subordinated liabilities	131,067	-	-	131,067	120,000
Amounts owed to banks					114,138
Amounts owed to customers					7,777,243
Other liabilities					122,364
Accruals and deferred income					36,561
Current tax					19,407
Deferred tax					5,100
					8,401,521

Notes to the Condensed Financial Statements for the six months to 31 March 2015

	Fair Value			Total €000	Carrying Value €000
	Level 1 €000	Level 2 €000	Level 3 €000		
The Group					
At 30 September 2014					
Assets					
Assets measured at fair value					
Financial assets at fair value through profit or loss					
-debt and other fixed income instruments	384,671	7,577	-	392,248	392,248
-equity and other non-fixed income instruments	48,681	13,876	6,204	68,761	68,761
-loans and advances to customers	-	48,596	-	48,596	48,596
-derivative financial instruments	-	18,169	-	18,169	18,169
Investments					
Debt and other fixed income instruments					
-available-for-sale	219,057	71,669	-	290,726	290,726
Equity and other non-fixed income instruments					
-available-for-sale	-	944	-	944	944
Property	-	-	72,564	72,564	72,564
Assets not measured at fair value (see note 5.2)					
Debt and other fixed income instruments					
-held-to-maturity	1,811,749	374,776	-	2,186,525	2,130,567
Balances with Central Bank of Malta, treasury bills and cash					130,966
Loans and advances to banks					1,045,988
Loans and advances to customers at amortised cost					3,861,532
Investments in associates					88,553
Investments in subsidiary companies					-
Intangible assets					11,642
IT Infrastructure and equipment					15,553
Deferred tax asset					78,550
Assets held for realisation					9,755
Other assets					7,659
Prepayments and accrued income					24,018
					8,296,791
Liabilities					
Liabilities measured at fair value					
Financial liabilities at fair value through profit or loss					
-derivative financial instruments	-	44,903	-	44,903	44,903
Financial liabilities designated for hedge accounting					
-derivative financial instruments	-	36,909	-	36,909	36,909
Liabilities not measured at fair value (see note 5.2)					
Debt securities in issue	100,124	-	-	100,124	95,400
Subordinated liabilities	126,692	-	-	126,692	120,000
Amounts owed to banks					86,579
Amounts owed to customers					7,119,530
Other liabilities					130,168
Accruals and deferred income					27,643
Current tax					16,090
Deferred tax					5,100
					7,682,322

Level 1 in the fair value hierarchy represents quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 in the fair value hierarchy represents inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 in the fair value hierarchy represents unobservable inputs.

During the six months under review there were no changes in levels on financial assets designated at fair value through profit or loss or as available-for-sale.

The valuation techniques utilised in preparing these condensed interim financial statements were consistent with those applied in the preparation of financial statements for the year ended 30 September 2014.

Items for which fair value hierarchy is disclosed for the Group is not materially different from that of the Bank.

5.2 Basis of valuing financial instruments not measured at fair value

Certain financial assets and liabilities are either carried at amortised cost or cost less impairment. The fair values of these financial assets and liabilities within the scope of IFRS 13 are not disclosed given that the carrying amount is a reasonable approximation of fair value because these are either re-priced to current market rates frequently or are short-term in nature. Other assets and liabilities not measured at fair values, having a carrying value according to their relevant standard are included to reconcile the figures in the above table with the Statements of Financial Position.

Independent Auditors' Report on review of condensed interim financial statements

To the Board of Directors of Bank of Valletta p.l.c.

Introduction

We have reviewed the accompanying condensed interim financial statements of Bank of Valletta p.l.c. ('the Bank') and of the Group of which the Bank is the parent ('the Condensed Interim Financial Statements') which comprise the condensed statements of financial position as at 31 March 2015, and the related condensed statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flow for the six month period then ended. Management is responsible for the preparation and presentation of the Condensed Interim Financial Statements in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. Our responsibility is to express a conclusion on these interim financial statements based on our review.

This report is made solely to the Board of Directors in accordance with the terms of our engagement and is released for publication in compliance with the requirements of Listing Rule 5.75.4 issued by the Listing Authority. Our review has been undertaken so that we might state to the Board of Directors those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors for our review work, for this report, or for the conclusions we have expressed.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements. A review of interim financial statements 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 Statements for the six month period ended 31 March 2015 are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU.

Noel Mizzi (Partner) for and on behalf of
KPMG
Registered Auditors
Portico Building
Marina Street
Pieta` PTA 9044

30 April 2015

Review of Performance

Bank of Valletta Group reported a pre-tax profit of €58.8 million for the six months ended 31 March 2015. This represents an increase of €8.0 million when compared to the €50.7 million pre-tax profit for the first six months of FY 2014. This result reflects the strong fundamentals of the Bank's core operations and includes fair value gains from the positive market sentiment experienced during the period. Key performance indicators remain satisfactory with a return on equity of 17.5% (March 2014: 17.5%) and a cost/income ratio of 42.9% (March 2014: 43.4%), which compare favourably with international banks.

