

PM COMMUNICATIONS REPORTING

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A New Voice for Europe's Island-State

Malta

A change is as good as a rest, so they say. The Maltese people, their government and economy have been doing little resting and lots of changing in recent years. Between EU membership, preparing for the euro, upgrading the economy and traditional sectors, and redefining the national brand, Malta's been busy.

"The transformation has been tremendous and the most exciting thing about it is that it is ongoing," says Dr Lawrence Gonzi, Prime Minister of this Mediterranean country of just over 400,000 people. "We are actually managing change. Change is currently the biggest challenge the whole of Europe is facing. In our case we had to go through a substantial process of change."

2004 entry into the European Union brought Malta a new range of opportunities, including a previously unheard political voice. "We bring to the European Union the dimension of a small island state," says Dr Gonzi. "As Prime Minister I have had situations where Malta's voice

was not only heard but actually made a difference to the final decision that was taken."

EU membership has also allowed Malta to channel its growth towards value added services, rather than traditional manufacturing characterised by low costs and little skill. Financial services, high-end tourism, and now the manufacturing of pharmaceutical products and high-tech components have provided Malta with a breath of fresh air.

The Maltese people have also seen benefits from Brussels. EU funding



Dr Lawrence Gonzi, Malta's prime minister, says the transformation in the country since EU membership in 2004 has been significant, and it's not over yet

has spurred infrastructure development, especially in water treatment and waste disposal. "We're spending large amounts in this sector, which is important for the quality of life of our people and future generations," says Prime Minister Gonzi.

These changes, in turn, draw the attention of foreign investors. Situated between North Africa and Europe, Malta provides ample opportunity for international business. Since 2000, inflows of foreign investment have grown, topping over \$560 million at UNCTAD's last count

in 2005, and the future looks bright according to Prime Minister Gonzi: "Last year we managed to achieve a three per cent growth in GDP, and we had a record amount of FDI. This year appears to be just as good, if not better."

UK goods worth over £300 million were imported to Malta in 2005. The countries' common history lingers through Malta's language and legal system but the relationship is changing. While British tourists are still the largest single group to visit each year, Malta means more than leisure. "In the cutting edge sectors of ICT, e-government, communications, and banking and financial services," says Prime Minister Gonzi, "Britons are finding that Malta offers a unique package that cannot be compared to other countries."

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Mythic Malta

Malta is infused with a **vibrant and modern mood** as the country enters a new era in its tourism industry

Heritage, diversity and hospitality are the cornerstones of Malta's tourist image. With historical sites, the influence of a myriad of civilisations, and a range of experiences to suit all styles, Malta provides the complete package.

As Minister of Tourism, Mr Francis Zammit Dimech, says, "Malta could be seen as the country where there is a lot to do, a lot to discover, a lot of places to enjoy oneself."

Tourism currently makes up 25 per cent of GDP, and Malta is known for package tours and the cruise ships that stop by during the summer months. However, the industry is changing. Events-based tourism now extends the season from the traditional summer months to a year-round experience.

Minister Dimech explains: "Major events are organized throughout the year, historic cities festivals, more emphasis on culture and the arts. There is a vibrant and modern mood."

The arrival of budget airlines has brought a whole new challenge to the Maltese tourism industry. "What low-cost carriers have already done in our favour is provide better access," says Minister Dimech. Malta now caters for these visitors, who demand reasonably-priced accommodation and intense experiences during their shorter breaks.



FRANCIS ZAMMIT DIMECH
Minister of Tourism



At your fingertips
www.visitmalta.com

The changing images of the Mediterranean landscape on the screen convince you that visiting Malta is a good decision. All that's left to do now is plan your journey.

Through Malta Tourism Authority's website, www.visitmalta.com, you can discover islands, book hotels or check the weather, all through the touch of a button.

Nothing could be easier. A couple of clicks and your flight with Air Malta is booked. Another movement and anything from a villa to a farmhouse is yours for the taking.

Then you just sit back and dream about the Mediterranean landscape, counting down the days until you're there.





A historical rainbow: Heritage Malta

The past is a living thing in Malta, present in the ruins of temples and fortresses throughout the country. Dr Mario Tabone, chairman of Heritage Malta, sums it up: "You can cross a historical rainbow in Malta, stretching from pre-history to yesterday in half an hour."

A government agency, Heritage Malta is in charge of keeping Malta's past alive. That's no mean feat in a place second only to Rome in the number of cultural sites per square kilometre.

Malta provides the visitor with a chance to learn about the history of this island nation. Seven World Heritage sites, fifteen museums and an underground city provide an insight into how life has been lived on Malta.

While neighbouring countries offer their beaches and nightlife, Malta gives the visitor an alternative experience spanning many thousands of years, guided by the myths and stories of the Mediterranean.

Gozo: Island of nymphs and azure pools

A small child runs down the narrow streets of Victoria. The sound of his tiny steps climb the whitewashed walls, bringing life to this ancient capital.

The child's eager strides are perhaps the fastest thing in Gozo. Known for its more relaxed rhythm, Gozitan life couldn't be further from where you are now.

Steeped in myth and history, the past has left its mark on this tiny island. Stepping onto Gozitan land will transport you there.

