



LOMBARD

Company Announcement

The following is a Company Announcement issued by Lombard Bank Malta p.l.c. pursuant to the Listing Rules of the Malta Financial Services Authority.

Quote:

During a meeting held on the 20th August 2014 the Board of Directors of Lombard Bank Malta p.l.c. approved the attached Interim Unaudited Financial Statements for the six-months ended 30 June 2014 for the Lombard Bank Group consisting of Lombard Bank Malta p.l.c. and Redbox Limited (the company holding the Bank's shares in MaltaPost p.l.c.). These Statements are also available for viewing and download on the Bank's website at www.lombardmalta.com.

Unquote

Dr. Helena Said LL.D
Company Secretary

20 August 2014



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20 August 2014

LOMBARD BANK MALTA p.l.c.
HALF-YEARLY RESULTS FOR 2014

- Group profit before tax stood at €3.3m (H1 2013: €4.2m).
- Profit Attributable to Equity Holders was €1.9m (H1 2013: €2.5m).
- Group Operating Income reached €19.7m (H1 2013: €19.9m).
- Customer Deposits stood at €36.9m (FYE 2013: €493.9m).
- Loans and Advances to customers stood at €306.2m (FYE 2013: €314.8m).
- Bank Cost-to-Income ratio stood at 44.3% (H1 2013: 39.3%).
- Impairment Allowances increased by €1.6m (H1 2013: €1.6m).
- Total Assets stood at €652.4m (FYE 2013: €609.8m).
- Liquidity Ratio was 78.5% (regulatory minimum requirement of 30%).
- CRDIV Total Capital Ratio of 16.5% (regulatory minimum requirement of 8%).



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Commentary

The Governing Council of the European Central Bank maintained an accommodative monetary policy stance during first half of 2014. Monetary policy in the Euro area was aimed at addressing inflation concerns while supporting lending. In June 2014 deposit interest rates moved into negative territory for the first time. Locally, the Central Bank of Malta reported further growth in deposits but slower credit growth, predicting moderate real GDP growth in 2014, accelerating in 2015. The financial sector is likely to continue to derisk on the back of substantially tighter regulation and controls over business practices.

During the first six months of 2014 the Lombard Bank Group registered an annualised post-tax return on equity of 4.9% despite record low market interest rates and a persisting generally subdued sentiment in the property market. Income streams remained healthy though business was conditioned by regulatory restrictions arising from a pan European one-size-fits-all approach.

Group Profit Before Tax stood at €3.3m (June 2013: €4.2m).

MaltaPost contributed to the Group a profit before tax of €1.2m. Turnover at MaltaPost was up by 3.8%, mitigating the decline in traditional mail by increases in parcel delivery and favourable price adjustments.

Net Interest Income for H1 2014 decreased by 11.4% from €7.7m to €6.8m. Interest income from credit was down on a reduced advances portfolio following efforts to streamline credit risk with regulatory requirements coupled with soft credit demand. On the other hand, money market interest rates turned to negative thus placing further pressure on margins. Interest expense was up on both an increase in volume of customer deposits as well as the retention of favourable interest rates for customers. The Bank remains well funded and supported by a diversified portfolio of retail deposits.

The Bank's Cost-to-Income ratio increased to 44.3% from 39.3% in 2013. A significant part of the increase in expenses was attributed to compliance costs, including the contribution to the Depositor Compensation Scheme and additional regulatory reporting.

Following a review of credit risk and in compliance with regulatory requirements, the Bank increased the levels of Impairment Allowances by €1.6m to €4.3m which is 4.4% of gross Loans and Advances to Customers. The Bank is confident that this level of provisioning is adequate more so in view of the high level of tangible security held.

During the period the Bank remained well capitalised with a strong Total Capital Ratio of 16.5%. Funding and liquidity remained sound with a Liquidity Ratio of 78.5% together with a strong Loan to Deposit ratio of 56.8%.

Although optimistic that new business opportunities will be identified, there is no doubt that the EU-wide regulations on bank lending activity could influence the Bank's risk appetite, possibly with a negative impact on interest revenue. The resilience and robustness of the financials should nevertheless allow the Bank to avail itself of suitable opportunities thereby meeting the expectations of all stakeholders.



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Lombard Bank Malta p.l.c.