Core Profit, which excludes fair value movements and profits from associated companies, amounts to €42.9 million, up by 6% from last year. Core operating income shows an improvement in net interest margin and growth in both commission and trading income. The higher costs incurred during the period are largely attributable to the regulatory charges while the cautious approach towards provisioning was retained with a view to further strengthen the coverage ratios on non performing exposures.

BOV Group's results for the first six months of this financial year are summarised in the table below.

	Mar 15 €million	Mar 14 €million	Change €million	Change %
Net interest margin	71.1	61.6	9.5	15%
Net commission and trading income	40.3	35.4	4.9	14%
Operating Income	111.4	97.0	14.4	15%
Operating expense	(54.6)	(46.5)	(8.1)	17%
Net impairment charge	(13.9)	(9.9)	(4.0)	40%
Core Profit	42.9	40.6	2.3	6%
Fair value movements	8.1	4.7	3.4	72%
Operating profit	51.0	45.3	5.7	13%
Share of profit from associates	7.8	5.4	2.4	44%
Profit before tax	58.8	50.7	8.1	16%

Net interest margin for the period of €71.1 million represents an increase of 15%. The Bank experienced a marked shift towards the short term low yield deposit products which impacted net interest income positively. The persisting low interest rate scenario resulted in lower returns earned on both the retail and treasury investments despite the higher volumes. Net interest margin remains the key revenue generator, representing 64% of core operating income.

Net commission and trading income of €40.3 million is up by 14% over the comparative period. Performance experienced across all product lines, particularly in bancassurance, credit card business

and investment related services, remained satisfactory. The volume of foreign exchange transactions has also increased, yielding higher exchange earnings.

Operating costs of €54.6 million are €8.1 million or 17% more than the comparative period. The increase in costs is mostly attributed to substantially higher regulatory costs. These were influenced by the increase in the Bank's contribution towards the Deposit Guarantee Scheme, resulting from the growth in customer deposits and higher contribution rates, as well as the contributions towards the Single Resolution Fund introduced this year. Increases in HR and technology costs were partly mitigated by caution exercised on the discretionary spend. Substantial investment to transform the Bank's IT platforms is planned to ensure that the increasing needs of our customers and the escalation of regulatory requirements are met in a satisfactory manner.

The Asset Quality Review and the stress tests carried out by the ECB in 2014 emphasised the need for banks to adopt a more conservative approach towards provisioning and collateral valuation. BOV has consistently applied this approach over these past years. The charge of €13.9 million for the six months under review reflects the cautious view applied to the valuation of collateral. A more circumspect assessment of the credit grading of certain large exposures and an increase in the provision set aside for exposures with business connections in Libya.

International markets remained positive during the first six months of FY 2015. Fair value gains taken to the P&L of €8.1 million include gains registered on local listed equities. This also had a positive impact on the share of results from associates. The Group's share of profit for the period amounts to €7.8 million, or 44% more than the €5.4 million recognised in the first six months of last year.

Review of Financial Position

Total assets as at 31 March 2015 stood at €9.0 billion (September 2014: €8.3 billion), while equity attributable to the shareholders of the Bank increased by a further 4% and amounts to €640.9 million. Capital ratios are satisfactory with the common equity Tier 1 ratio, calculated on a CRD IV basis, at 11.8% and its total capital ratio at 14.3%. At 31 March 2015, the Group retained its highly liquid position with a net advances to deposit ratio of 52%.

Net loans and advances to customers, at €4.0 billion, are up by €122 million since September 2014, an increase of 3%. The growth was mostly driven by demand for mortgages while the launch of the BOV 4 SME product early in the financial year was well received by the business community.

Customer deposits at the reporting date stand at €7.8 billion, an increase of €658 million, or 9% over September 2014. This growth is totally in the short term deposits. While deposits from the corporate

and institutional segments have increased during the period, the growth in deposits is mostly attributable to higher deposits from the retail sector.

In line with the Bank's conservative Treasury Management Policy, the excess of incoming funds which were not deployed towards lending were invested in good quality short dated securities and liquid assets.

Interim Dividend

The Board is of the view that it should continue with a distribution policy that balances dividend expectations with the need to continue building up the Bank's capital base through ploughback of earnings. The Reserve for General Banking Risk (a requirement of the revised Banking Rule 09 issued in December 2013) is to be funded from the year's distributable profit. Under the three year transitional rules, the reserve at the reporting date has been increased to €5.4 million. Accordingly, the Board of Directors is announcing a gross interim dividend of €0.039 per share, equivalent to the same gross interim dividend of March 2014, as restated for the bonus issue of January 2015, resulting in the same payout.

By Order of the Board

30 April 2015

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 2015 (including trades undertaken up to and including 8 May 2015) will be paid the interim dividend on 27 May 2015.