



Bank of Valletta

Bank of Valletta p.l.c.

OFFICE OF THE COMPANY SECRETARY

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BOV/168

COMPANY ANNOUNCEMENT

The following is a company announcement issued by Bank of Valletta p.l.c. pursuant to Chapter 8 of the Listing Rules of the Malta Financial Services Authority:

Quote

During a meeting, held on the 30th April 2009, 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 31st March 2009.

An interim dividend of €0.035 gross per share (€0.023 net of tax) has been declared by the Board of Directors in respect of the six months ended 31st March 2009. This will be paid on the 28th May 2009 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 13th May 2009¹.

The Interim Unaudited Financial Statements for the period ended 31st March 2009 are available for viewing and downloading on the Bank's website "www.bov.com".

Unquote

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

30th April 2009

¹ Pursuant to the Malta Stock Exchange Bye-Laws, the Bank's Register of Members as at close of business on Wednesday 13th May 2009 will include trades undertaken up to and including Friday 8th May 2009.



Bank of Valletta

HALF YEARLY REPORT

MARCH 2009

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 31st March 2009. These have been drawn up in accordance with the accounting policies used in the preparation of the annual audited financial statements of the Group. The half-yearly results are being published in terms of Chapters 8 and 9 of the Listing Rules of the Malta Financial Services Authority.

INCOME STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH

	The Group		The Bank	
	Mar-09	Mar-08	Mar-09	Mar-08
	€000	€000	€000	€000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	78,299	95,471	78,299	95,471
- on debt and other fixed income instruments	50,467	49,416	50,467	49,416
Interest payable	(70,347)	(80,537)	(70,347)	(80,551)
Net interest income	58,419	64,350	58,419	64,336
Dividend income	313	353	2,067	2,029
Fees and commissions income	20,682	18,833	18,738	15,967
Fees and commissions expense	(2,732)	(2,368)	(2,732)	(2,368)
Profit on foreign exchange activities	6,617	7,724	6,617	7,723
Fair value movements on financial instruments	(31,812)	(25,824)	(31,812)	(25,824)
Net losses on investment securities and hedging instruments	(225)	(135)	(225)	(135)
Operating income	51,262	62,933	51,072	61,728
Administrative expenses	(35,766)	(36,460)	(34,860)	(35,592)
Depreciation and amortisation	(3,314)	(3,061)	(3,253)	(2,999)
Operating profit before impairment losses	12,182	23,412	12,959	23,137
Net impairment losses	(2,090)	(1,467)	(2,090)	(1,467)
Operating profit	10,092	21,945	10,869	21,670
Share of results of associated and jointly controlled entities (after tax)	(3,765)	3,066	-	-
Profit before tax	6,327	25,011	10,869	21,670
Income tax expense	(3,668)	(7,836)	(3,926)	(7,767)
Profit for the period	2,659	17,175	6,943	13,903
Profit attributable to shareholders of the Bank	2,488	16,850	6,943	13,903
Profit attributable to minority interest	171	325		
Profit for the period	2,659	17,175		
Earnings per share (in €)	0.016	0.105*	0.043	0.087*

