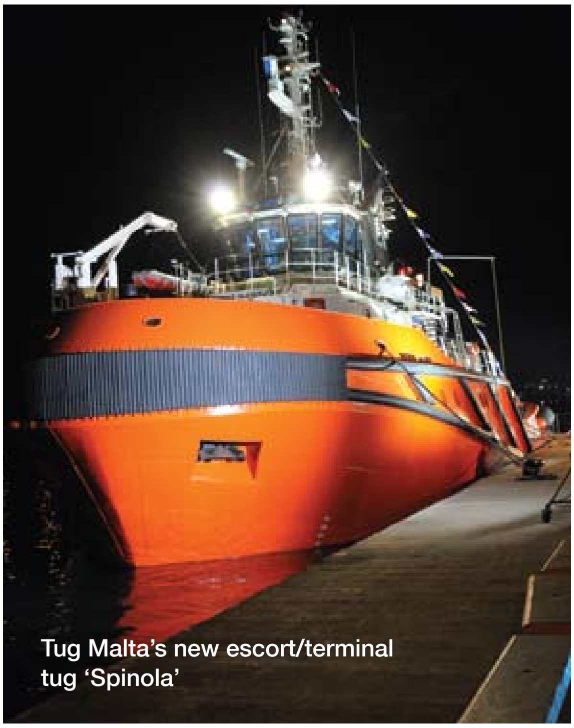
Half Yearly Report

31 March 2010

Bank of Valletta

SkyParks Business Centre Luqa Malta

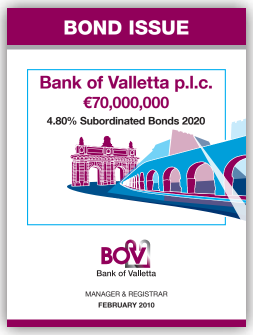
The Point, Tigne Malta

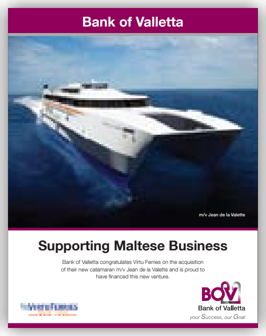


Tug Malta's new escort/terminal tug 'Spinola'

Corinthia Hotel, London

supporting maltese business





30 April 2010

Dear Shareholder

Bank of Valletta plc - Half Yearly Results

I am pleased to forward you the Bank of Valletta plc's half yearly report for the six months through to 31 March 2010. You will find the condensed financial statements set out on pages 2 to 7, and a full commentary on the results and financial position from page 9 of this booklet.

You will note that the Board of Directors has declared a dividend of €0.075 per share (gross). This dividend will be paid on 28 May 2010 to those shareholders on the Bank's Register of Members as at the close of business on 12 May 2010.

Yours sincerely

Roderick Chalmers
Chairman

30 ta' April 2010

Għażiż Azzjonist/a

Bank of Valletta plc - Riżultati ta' Nofs is-Sena

Bi pjaċir qiegħed nibgħatlek ir-rapport ta' nofs is-sena tal-Bank of Valletta plc għas-sitt xhur li ntemmu fil-31 ta' Marzu 2010. Ser issib ir-rendikonti finanzjarji fil-qosor fuq paġna 2 sa' 7, u kummentarju sħiħ fuq ir-riżultati u l-pożizzjoni finanzjarja minn paġna 9 'il quddiem ta' dan il-ktejjeb.

Kif tista' tinnota, il-Bord tad-Diretturi ddikjara dividend ta' €0.075 għal kull sehem (gross). Dan id-dividend ser jitħallas fit-28 ta' Mejju 2010 lil dawk l-azzjonisti fuq ir-Registru tal-Ishma wara li tkun għalqet is-sessjoni tan-negozju tal-ishma tat-12 ta' Mejju 2010.