Income Statements for the period 1 January 2014 to 30 June 2014

	Group		Bank	
	30/06/14 €000	30/06/13 €000	30/06/14 €000	30/06/13 €000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	11,003	11,487	10,998	11,432
- on debt and other fixed income instruments	688	577	626	507
Interest expense	(4,885)	(4,378)	(4,904)	(4,378)
Net interest income	6,806	7,686	6,720	7,561
Fee and commission income	1,349	1,215	890	750
Fee and commission expense	(69)	(47)	(69)	(47)
Net fee and commission income	1,280	1,168	821	703
Postal sales and other revenues	11,236	10,797	4	8
Dividend income	98	101	1,498	1,405
Net trading income	244	126	237	129
Other operating income	18	18	39	46
Operating income	19,682	19,896	9,319	9,852
Employee compensation and benefits	(8,183)	(7,833)	(2,570)	(2,449)
Other operating costs	(5,764)	(5,441)	(1,312)	(1,200)
Depreciation and amortisation	(605)	(737)	(250)	(224)
Net operating income before impairment charges and provisions	5,130	5,885	5,187	5,979
Net impairment losses	(1,586)	(1,550)	(1,564)	(1,550)
Provisions for liabilities and other charges	(279)	(175)	(186)	-
Profit before taxation	3,265	4,160	3,437	4,429
Income tax expense	(1,160)	(1,475)	(1,189)	(1,534)
Profit for the period	2,105	2,685	2,248	2,895
Attributable to:				
Equity holders of the Bank	1,860	2,482	2,248	2,895
Non-controlling interests	245	203	-	-
Profit for the period	2,105	2,685	2,248	2,895
Earnings per share	4.5c	6.0c		



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Lombard Bank Malta p.l.c.

Statements of Comprehensive Income for the period 1 January 2014 to 30 June 2014

	Group		Bank	
	30/06/14	30/06/13	30/06/14	30/06/13
	€000	€000	€000	€000
Profit for the period	2,105	2,685	2,248	2,895
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Fair valuation of available-for-sale financial assets:				
Net changes in fair value arising during the period, before tax	389	271	377	237
Reclassification adjustments- net amount reclassified to profit or loss, before tax	(1)	-	(1)	-
Income tax relating to components of other comprehensive income	(132)	(83)	(132)	(83)
Other comprehensive income for the period, net of income tax	256	188	244	154
Total comprehensive income for the period, net of income tax	2,361	2,873	2,492	3,049
Attributable to:				
Equity holders of the Bank	2,113	2,659		
Non-controlling interests	248	214		
Total comprehensive income for the period, net of income tax	2,361	2,873		



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Lombard Bank Malta p.l.c.

Statements of Financial Position at 30 June 2014

	Group		Bank	
	30/06/14 €000	31/12/13 €000	30/06/14 €000	31/12/13 €000
Assets				
Balances with Central Bank of Malta, treasury bills and cash	153,668	134,596	153,263	134,283
Cheques in course of collection	845	739	845	739
Investments	47,803	43,554	44,427	40,491
Loans and advances to banks	99,898	73,193	94,687	68,116
Loans and advances to customers	306,169	314,773	306,845	315,405
Investment in subsidiaries	-	-	11,184	10,237
Intangible assets	1,349	1,466	169	214
Property, plant and equipment	23,366	23,229	13,275	13,304
Investment property	745	745	745	745
Assets classified as held for sale	610	417	610	417
Current tax assets	945	1,907	604	1,397
Deferred tax assets	4,485	4,016	4,135	3,622
Inventories	863	862	307	260
Trade and other receivables	6,273	6,085	3,045	2,045
Accrued income and other assets	5,415	4,259	3,125	3,061
Total assets	652,434	609,841	637,266	594,336
Equity and Liabilities				
Equity				
Share capital	10,421	9,925	10,421	9,925
Share premium	17,746	17,746	17,746	17,746
Revaluation and other reserves	6,509	6,231	6,356	6,087
Retained earnings	45,562	45,372	44,720	44,025
Equity attributable to equity holders of the Bank	80,238	79,274	79,243	77,783
Non-controlling interests	5,216	5,127	-	-
Total equity	85,454	84,401	79,243	77,783
Liabilities				
Amounts owed to banks	241	2,563	241	2,563
Amounts owed to customers	536,932	493,901	540,616	498,724
Provisions for liabilities and other charges	2,917	2,284	707	642
Other liabilities	19,551	16,995	11,334	9,654
Accruals and deferred income	7,339	9,697	5,125	4,970
Total liabilities	566,980	525,440	558,023	516,553
Total equity and liabilities	652,434	609,841	637,266	594,336
Memorandum items				
Contingent liabilities	5,444	4,780	5,444	4,780
Commitments	116,653	64,214	116,653	64,214

These condensed financial statements were approved by the Board on 20 August 2014 and signed on its behalf by:

Michael C. Bonello, *Chairman*

Joseph Said, *Chief Executive Officer*



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Lombard Bank Malta p.l.c.