* restated for bonus issue in January 2009

BALANCE SHEETS AS AT 31 MARCH / 30 SEPTEMBER

	The Group		The Bank	
	Mar-09 €000	Sep-08 €000	Mar-09 €000	Sep-08 €000
<i>Assets</i>				
Balances with Central Bank of Malta, treasury bills and cash	278,699	191,251	278,699	191,251
Financial assets at fair value through profit or loss	1,228,736	1,391,619	1,226,133	1,388,784
Investments	940,068	909,985	939,996	909,913
Loans and advances to banks	212,909	441,526	212,909	441,526
Loans and advances to customers	3,117,593	3,039,184	3,117,593	3,039,184
Investments in associated and jointly controlled entities	59,763	63,026	31,775	31,271
Investments in subsidiary companies	-	-	1,307	1,307
Intangible assets	3,844	4,016	3,844	4,016
Property, plant and equipment	79,492	79,737	79,198	79,390
Current tax	11,744	19,775	12,410	20,970
Deferred tax	35,204	35,429	35,204	35,429
Other assets	11,263	13,433	11,177	12,771
Prepayments and accrued income	34,310	42,187	34,310	42,164
Total Assets	6,013,625	6,231,168	5,984,555	6,197,976
<i>Liabilities</i>				
Financial liabilities at fair value through profit or loss	40,797	5,207	40,797	5,207
Amounts owed to banks	702,710	999,307	702,710	999,307
Amounts owed to customers	4,675,960	4,625,384	4,676,663	4,626,923
Debt securities in issue	27,729	25,501	27,729	25,501
Other liabilities	65,025	60,949	64,867	60,601
Accruals and deferred income	40,247	64,802	39,780	64,156
Financial liabilities held for hedging	21,472	10,061	21,472	10,061
Subordinated liabilities	46,567	46,567	46,567	46,567
	5,620,507	5,837,778	5,620,585	5,838,323
<i>Equity</i>				
Called up share capital	160,000	100,000	160,000	100,000
Share premium account	988	988	988	988
Revaluation reserves	23,289	20,010	23,112	19,888
Retained earnings	208,313	271,675	179,870	238,777
Equity attributable to shareholders	392,590	392,673	363,970	359,653
Minority interest	528	717	-	-
Total equity	393,118	393,390	363,970	359,653
Total Liabilities and Equity	6,013,625	6,231,168	5,984,555	6,197,976
Contingent liabilities	174,578	134,777	174,578	134,777
Commitments	1,161,028	993,749	1,161,028	993,749

These accounts were approved by the Board of Directors on 30 April 2009.

STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 MARCH
Attributable to shareholders of the Bank

	Called up Share Capital €000	Share Premium Account €000	Revaluation Reserves €000	Retained Earnings €000	Total €000	Minority Interest €000	Total equity €000
The Group							
At 30 September 2008	100,000	988	20,010	271,675	392,673	717	393,390
Net fair value adjustments on financial instruments	-	-	3,786	-	3,786	-	3,786
Net gains released on disposal of available-for sale assets transferred to the Income Statement	-	-	(507)	-	(507)	-	(507)
	-	-	3,279	-	3,279	-	3,279
Profit attributable to the shareholders	-	-	-	2,488	2,488	171	2,659
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	-	-	(63,362)	(3,362)	(189)	(3,551)
At 31 March 2009	160,000	988	23,289	208,313	392,590	528	393,118
The Bank							
At 30 September 2008	100,000	988	19,888	238,777	359,653	-	359,653
Net fair value adjustments on financial instruments	-	-	3,731	-	3,731	-	3,731
Net gains released on disposal of available-for sale assets transferred to the Income Statement	-	-	(507)	-	(507)	-	(507)
	-	-	3,224	-	3,224	-	3,224
Profit attributable to the shareholders	-	-	-	6,943	6,943	-	6,943
Bonus issue	26,667	-	-	(26,667)	-	-	-
Increase in paid up value of share capital	33,333	-	-	(33,333)	-	-	-
Dividends	-	-	-	(5,850)	(5,850)	-	(5,850)
	60,000	-	-	(58,907)	1,093	-	1,093
At 31 March 2009	160,000	988	23,112	179,870	363,970	-	363,970

CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH

	The Group		The Bank	
	Mar-09 €000	Mar-08 €000	Mar-09 €000	Mar-08 €000
Cash flows from operating activities				
Interest and commission receipts	157,014	190,526	154,989	187,634
Interest and commission payments	(98,994)	(93,509)	(98,815)	(93,572)
Payments to employees and suppliers	(34,405)	(37,027)	(33,500)	(36,160)
Operating profit before changes in operating assets and liabilities	<u>23,615</u>	<u>59,990</u>	<u>22,674</u>	<u>57,902</u>
(Increase)/decrease in operating assets:				
Loans and advances	(75,745)	(212,961)	(75,745)	(212,855)
Reserve deposit with Central Bank of Malta	(4,810)	101,427	(4,810)	101,427
Fair value through profit or loss securities	116,688	(27,934)	116,688	(27,567)
Fair value through profit or loss equity instruments	1,243	1,863	1,011	1,863
Treasury bills with original maturity more than 3 months	(1,359)	18,378	(1,359)	18,378
Other assets	2,170	(3,291)	1,594	(4,347)
Increase/(decrease) in operating liabilities:				
Amounts owed to customers	50,576	213,765	49,740	214,376
Amounts owed to banks	(277,385)	(283,011)	(277,385)	(283,011)
Other liabilities	11,770	(2,225)	11,960	(2,331)
Net cash used in operating activities before tax	<u>(153,237)</u>	<u>(133,999)</u>	<u>(155,632)</u>	<u>(136,164)</u>
Income tax	2,852	(6,910)	3,124	(6,803)
Net cash used in operating activities	<u>(150,385)</u>	<u>(140,909)</u>	<u>(152,508)</u>	<u>(142,967)</u>
Cash flows from investing activities				
Dividends received from equity shares	312	353	312	353
Dividends received from subsidiary companies	-	-	1,755	1,676
Interest received from held-to-maturity debt and other fixed income instruments	23,609	19,813	23,609	19,813
Investments in associate and jointly controlled entity	(505)	-	(505)	-
Purchase of debt instruments	(125,360)	(139,561)	(125,360)	(139,569)
Proceeds on sale or maturity of debt instruments	138,063	115,510	138,063	115,510
Purchase of property, plant and equipment	(2,897)	(2,341)	(2,889)	(2,279)
Proceeds on disposal of property, plant and equipment	-	5	-	5
Net cash from (used in) investing activities	<u>33,222</u>	<u>(6,221)</u>	<u>34,985</u>	<u>(4,491)</u>
Cash flows from financing activities				
Dividends paid to group's shareholders	(5,850)	(22,656)	(5,850)	(22,656)
Dividends paid to minority interests	(360)	(328)	-	-
Net cash used in financing activities	<u>(6,210)</u>	<u>(22,984)</u>	<u>(5,850)</u>	<u>(22,656)</u>
Decrease in cash and cash equivalents	<u>(123,373)</u>	<u>(170,114)</u>	<u>(123,373)</u>	<u>(170,114)</u>
Effect of exchange rate changes on cash and cash equivalents	889	(270)	889	(270)
Net decrease in cash and cash equivalents	<u>(124,262)</u>	<u>(169,844)</u>	<u>(124,262)</u>	<u>(169,844)</u>
Decrease in cash and cash equivalents	<u>(123,373)</u>	<u>(170,114)</u>	<u>(123,373)</u>	<u>(170,114)</u>
Cash and cash equivalents at 1 October	281,879	491,746	281,879	491,746
Cash and cash equivalents at 31 March	<u><u>158,506</u></u>	<u><u>321,632</u></u>	<u><u>158,506</u></u>	<u><u>321,632</u></u>

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, prepared in accordance with IAS 34, give a true and fair view of the financial position as at 31st March 2009, financial performance and cash flows for the period then ended, and conform with the requirements of the accounting standards adopted for use in the EU for interim financial statements, including adopted IAS 34: *Interim Financial Reporting* for the Group; and,
- The interim Directors' report includes a fair review of the information required in terms of Listing Rule 9.44k.

Tonio Depasquale
Chief Executive Officer

Commentary on the financial statements for the six months to 31st March 2009

Background

As anticipated in the Bank of Valletta (BOV) 2008 Annual Report, the six month period through to 31st March 2009 has seen ongoing nervousness and extreme volatility in global financial markets, and the onset of a vicious global recession.

The massive de-leveraging that has taken place has, as expected, kept both bond and equity prices under pressure, as investors continued to re-rate risk and recalibrate return expectations. The period between the collapse of Lehman Brothers in mid-September 2008 and the end of February 2009 has witnessed a most profound and disruptive crisis. It was, unquestionably, the toughest six month period in the history of modern banking and finance.

Across both Europe and the United States major banks that were hitherto pillars of the financial establishment have been either nationalised or obliged to seek very substantial financial assistance from governments by way of guarantees and/or additional capital. The implosion of value in the international banking sector over the past year has been quite extraordinary. A semblance of calm appears to have been restored to the markets since the beginning of March, and hopefully, we are seeing the beginnings of what is likely to be a long drawn out period of recovery. However, sentiment remains fragile, and the environment is one of considerable caution.

As was generally forecast, Malta's wide open economy has not been immune to the global recession, although the impact to date has been relatively mild. However, the expectation must be that the situation could become more challenging in the short to medium term. In keeping with the pledge made last year, BOV has continued to support Malta's economy and business community in a pro-active and responsible manner.