Dejjem tiegħek

Roderick Chalmers
Chairman

BOV Bank of Valletta

INCOME STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH

	The Group		The Bank	
	Mar-10	Mar-09	Mar-10	Mar-09
	€000	€000	€000	€000
Interest receivable and similar income:				
- on loans and advances, balances with Central Bank of Malta and treasury bills	72,441	78,299	72,441	78,299
- on debt and other fixed income instruments	27,832	50,467	27,832	50,467
Interest payable	(38,368)	(70,347)	(38,368)	(70,347)
Net interest income	61,905	58,419	61,905	58,419
Fee and commission income	25,203	20,682	22,315	18,738
Fee and commission expense	(3,023)	(2,732)	(3,023)	(2,732)
Net fee and commission income	22,180	17,950	19,292	16,006
Dividend income	289	313	3,358	2,067
Trading profits/(losses)	13,693	(25,195)	13,693	(25,195)
Net gain/(loss) on investment securities and hedging instruments	576	(225)	576	(225)
Operating Income	98,643	51,262	98,824	51,072
Employee compensation and benefits	(25,499)	(24,311)	(24,958)	(23,873)
General administrative expenses	(11,735)	(11,455)	(11,280)	(10,987)
Amortisation of intangible assets	(613)	(591)	(613)	(591)
Depreciation	(2,483)	(2,723)	(2,429)	(2,662)
Operating profit before impairment losses	58,313	12,182	59,544	12,959
Net impairment losses	(7,237)	(2,090)	(7,189)	(2,090)
Operating profit	**51,076**	**10,092**	**52,355**	**10,869**
Share of results of associate and jointly controlled entity, net of tax	(3,609)	(3,765)	-	-
Profit before tax	**47,467**	**6,327**	**52,355**	**10,869**
Income tax expense	(17,911)	(3,668)	(17,876)	(3,926)
Profit for the period	**29,556**	**2,659**	**34,479**	**6,943**
Attributable to:				
Equity holders of the Bank	29,230	2,488	34,479	6,943
Non-controlling interest	326	171		
	29,556	2,659		
Earnings per share	14c6	01c2	17c2	03c5

STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 MARCH

	The Group		The Bank	
	Mar-10	Mar-09	Mar-10	Mar-09
	€000	€000	€000	€000
Profit for the period	29,556	2,659	34,479	6,943
Other comprehensive income				
Available-for-sale investments:				
- change in fair value	6,332	5,825	6,338	5,740
- change in fair value transferred to profit or loss	(153)	(780)	(153)	(780)
- income taxes	(2,162)	(1,766)	(2,165)	(1,736)
Other comprehensive income for the period, net of tax	4,017	3,279	4,020	3,224
Total comprehensive income	**33,573**	**5,938**	**38,499**	**10,167**
Total comprehensive income attributable to:				
Equity holders of the Bank	33,247	5,767		
Non-controlling interest	326	171		
	33,573	5,938		

	The Group		The Bank	
	Mar-10	Sep-09	Mar-10	Sep-09
	€000	€000	€000	€000
Assets				
Balances with Central Bank of Malta, treasury bills and cash	194,335	278,270	194,335	278,270
Financial assets at fair value through profit or loss	1,040,746	1,101,202	1,038,966	1,099,763
Investments	1,215,978	1,159,422	1,215,954	1,159,350
Loans and advances to banks	216,051	207,481	216,051	207,481
Loans and advances to customers	3,485,773	3,245,899	3,485,773	3,245,899
Investments in associate and jointly controlled entity	68,622	54,886	52,870	34,025
Investments in subsidiary companies	-	-	1,393	1,393
Intangible assets	3,844	3,853	3,844	3,853
Property, plant and equipment	76,536	77,825	76,273	77,542
Deferred tax asset	43,019	41,368	43,019	41,368
Other assets	11,093	8,978	10,007	8,075
Prepayments and accrued income	30,659	37,230	30,659	37,202
Total Assets	**6,386,656**	**6,216,414**	**6,369,144**	**6,194,221**
Liabilities				
Financial liabilities at fair value through profit or loss	46,123	36,114	46,123	36,114
Amounts owed to banks	580,474	668,584	580,474	668,584
Amounts owed to customers	5,012,286	4,766,278	5,013,032	4,767,502
Debt securities in issue	27,130	24,936	27,130	24,936
Other liabilities	103,433	126,574	102,678	126,075
Accruals and deferred income	20,068	41,789	19,668	41,288
Current tax	12,664	507	12,848	583
Financial liabilities designated for hedge accounting	18,910	20,430	18,910	20,430
Subordinated liabilities	120,000	96,567	120,000	96,567
Total Liabilities	**5,941,088**	**5,781,779**	**5,940,863**	**5,782,079**
Equity				
Equity attributable to shareholders of the Bank				
Called up share capital	200,000	160,000	200,000	160,000
Share premium account	988	988	988	988
Revaluation reserves	25,827	21,810	25,708	21,688
Retained earnings	218,069	251,199	201,585	229,466
	444,884	433,997	428,281	412,142
Non-controlling interest	684	638	-	-
	445,568	**434,635**	**428,281**	**412,142**
Total Liabilities and Equity	**6,386,656**	**6,216,414**	**6,369,144**	**6,194,221**
Contingent liabilities	173,239	167,875	173,239	167,875
Commitments	1,114,130	1,049,013	1,114,130	1,049,013