You'll remember Ulysses who stayed on Gozo for seven years, trapped by the nymph Calypso. And the Phoenicians and Arabs whose influence is found

today on landmarks and language.

The natural habitat is reflected in all Gozitan experiences, including walking tours and diving adventures. The Azure Window in Dwejra, a bottomless pool of clear water, is a haven for divers, while paths from village to village let the visitor absorb the views of days gone by.

Striking Neolithic constructions reinforce the presence of the past, and visitors must at least visit Ggantija, a temple built around 3500BC, living up to its name of the 'Giant's Tower' in height alone.

So slow down, leave the present behind and find another way of looking at the Mediterranean on Gozo.

Spread your arms *and Fly*

The list of Malta's heritage sites is dominated by the Islands' prehistoric megalithic temples and the Hypogeum underground burial site. These fascinating and perplexing sites are inscribed on the UNESCO World Heritage List as sites of outstanding universal value. The megalithic temples of Malta are recognised as the oldest free-standing stone buildings in the world... *With Air Malta, you are just 3 hours away from 5,000 years of history.* Visit our website to choose from a range of fantastic offers on www.airmalta.com

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Here comes the euro: Malta is financially ready

The country's financial sector is growing steadily. Target: 25 per cent of GDP

The 1st of January 2008 is euro-day. Less than four years after becoming a full EU member, Malta is joining the single currency.

"The euro will increase our stability," says Minister of Finance Tonio Fenech. "From a single vulnerable currency, we are locking into an economy which uses one of the strongest currencies in the world."

Concerns about raising prices are alleviated by the government's FAIR initiative. A voluntary scheme for businesses, it promotes best practice in this time of change.

The euro is not the only financial consequence of Malta's EU mem-

bership. Higher levels of assurance have meant financial services have taken off, becoming the main channel of FDI into Malta in 2006. After successfully transferring to onshore status in 1994, this sector is now a major player in the economy.

Call centres, funds administration and wealth management are all services on offer, and by 2010 Minister Fenech wants the sector's contribution to GDP to increase from the current 6 per cent to 25 per cent.

Malta Financial Services Authority's work will be crucial. Prof J.V.Bannister, chairman and president, is confident. "In 2004 we only had four hedge funds. In total, between retail funds and hedge funds, there are now about 200 domiciled funds. But there is no number policy. The rule is quality against quantity."



TONIO FENECH
Parliamentary
Secretary to the
Ministry of Finance

MALTA



our culture is getting things done

Malta is truly becoming an international EU based domicile for financial services business.

In the first two full years since EU Membership, Malta's financial intermediation sector grew by 38% with major international breakthroughs in the insurance sector and investment funds. Today Malta hosts a growing number of blue chip captive and third party insurance companies while the net asset value of investment funds domiciled in Malta has risen to over five billion euros as a result of the growth in hedge fund business.

The financial services industry directly employs well over 5,000 people with more providing professional and other support services. With thirty-three credit and financial institutions, over eighty insurance operators and two hundred investment funds strong signs are clearly emerging that Malta is seizing the initiative to become a premier financial services centre, one driven by a culture of getting things done.

Highly customised financial solutions add competitive value

Over the years, the Bank of Valletta (BOV) has continually designed services around the needs of clients from all walks of life to deliver highly customised financial solutions and innovative, flexible banking products for its domestic and international clientele.

"We are passing through a period of change and expansion – a process that has gained momentum over the past year," comments the bank's CEO Tonio Depasquale. "We have been looking at a number of areas of opportunity that are emerging as Malta continues to develop into a top financial centre."

"Last October we set up a new subsidiary company – Valletta Fund Services Ltd – which focuses on consolidating the capabilities of the BOV Group. It effectively positions us to offer expert administration and fund accounting services to funds both domiciled in Malta and in other financial jurisdictions," explains Mr Depasquale. "We see the funds administration business as having potential as a fast growing sector in

Malta, based on a value proposition that has regulatory responsiveness, cost-effectiveness and speed of service as its main drivers.

"Malta is attractive not only for its cost-competitiveness, but also value. Bank of Valletta is looking forward to expanding its business and leveraging its strengths to support its customers in achieving business success. My message to investors and business leaders is to look closely at Malta – it is well on track to being a very competitive, reputable financial services centre."

The CEO adds, "We have also set up a new business unit focusing on providing trustee services, thus continuing to widen and strengthen the range of financial services we can offer in the area of wealth management. We consider this sector and, specifically, the area of trusts as one of the higher-value niche areas in which Malta and BOV can best compete. We have also developed a tailor-made package for corporate captive banking services."

Setting up in Malta?



Business Banking • Fund Services • Institutional Operations

As Malta's largest bank, Bank of Valletta is well positioned to offer a straightforward and efficient service to financial services operators, insurance companies, fund managers and other institutional clients.

Competitive pricing, professionalism, a comprehensive range of banking, trustee and fund administration services, an excellent network of international correspondent banks and a solution oriented approach, are the key elements that underpin our value proposition. One which is ultimately driven by our business philosophy that your success is our goal.

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Bank of Valletta p.l.c. is licensed to conduct investment services business and to provide trustee services by the Malta Financial Services Authority.

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Bank of Valletta

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