Statements of Changes in Equity for the period 1 January 2014 to 30 June 2014

Group

	Attributable to equity holders of the Bank				Total €000	Non- controlling interests €000	Total equity €000
	Share capital €000	Share premium €000	Revaluation and other reserves €000	Retained earnings €000			
At 1 January 2013	9,023	17,746	4,463	46,307	77,539	5,027	82,566
Comprehensive income							
Profit for the period	-	-	-	2,482	2,482	203	2,685
Other comprehensive income							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the period	-	-	177	-	177	11	188
Reclassification adjustments							
Net amounts reclassified to profit or loss	-	-	-	-	-	-	-
Transfers and other movements	-	-	38	(38)	-	-	-
Total other comprehensive income for the period	-	-	215	(38)	177	11	188
Total comprehensive income for the period	-	-	215	2,444	2,659	214	2,873
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Bonus shares issued	903	-	-	(903)	-	-	-
Dividends to equity holders	-	-	-	(2,815)	(2,815)	(422)	(3,237)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Change in non-controlling interests in subsidiary	-	-	-	(188)	(188)	138	(50)
Total transactions with owners	903	-	-	(3,906)	(3,003)	(284)	(3,287)
At 30 June 2013	9,926	17,746	4,678	44,845	77,195	4,957	82,152
At 1 January 2014	9,925	17,746	6,231	45,372	79,274	5,127	84,401
Comprehensive Income							
Profit for the period	-	-	-	1,860	1,860	245	2,105
Other comprehensive income							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the period	-	-	254	-	254	3	257
Reclassification adjustments							
Net amounts reclassified to profit or loss	-	-	(1)	-	(1)	-	(1)
Transfers and other movements	-	-	25	(25)	-	-	-
Total other comprehensive income for the period	-	-	278	(25)	253	3	256
Total comprehensive income for the period	-	-	278	1,835	2,113	248	2,361
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Bonus shares issued	496	-	-	(496)	-	-	-
Dividends to equity holders	-	-	-	(1,032)	(1,032)	(422)	(1,454)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Change in non-controlling interests in subsidiary	-	-	-	(117)	(117)	263	146
Total transactions with owners	496	-	-	(1,645)	(1,149)	(159)	(1,308)
At 30 June 2014	10,421	17,746	6,509	45,562	80,238	5,216	85,454



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Lombard Bank Malta p.l.c.

Statements of Changes in Equity for the period 1 January 2014 to 30 June 2014

Bank

	Share capital €000	Share premium €000	Revaluation and other reserves €000	Retained earnings €000	Total equity €000
At 1 January 2013	9,023	17,746	4,342	44,735	75,846
Comprehensive income					
Profit for the period	-	-	-	2,895	2,895
Other comprehensive income					
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the period	-	-	154	-	154
Transfers and other movements	-	-	58	(58)	-
Total other comprehensive income for the period	-	-	212	(58)	154
Total comprehensive income for the period	-	-	212	2,837	3,049
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners:					
Bonus shares issued	903	-	-	(903)	-
Dividends to equity holders	-	-	-	(2,815)	(2,815)
Total transactions with owners	903	-	-	(3,718)	(2,815)
At 30 June 2013	9,926	17,746	4,554	43,854	76,080
At 1 January 2014	9,925	17,746	6,087	44,025	77,783
Comprehensive income					
Profit for the period	-	-	-	2,248	2,248
Other comprehensive income					
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the period	-	-	245	-	245
Reclassification adjustments					
Net amounts reclassified to profit or loss	-	-	(1)	-	(1)
Transfers and other movements	-	-	25	(25)	-
Total other comprehensive income for the period	-	-	269	(25)	244
Total comprehensive income for the period	-	-	269	2,223	2,492
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners:					
Bonus shares issued	496	-	-	(496)	-
Dividends to equity holders	-	-	-	(1,032)	(1,032)
Total transactions with owners	496	-	-	(1,528)	(1,032)
At 30 June 2014	10,421	17,746	6,356	44,720	79,243



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Lombard Bank Malta p.l.c.