These accounts were approved by the Board of Directors
on 30 April 2010.

Bank of Valletta

	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 2008	**100,000**	**988**	**20,010**	**271,675**	**392,673**	**717**	**393,390**
Profit for the period	-	-	-	2,488	**2,488**	171	**2,659**
Other comprehensive income							
Available-for-sale investments: - change in fair value, net of tax	-	-	3,786	-	**3,786**	-	**3,786**
- change in fair value transferred to profit or loss, net of tax	-	-	(507)	-	**(507)**	-	**(507)**
Total other comprehensive income	-	-	3,279	-	**3,279**	-	**3,279**
Total comprehensive income for the period	-	-	3,279	2,488	**5,767**	171	**5,938**
Transactions with owners, recorded directly in equity							
Bonus issue	26,667	-	-	(26,667)	**-**	-	**-**
Increase in paid up value of share capital	33,333	-	-	(33,333)	**-**	-	**-**
Dividends	-	-	-	(5,850)	**(5,850)**	(360)	**(6,210)**
	60,000	-	-	(65,850)	**(5,850)**	(360)	**(6,210)**
At 31 March 2009	**160,000**	**988**	**23,289**	**208,313**	**392,590**	**528**	**393,118**
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**

	Called up Share Capital €000	Share Premium Account €000	Revaluation Reserves €000	Retained Earnings €000	Total Equity €000
The Bank					
At 30 September 2008	**100,000**	**988**	**19,888**	**238,777**	**359,653**
Profit for the period	-	-	-	6,943	**6,943**
Other comprehensive income					
Available-for-sale investments:					
- change in fair value, net of tax	-	-	3,731	-	**3,731**
- change in fair value transferred to profit or loss, net of tax	-	-	(507)	-	**(507)**
Total other comprehensive income	-	-	3,224	-	**3,224**
Total comprehensive income for the period	-	-	3,224	6,943	**10,167**
Transactions with owners, recorded directly in equity					
Bonus issue	26,667	-	-	(26,667)	**-**
Increase in paid up value of share capital	33,333	-	-	(33,333)	**-**
Dividends	-	-	-	(5,850)	**(5,850)**
	60,000	-	-	(65,850)	**(5,850)**
At 31 March 2009	**160,000**	**988**	**23,112**	**179,870**	**363,970**
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**