Review of Performance

The Bank of Valletta group has recorded an operating profit before taxation of €10.1 million for the six months ended 31st March 2009. This compares with an operating profit of €21.9 million for the equivalent period ended 31st March 2008. As will be seen below, the BOV results for the six months have been impacted by (i) the strength and commitment of our core domestic retail and corporate banking business, (ii) the radical measures taken by the European Central Bank (ECB) in an effort to combat growing recessionary pressures, and (iii) the disruptive impact of the global financial crisis on our Financial Markets (FM+I) book. The final net profit for the period has been reduced by the loss of €3.8 million, being BOV's share of the results of associates and jointly controlled entities (2008: profit of €3.1 million).

Our results for the year are summarised below. The table should be read in conjunction with the explanatory notes that follow.

Bank of Valletta	note	2009	2008
Summary Results to 31st March		€million	€million
Net Interest Margin	(a)	58.4	64.4
Net Commission and Trading Income	(b)	24.9	24.5
Operating Expenses	(c)	(39.1)	(39.5)
Net Impairment Charges	(d)	(2.1)	(1.5)
Net Operating Profit before Fair Value movements	(e)	42.1	47.9
Fair Value movements	(f)	(32.0)	(26.0)
OPERATING PROFIT		10.1	21.9
Share of results of jointly controlled and associated companies	(g)	(3.8)	3.1
Profit before tax		6.3	25.0

- (a) Net interest margin for the period has declined year on year by €6.0 million or 9.3%. The main reason for this decline has been the extraordinarily rapid reduction in interest rates implemented by the ECB in its efforts to combat growing recessionary pressures. Between 1st October 2008 and 31st March 2009, the ECB lowered its reference rate five times from 4.25% to 1.5%, with a further 0.25% reduction being announced on 2nd April. This rapid rate of decline in interest rates has had an adverse impact on bank profits for three reasons:
- (i) whereas the application of any reduction in interest rates applying to loans and advances is immediate, the re-pricing of the rate of interest payable on deposits is more gradual, due to the time (fixed) nature of certain deposits;
 - (ii) any bank's balance sheet includes items on which no or lower rates of interest are incurred, (for example, capital/reserves and current accounts). In an environment where overall interest rates on loans and advances are reducing, the net margin or spread (i.e. the difference between interest earned and interest paid) on these lower cost items is compressed;
 - (iii) the low interest rate environment (exacerbated by the current shortage of credit/liquidity) inevitably results in competitive pressures for deposits and the further compression of margins.

- (b) Net commission and trading income for the six months is marginally above that earned in the previous year. This is a satisfactory result given that the 2008 numbers included two months (€1.4 million) of exchange income earned on Euro/Maltese lira transactions during the period prior to euro adoption. Commission income on investment products has remained soft in the current adverse investment market conditions. However, income from cards and foreign trade business has been strong.
- (c) Management has implemented cost control measures, particularly in respect of discretionary expense items. As a result, overhead costs for the six months have been maintained at fractionally below 2008 levels.
- (d) The impairment charge for the half year at €2.1 million represents an increase of €0.6 million over 2008, due mainly to lower recoveries during the current half year.
- (e) The net operating profit from core banking operations for the six months amounts to €42.1 million (2008: €47.9 million). The reduction in profits can be largely attributed to the compression in net interest margin for the reasons explained in (a) above. The Board expects a gradual improvement in the net interest margin as deposits re-price, and as the measures taken for the modest widening of certain select lending margins are implemented. The Board took a policy decision not to pass on the last two ECB rate cuts totalling 0.75% (announced in March and April 2009) to either loans or deposits. The reasons for this decision were that (i) it was felt necessary to maintain deposit rates paid to our customers in order to remain competitive, and, (ii) the Board was entirely satisfied that current lending rates were already competitive, and compared very favourably with rates prevailing elsewhere in Europe.
- (f) The charge for movements in fair value has been incurred due to distinct elements as follows:
 - (i) In keeping with BOV's conservative approach in the management of the FM+I portfolio, BOV hedges interest rate risk on all fixed rate holdings that extend beyond a defined duration. This is done through entering into Interest Rate Swaps (IRS) with approved counterparties. These IRS' exchange or "swap" the fixed coupon on the bond for a floating rate (in order to match our funding profile), and effectively lock in an acceptable interest rate spread or profit for the duration of the holding. It is the intention of the Bank to hold both the fixed rate instrument and the IRS through to redemption, when it is fully expected that the bond will redeem at par and the IRS will expire at nil value.