Statements of Cash Flows for the period 1 January 2014 to 30 June 2014

	Group		Bank	
	30/06/14	30/06/13	30/06/14	30/06/13
	€000	€000	€000	€000
Cash flows from operating activities				
Interest and commission receipts	11,930	11,979	11,977	11,959
Receipts from customers relating to postal sales and other revenue	10,317	9,318	16	72
Interest and commission payments	(4,736)	(4,525)	(4,756)	(4,533)
Payments to employees and suppliers	(13,982)	(15,507)	(4,070)	(3,752)
Cash flows from operating profit before changes in operating assets and liabilities	3,529	1,265	3,167	3,746
<i>(Increase)/decrease in operating assets:</i>				
Treasury bills	(59,859)	(30,006)	(59,859)	(30,006)
Deposits with Central Bank of Malta	(877)	388	(877)	388
Loans and advances to banks and customers	6,980	(9,684)	6,936	(12,924)
Other receivables	(1,295)	(305)	(1,345)	(333)
<i>(Decrease)/increase in operating liabilities:</i>				
Amounts owed to banks and to customers	43,031	(12,642)	41,891	(13,078)
Other payables	1,630	(1,224)	1,681	(1,174)
Net cash used in operations	(6,861)	(52,208)	(8,406)	(53,381)
Income tax paid	(798)	(843)	(587)	(927)
Net cash flows used in operating activities	(7,659)	(53,051)	(8,993)	(54,308)
Cash flows from investing activities				
Dividends received	97	101	97	101
Interest received from investments	1,053	1,146	943	992
Proceeds on maturity/disposal of investments	298	412	180	-
Purchase of investments	(4,299)	(637)	(3,882)	(200)
Purchase of property, plant and equipment	(822)	(804)	(176)	(221)
Acquisition of non-controlling interests	(44)	(235)	-	-
Net cash flows (used in)/from investing activities	(3,717)	(17)	(2,838)	672
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	(1,032)	(2,815)	(1,032)	(2,815)
Dividends paid to non-controlling interests	(230)	(234)	-	-
Net cash flows used in financing activities	(1,262)	(3,049)	(1,032)	(2,815)
Net decrease in cash and cash equivalents	(12,638)	(56,117)	(12,863)	(56,451)
Cash and cash equivalents at beginning of period	148,346	123,432	142,955	118,453
Cash and cash equivalents at end of period	135,708	67,315	130,092	62,002



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Lombard Bank Malta p.l.c.

Segmental analysis for the period 1 January 2014 to 30 June 2014

	Banking services		Postal services		Total	
	30/06/14	30/06/13	30/06/14	30/06/13	30/06/14	30/06/13
	€000	€000	€000	€000	€000	€000
Net operating income	<u>7,863</u>	<u>8,495</u>	<u>11,819</u>	<u>11,401</u>	<u>19,682</u>	<u>19,896</u>
Segment result - Profit before taxation	<u>2,033</u>	<u>3,144</u>	<u>1,232</u>	<u>1,016</u>	<u>3,265</u>	<u>4,160</u>
	30/06/14	31/12/13	30/06/14	31/12/13	30/06/14	31/12/13
	€000	€000	€000	€000	€000	€000
Segment total assets	<u>622,520</u>	<u>579,415</u>	<u>29,914</u>	<u>30,426</u>	<u>652,434</u>	<u>609,841</u>



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Explanatory Notes

1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

2. Accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements of Lombard Bank Malta p.l.c. for the year ended 31 December 2013, as described in those financial statements. Adoption of new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2014 did not result in changes to the group's accounting policies.

Certain new standards, amendments and interpretations to existing standards which are mandatory for accounting periods beginning after 1 January 2014 have been published by the date of authorisation for issue of this financial information. The Bank has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Bank's management are of the opinion that, with the exception of IFRS 9, 'Financial Instruments', there are no requirements that will have a possible significant impact on the Bank's consolidated financial statements in the period of initial application.

IFRS 9, 'Financial Instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 is effective for financial periods beginning on or after 1 January 2018. The Bank is considering the implications of the standard, its impact on the Bank's financial results and position and the timing of its adoption taking cognisance of the endorsement process by the European Commission.



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3. *Fair values of financial assets and liabilities*

The Group's financial instruments which are measured at fair value comprise available-for-sale financial assets. The Group is required to disclose fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset either directly i.e. as prices, or indirectly i.e. derived from prices (Level 2).
- Inputs for the asset that are not based on observable market data i.e. unobservable inputs (Level 3).

As at 30 June 2014 and 31 December 2013, available-for-sale investments were valued using Level 1 inputs.

The fair values of all the Group's other financial assets and liabilities that are not measured at fair value are considered to approximate their respective carrying values due to their short-term nature, short periods to repricing or because they are repricable at the Group's discretion. The current market interest rates utilised for fair value estimation, which reflect essentially the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2.

The valuation techniques utilised in preparing these condensed interim financial statements were consistent with those applied in the preparation of the financial statements as at and for the year ended 31 December 2013.



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Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

I confirm that to the best of my knowledge:

- the condensed interim financial information, prepared in accordance with IAS 34 gives a true and fair view of the financial position of the Group and the Bank as at 30 June 2014 and of their 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, 'Interim Financial Reporting'; and
- the commentary includes a fair review of the information required in terms of Listing Rule 5.81 to 5.84.

Joseph Said
Chief Executive Officer

20 August 2014