	The Group		The Bank	
	Mar-10	Mar-09	Mar-10	Mar-09
	€000	€000	€000	€000
Cash flows from operating activities				
Interest and commission receipts	118,883	157,014	115,967	154,989
Interest and commission payments	(63,538)	(98,994)	(63,437)	(98,815)
Payments to employees and suppliers	(36,809)	(34,405)	(35,813)	(33,500)
Operating profit before changes in operating assets and liabilities	18,536	23,615	16,717	22,674
(Increase)/decrease in operating assets:				
Loans and advances	(245,910)	(75,745)	(245,910)	(75,745)
Reserve deposit with Central Bank of Malta	(3,282)	(4,810)	(3,282)	(4,810)
Fair value through profit or loss securities	71,462	116,688	71,462	116,688
Fair value through profit or loss equity instruments	259	1,243	602	1,011
Treasury bills with original maturity more than 3 months	33,669	(1,359)	33,669	(1,359)
Other assets	(2,163)	2,170	(1,932)	1,594
Increase/(decrease) in operating liabilities:				
Amounts owed to customers	246,008	50,576	245,530	49,740
Amounts owed to banks	(9,239)	(277,385)	(9,239)	(277,385)
Other liabilities	(12,099)	11,770	(12,401)	11,960
Net cash generated from/(used in) operating activities before tax	97,241	(153,237)	95,216	(155,632)
Income tax	(9,573)	2,852	(9,430)	3,124
Net cash generated from/(used in) operating activities	87,668	(150,385)	85,786	(152,508)
Cash flows from investing activities				
Dividends received	1,790	312	3,359	2,067
Interest received from held-to-maturity debt and other fixed income instruments	23,846	23,609	23,846	23,609
Investments in associate and jointly controlled entity	(18,844)	(505)	(18,844)	(505)
Purchase of debt instruments	(146,635)	(125,360)	(146,635)	(125,360)
Proceeds from sale or maturity of debt instruments	88,225	138,063	88,225	138,063
Purchase of property, plant and equipment	(1,796)	(2,897)	(1,763)	(2,889)
Net cash (used in)/generated from investing activities	(53,414)	33,222	(51,812)	34,985
Cash flows from financing activities				
Subordinated liabilities	23,433	-	23,433	-
Dividends paid to equity holders of the Bank	(22,360)	(5,850)	(22,360)	(5,850)
Dividends paid to non-contolling interest	(280)	(360)	-	-
Net cash generated from/(used in) financing activities	793	(6,210)	1,073	(5,850)
Increase/(decrease) in cash and cash equivalents	35,047	(123,373)	35,047	(123,373)
Effect of exchange rate changes on cash and cash equivalents	(482)	889	(482)	889
Net increase/(decrease) in cash and cash equivalents	35,529	(124,262)	35,529	(124,262)
	35,047	(123,373)	35,047	(123,373)
Cash and cash equivalents at 1 October	146,365	281,879	146,365	281,879
Cash and cash equivalents at 31 March	**181,412**	**158,506**	**181,412**	**158,506**

STATEMENT PURSUANT TO LISTING RULE 9.44K 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 2010, financial performance and cash flows 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 Listing Rule 9.44k.

T. Depasquale

Tonio Depasquale
Chief Executive Officer

Bank of Valletta

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 2010, and have been reviewed in terms of International Standard on Review Engagements 2410 'Review of interim financial information performed by the independent auditor of the entity'. The half-yearly results are being published in terms of Chapters 8 and 9 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 2009, except for the impact of the adoption of the Standards described below.

- IAS 1 (revised 2007) Presentation of Financial Statements

The revised Standard has introduced a number of changes in terminology (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

- IFRS 8 Operating Segments

The Group has adopted IFRS 8 Operating Segments which replaces IAS 14 Segment Reporting. It requires an entity to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This information is based on reports generated for internal review.

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-10 €000	Mar-09 €000	Mar-10 €000	Mar-09 €000	Mar-10 €000	Mar-09 €000
The Group						
Operating Income for the six months	74,483	57,065	24,160	(5,803)	98,643	51,262
Profit before tax for the six months	28,548	17,717	18,919	(11,390)	47,467	6,327
	Mar-10 €000	Sep-09 €000	Mar-10 €000	Sep-09 €000	Mar-10 €000	Sep-09 €000
Total Assets	3,650,924	3,403,253	2,735,732	2,813,161	6,386,656	6,216,414

Bank of Valletta

The Bank and Group's condensed interim financial information has been reviewed by its independent auditor. The auditor's report, as at 31 March 2010, 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 2010 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
30 April 2010

Background

In the Bank of Valletta (BOV) 2009 Annual Report, it was observed that whereas stability and confidence had been restored to the global financial and banking systems, the financial crisis of 2008-2009 had caused significant and potentially lasting damage to the global economy. Governments around the world were facing the challenges of combating high unemployment and a demand for continuing stimulus support against a backdrop of contracting tax revenues. In Malta, signs of the impact of the global recession were evident, albeit at a much more modest level than had been seen elsewhere across Europe.