- (ii) Current International Financial Reporting Standards do not permit the two linked transactions described above to be valued on a Held to Maturity basis, and require that they should be separately fair valued. In normal circumstances, changes in interest rates would impact the IRS and the bond in a fairly equal and opposite manner, resulting in a close to nil impact to the income statement. However, in the current disrupted and dislocated market conditions, degrees of temporary hedge ineffectiveness have emerged. The impact of this temporary hedge ineffectiveness accounts for over 60% of the fair value charge for the period. The Board is confident that this ineffectiveness (much of which relates to holdings of Malta Government or other sovereign holdings) will reverse over the duration of the holding, and that the fair value adjustment made under IAS 39 will be recovered.
- (iii) The fair value markdowns also include the impact on values resulting from the widening of bond spreads as a result of the recent market turmoil. In the current market environment, investors are demanding higher returns on holdings of credit instruments. Higher yields or spreads translate into lower capital values, and these lower values in BOV's FM+I portfolio are reflected in the above fair value adjustment.
- (iv) BOV's FM+I portfolio remains deployed across a wide spread of holdings of moderate duration debt securities issued by quality, credit rated, sovereign, supranational, corporate and financial institutions. The Board's expectation is that much, but not all, of the fair value markdowns of €84 million incurred in FY 2008 and the first half of FY 2009, will be clawed back over time, as the credit instruments involved are held through to redemption. The Board's view is reinforced by the experience since the beginning of the financial crisis to date. Over this period, the vast majority of holdings have paid interest and been redeemed at par on due date, with defaults experienced being limited to a very small number of holdings. Between July 2007 and March 2009, over €700 million of bonds (excluding sovereign holdings) have redeemed at par, whilst defaults to date of interest or redemption have been limited to holdings with a nominal value of €23 million (including Lehmans).
- (v) Fair Value gains for the period on investment holdings designated as "Available for Sale" amounted to €5 million before taxation (2008: €7.4 million), and are taken directly to reserves.
- (g) The share of losses of jointly controlled and associated entities relates to BOV's share of losses incurred by the Middlesea Group in the six months ended 31st December 2008. Whereas Middlesea Valletta Life has remained profitable, notwithstanding exceedingly difficult capital markets conditions, the Middlesea general insurance businesses have reported a significant loss for the year. As described more fully in Middlesea's recent press release issued in connection with its annual results announcement, this has, in the main, been caused by unsatisfactory results arising from Progress Assicurazioni, the Middlesea subsidiary company operating in Italy.

Review of Balance Sheet position

As per the undertaking set out in the 2008 Annual Report, BOV has continued to manage its balance sheet in a prudent and conservative manner. Liquidity has remained strong at 49.8%, and the Tier I capital ratio remains well above European and US banking sector norms at 10.5%, as does our total capital ratio of 12.0%. The Loan to Deposit ratio remains comfortable at 66.7%, and the Bank continues to be in the position whereby our loan book is wholly funded by retail liabilities, with no dependence on the short term inter-bank or commercial paper market.

Total assets at the end of March 2009 stood at €6.0 billion (September 2008: €6.2 billion), while equity amounted to €392.6 million, much in line with the September 2008 position, notwithstanding the payment of the final dividend for FY 2008 in January 2009. Advances, net of impairment allowances, stood at €3.1 billion, an increase of €78 million, or 2.6%, since 30th September 2008. Credit quality remains good, with Non Performing Loans standing at 4.1% of gross advances (September 2008: 4.0%; March 2008: 4.3%).

Customer Deposits have continued to grow in a satisfactory manner, with an increase of €51 million over the six months, to stand at €4.7 billion as at 31st March 2009. The increase in Customer Deposits over the 12 months from March 2008 amounted to close to €160 million.

Supporting the economy and our customers

BOV pledged that we would support the Maltese economy and the business community in a responsible manner through the current economic downturn. This we have done, and we will continue to ensure that credit is available to both the corporate and personal sectors.