The past six months have seen a number of economies emerging slowly and painfully from the recession. Government finances everywhere remain under pressure, and the markets are becoming more critical and demanding of those countries (for example Greece) where it is perceived that they have not brought the required degree of austerity and rigour to the management of their public finances.

Malta too has very gradually emerged from the recession. There are signs of growth returning to the economically vital tourist sector, although it remains subject to a number of vulnerabilities. There are also incipient signs that the manufacturing sector, which was one of the sectors hardest hit by the recession, is edging towards recovery. The higher value added services sector has remained relatively resilient, and has served the economy well. The property market remains subdued – but it is likely that this is more the consequence of inadequate business and planning processes that have resulted in the substantial over-supply that is apparent in certain sectors, rather than being due to the impact of the economic recession per se.

Review of performance

The Bank of Valletta Group has recorded a profit before taxation of €47.5 million for the six months ended 31 March 2010. This compares with €6.3 million pre tax profit earned in the first six months of the previous financial year. As can be seen from the table below, the retail and corporate businesses of the Bank have continued to perform well, and we have seen a further modest claw-back of the unrealised fair value markdowns on the Financial Markets portfolio. The impairment charge for the period has increased by €5.1 million, reflecting a higher (non-specific) collective allowance allocation. The share of loss of €3.6 million in respect of jointly controlled and associated companies (March 2009: loss of €3.8 million) is analysed in further detail below.

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 Summary Results for the six months to:	**Note**	**Mar-10 € million**	**Mar-09 € million**
Net Interest Margin	**(a)**	61.9	58.4
Net Commission and Trading Income	**(b)**	30.8	24.9
Operating Expenses	**(c)**	(40.3)	(39.1)
Net Impairment Charges	**(d)**	(7.2)	(2.1)
Net Operating Profit before Fair Value movements		**45.2**	**42.1**
Fair Value Movements	**(e)**	5.9	(32.0)
Operating Profit		**51.1**	**10.1**
Share of results of jointly controlled and associated companies	**(f)**	(3.6)	(3.8)
Profit before tax		**47.5**	**6.3**

(a) Net Interest Margin

Net Interest Margin for the period of €61.9 million increased by €3.5 million from €58.4 million to March 2009. This improvement in the interest margin contribution of 6% arose principally from the time lag effect on the re-pricing of deposits. The European Central Bank (ECB) has not implemented any changes to the historically low reference rate of 1% since May 2009, and net interest margin earnings will remain compressed for so long as rates are maintained at this low level. Given the fragility of the economic recovery, it is unlikely that the ECB will make any changes to its key reference rate until towards the end of 2010 or early 2011 at the earliest.

(b) Net Commission and Trading Income

Net Commission and Trading Income showed strong growth of €5.9 million for the period – up by nearly 24% from the equivalent period to March 2009. This improvement has come from a wide cross-section of activities, with investment related activities (Capital Markets, Funds and Wealth Management, Bancassurance and Stockbroking) producing particularly strong results as investors regained their poise and appetite for the equity and bond markets after the shocks of 2008 and 2009. Foreign trade and exchange business was also robust, and our cards business continues to demonstrate improved results.

(c) Operating Expenses

Operating expenses for the six months totalled €40.3 million, an increase of just 3% over the previous year, with most of the increase arising from personnel and IT related expenses. Notwithstanding our continuing investment in IT - necessary to sustain and further competitiveness - strict overall cost control remains a priority for management.