During the six months to 31st March 2009, the Bank approved €115 million of new home loans (of which €96 million gross were drawn down), whilst credit actually utilised by the business sector over the six months increased by €160 million (or 8.1%), net of two large identified facilities that were repaid in full during the current period. BOV's Capital Markets team have also been active. After completing RS2 Software plc's Initial Public Offering, and the Mediterranean Investment Holding plc €15 million bond issue in the summer of 2008, BOV co-managed the €40 million multi currency bond offering issued by MIDI plc, as well as acting as managers for the recent Gasan Finance Company plc €20 million bond issue. The Bank also participated in the International Hotel Investments plc associated company Loan Syndication relating to the acquisition and refurbishment of the Metropole Hotel in London, as well as leading in the provision of finance for the recently announced important new vessel order placed by the Virtu Ferry group. Finally, the Bank remains the largest participant in the Malta Government Stock issuance and Treasury Bills market, thereby providing broad support and liquidity to the economy.

As can be seen from the brief summary above, BOV is indeed living up to its pledge of being there for our customers, and fully supporting the Maltese economy and our business community in a responsible manner. We have also sought to balance the needs and requirements of depositors and borrowers in a judicious and even handed manner, and although this has required a modest widening of spreads on certain facilities, lending spreads and absolute borrowing rates remain extremely competitive by international standards. Home loans remain available from rates of 3.15%, and our average business lending rates compare well with rates prevailing elsewhere in Europe.

Interim Dividend

The results for the period have been adversely affected by Fair Value mark downs arising over a compressed period of significant market stress. The Board has elected to declare an interim dividend of €0.035 per share (gross). This will result in a net distribution to shareholders totalling €3.6 million. This compares with last year's interim dividend (as restated for bonus issue in January 2009) of €0.1125 per share. The final dividend recommendation will be determined by the Board later in the year, and will take into account the results for the year as a whole, as well as the conditions prevailing at that time.

Outlook

As noted above, the six month period between mid September and end February represented one of extreme stress in the global financial markets. Whereas conditions have improved somewhat since early March, sentiment remains fragile, and any lasting recovery will inevitably be something of a gradual process, with set-backs occurring from time to time. BOV's core retail and corporate banking businesses are soundly based, and are operating satisfactorily, and we would expect to see a gradual improvement of the net interest margin, with interest rates coming close to the bottom of the cycle.

A cautious expectation must be that the impact of the global recession will increasingly influence the local economy – and this may be reflected in some deterioration in asset quality, something that is being watched with extreme vigilance. The Financial Markets book remains of good quality and moderate duration, and whereas some losses will be incurred, the Board is confident that a significant proportion of the unrealised Fair Value markdowns booked to date will be recovered over time, as the issues concerned are held through to redemption.

Bank of Valletta's conservative funding, liquidity and capital ratio policies have enabled it over the past 18 months to navigate through some of the toughest conditions experienced in the banking markets for many generations, and, at the same time, to continue to provide credit and liquidity to the Maltese economy, and to our customers in the retail and business communities. This we will continue to do in a prudent and responsible manner. The market conditions that we have experienced have inevitably had a short term impact on the profitability of the Bank, but any stabilisation of conditions will be quickly reflected in improved results.

We will continue to manage our balance sheet in a prudent and conservative manner, as always seeking to balance the demands and requirements of our depositors and borrowers alike, whilst at the same time being acutely aware of our responsibilities to our other stakeholders – shareholders, employees and the wider community. We will persist with our cautious approach, maintaining high liquidity and strong capital ratios. Our expectation is that the emerging regulatory regimes for banks will require increased levels of capital to be held. As announced in the autumn of 2008, in anticipation of this regulatory change, and in order to replace issues that mature in 2010, we intend to come to the market shortly with a subordinated bond issue, to further strengthen our capital ratios.

Conclusion

The Board of Directors would like to express sincere thanks to Tonio Depasquale, the Chief Executive, his senior management team and all the Bank's staff for their hard work and unflinching commitment over a period of extreme pressure and stress in the financial services sector. 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 always demonstrate. Our firm commitment to support our many customers and the economy as a whole through the current down-cycle has been clearly acknowledged and appreciated. Finally, as one would expect, international economic conditions and developments have meant that we have maintained a regular and open dialogue with the regulatory authorities at the MFSA and the Central Bank, as well as with the Ministry of Finance, and we are grateful to them for their support, wise counsel and advice.

By order of the Board
30th April 2009

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 13th May 2009 (including trades undertaken up to and including 8th May 2009) will be paid the interim dividend on 28th May 2009.