(d) Net Impairment charges

As anticipated, the difficult economic conditions of the past 18 months have had something of a knock-on effect on credit quality. The specific impact to date has been modest and manageable, and the higher impairment charge for the period has come from an increase in the non-specific collective allowance, as management has adopted a prudent and cautious outlook to certain sectors at a time when the overall economic situation remains characterised by some uncertainties. Overall credit quality remains satisfactory, with the proportion of non performing accounts to total loans and advances showing only a marginal increase.

(e) Fair Value movements

The six month period to 31 March 2010 has seen a further reversal of approximately €6 million of the unrealised fair value movements booked in previous periods. This compares with a markdown of €32 million for the six month period to March 2009 – a date which represented something close to the low point of the financial crisis. A further sum of €6.2 million before tax has been credited directly to reserves, representing gains 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 Middlesea Valletta Life Assurance Company Limited (MSV), in which BOV has a direct equity interest of 50%, and in Middlesea Insurance plc (MSI), where our holding increased to 31.08% following the Rights Issue launched in November 2009. The Group's share of loss of €3.6 million is made up as follows:-

	€ million
MSV share of profit	3.6
MSI share of loss	(7.2)
Net loss for the period	(3.6)

The above charge represents BOV's share of profits and losses on its MSV and MSI shareholdings based on the audited accounts of these companies through to 31 December 2009, and therefore includes the impact on MSI's 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 the end of March 2010 stood at €6.39 billion (September 2009 - €6.21 billion; March 2009 - €6.10 billion) while total Equity amounted to €445.6 million (September 2009 - €434.6 million; March 2009 - €393.1 million). Loans and Advances, net of impairment allowances, stood at €3.5 billion, an increase of €240 million or 7.4% since 30 September 2009. Credit quality remains solid, with Non Performing Loans amounting to 4.1% of Gross Advances (September 2009 - 3.9%; March 2009 - 4.1%).

Exceeding a total of €5 billion for the first time in the Bank's history, Customer Deposits have continued to show satisfactory growth, notwithstanding a high level of government and corporate bond issuance during the period, and keen ongoing competition for deposits in the market. Deposits have increased by €245 million or 5.2% since September 2009.

During the period under review, the Bank has continued to manage its balance sheet in a deliberate and prudent manner. Liquidity remains strong, and we added to our Tier II Capital base with the €70 million 4.8% 2020 Subordinated Bond issuance, which closed in March 2010, attracting more than 6,800 applications aggregating €96 million. As at the end of March 2010, our core Tier I Capital stood at 10.0%, whilst our total overall Capital ratio position was a strong 14.4%.

Interim Dividend

The Board has resolved to declare an Interim Dividend of €0.075 per share (gross). This compares with last year's interim dividend (as restated for the bonus issue effected in January 2010) of €0.028 per share. This dividend will be paid on 28 May 2010 to shareholders on the Bank's Register of Members at the close of business on 12 May. 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.

Outlook

The Board expects that the general economic environment will continue to improve – but that this recovery will be slow and somewhat erratic, with the possibility of set-backs along the way. Domestically, tourist arrivals for the first three months of 2010 have been encouraging, and there are grounds for cautious optimism that the critically important tourist sector could be among the first to emerge from the recessionary gloom. At the same time, the manufacturing sector is showing signs of a gradual recovery. The restoration of an appetite for investment expenditure will determine the pace and sustainability of any rebound. The expectation is that the chronic over-supply on the market will keep property prices subdued for some time to come. However, a number of substantial infrastructural projects announced in the 2010 fiscal budget or otherwise in the pipeline will give the larger scale construction operators some grounds for optimism that their order books will see an upturn. In this area, speed of implementation on the key projects will be critical.

Although the financial and banking crisis has abated, there is no doubt that governments and regulators around the world are determined to introduce radical changes to strengthen the system, so as to prevent any recurrence of the terrifying events of late 2008 and early 2009, when the global financial system came perilously close to melt-down. Whereas risk based measures to strengthen capital and liquidity requirements are necessary and should be welcomed whole-heartedly, it would be a pity if policy-makers were to succumb to populist pressures for industry-wide levies or taxes. Such levies would be indiscriminate in nature and effect, and would punish the imprudent and the prudent in equal measure. They would therefore bring with them their own moral hazard without necessarily strengthening or safeguarding the system as a whole. Elsewhere on the international front, the pressures being faced by Greece in re-financing its debt, and the consequent threat of contagion, demonstrates the importance of continuing fiscal discipline at government level right across Europe.

Conclusion

The Board of Directors would like to express sincere thanks to Tonio Depasquale, the Chief Executive, his senior management team and all of the Bank's staff for their dedication, commitment and hard work. Their collective efforts have produced the very satisfactory results being reported today. 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. As has been observed before, BOV's firm commitment to support and encourage our many customers and the economy as a whole through the difficult down-cycle has been clearly recognised, acknowledged and appreciated. 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 support, wise counsel and advice.

By order of the Board
30 April 2010

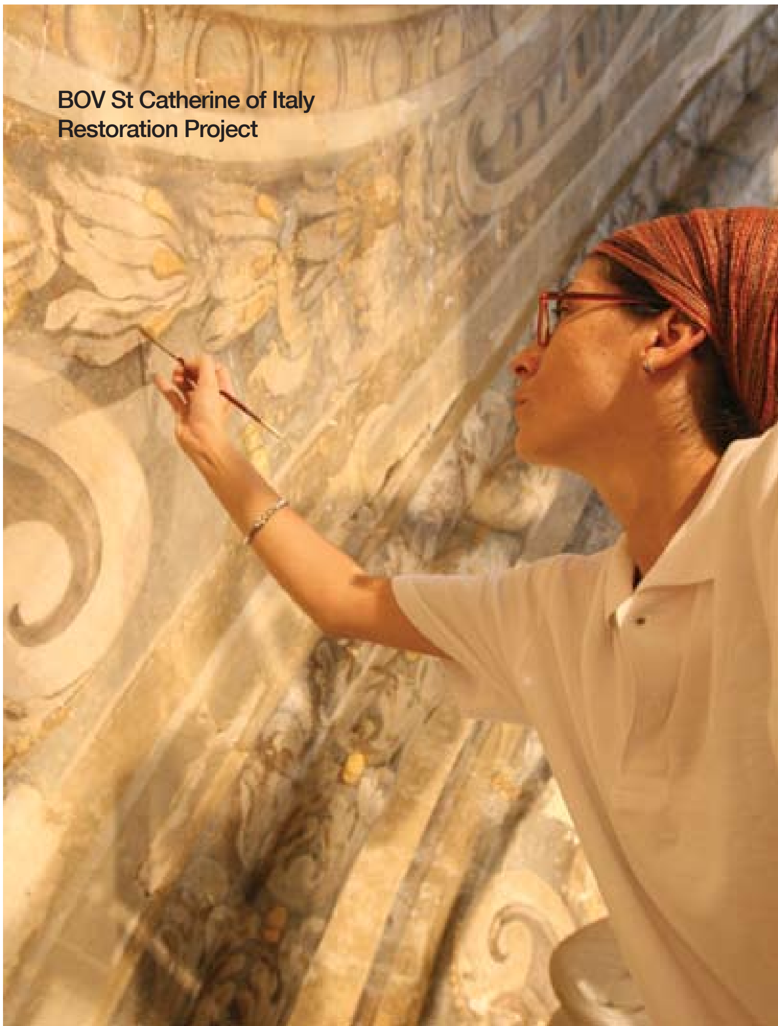
All shareholders on the Bank's Register of Members at the Central Securities Depository of the Malta Stock Exchange as at close of business on 12 May 2010 (including trades undertaken up to and including 7 May 2010) will be paid the interim dividend on 28 May 2010.

Challenge8000 Team
Mount Everest

Restoration of rubble wall
Fort Rinella

supporting maltese community

BOV Adventure Park
Ta' Qali



BOV St Catherine of Italy
Restoration Project

Bank of Valletta

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