



**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 22<sup>nd</sup> August 2013 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 2013 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](http://www.lombardmalta.com).

***Unquote***

Dr. Helena Said LL.D  
Company Secretary

22 August 2013



# LOMBARD

22 August 2013

***LOMBARD BANK MALTA p.l.c.  
HALF-YEARLY RESULTS FOR 2013***

- Group profit before tax stood at €4.2m (H1 2012: €4.3m).
- Group Operating Income reached €19.9m (H1 2012: €18.8m).
- Customer Deposits stood at €449.6m (FYE 2012: €462.1m).
- Loans and Advances to customers stood at €31m (FYE 2012: €20m).
- Bank Cost-to-Income ratio stood at 39.3%.
- Impairment Allowances increased by €1.6m (H1 2012: €0.5m).
- Total Assets stood at €555.5m (FYE 2012: €575.2m).
- Liquidity Ratio reached 66.7% (regulatory minimum requirement of 30%).
- Capital Adequacy Ratio of 17.3% (regulatory minimum requirement of 8%).



# LOMBARD

## *Commentary*

In the first half of 2013 economic conditions in the eurozone remained volatile while emerging market economies experienced slower growth. The local economy however, continued to show some resilience though weakness in the property market persisted. Following the lull that preceded the General Elections, economic activity picked up again in the second quarter.

At a time when the financial markets remain fragile, interest rates are at all-time lows, increased competition for customer deposits continues and property markets remain subdued, the Lombard Bank Group delivered a strong performance for the first six months of 2013. The Group also benefitted from its diverse revenue streams while income increased from both the lending portfolio and postal services.

Group profit before tax stood at €4.2m (June 2012: €4.3m).

Growth in earnings of MaltaPost, the Bank's subsidiary, was underpinned by a 2.6% increase in turnover even though traditional mail volumes continued to decrease.

Net Interest Income for H1 2013 increased by 13.4% from €6.8m to €7.7m. Increased interest income was generated by new lending activity while judicious Treasury management maximised return on funds employed. The Bank remains well funded and supported by a diversified portfolio of retail deposits.

The modest increase of €1.2m in Loans and Advances to Customers reaffirms the Bank's selective strategy oriented towards quality and sensible project finance and also reflects the restrained demand for credit.

Impairment Allowances have been strengthened by an additional €1.6m notably in the corporate lending portfolio. These allowances stood at 3% of gross Loans and Advances to Customers and should ensure adequate levels of provisioning.

During the period the Bank remained well capitalised with a strong Capital Adequacy Ratio of 17.3%. Core Tier 1 ratio stood at 16.0%. Funding and liquidity remained sound with a Liquidity Ratio of 66.7% complementing a prudent Loan to Deposit ratio of 73.6%.

Economic growth is expected to improve in second half of 2013 while interest rates are expected to remain unchanged in the foreseeable future. Despite the uncertain outlook in the global economy and ongoing market volatility, the Board is cautiously confident that the Group is well placed to meet its objectives for the full year.



## **Explanatory Notes**

### *1. Basis of preparation*

The condensed consolidated interim financial information for the six months ended 30 June 2013 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 2012, 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 2012, 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 2013 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 2013 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 2015. 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.



## LOMBARD

### 3. *Fair values of financial assets and liabilities*

The Group's financial instruments which are measured at fair value comprise the Group's available-for-sale financial assets, whereas the Bank's financial instruments which are carried at fair value also include derivative contracts. 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 2013 and 31 December 2012, available-for-sale investments were valued using Level 1 inputs and the derivative financial instruments were fair valued using Level 2 inputs. Fair values for derivative contracts are based on observable forward exchange market rates.

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 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 2012.



# LOMBARD

## Lombard Bank Malta p.l.c.

### Income Statements for the period 1 January 2013 to 30 June 2013

	Group		Bank	
	30/06/13 €000	30/06/12 €000	30/06/13 €000	30/06/12 €000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	11,487	11,608	11,432	11,599
- on debt and other fixed income instruments	577	283	507	186
Interest expense	(4,378)	(5,114)	(4,378)	(5,034)
<b>Net interest income</b>	<b>7,686</b>	<b>6,777</b>	<b>7,561</b>	<b>6,751</b>
Fee and commission income	1,215	1,187	750	702
Fee and commission expense	(47)	(41)	(47)	(40)
<b>Net fee and commission income</b>	<b>1,168</b>	<b>1,146</b>	<b>703</b>	<b>662</b>
Postal sales and other revenues	10,797	10,526	8	15
Dividend income	101	88	1,405	1,395
Net trading income	126	178	129	199
Net gains on disposal of non-trading financial instruments	-	12	-	-
Other operating income	18	89	46	89
<b>Operating income</b>	<b>19,896</b>	<b>18,816</b>	<b>9,852</b>	<b>9,111</b>
Employee compensation and benefits	(7,833)	(7,535)	(2,449)	(2,346)
Other operating costs	(5,441)	(5,655)	(1,200)	(1,239)
Depreciation and amortisation	(737)	(786)	(224)	(205)
Provisions for liabilities and other charges	(175)	(84)	-	-
Net impairment losses	(1,550)	(456)	(1,550)	(456)
<b>Profit before taxation</b>	<b>4,160</b>	<b>4,300</b>	<b>4,429</b>	<b>4,865</b>
Income tax expense	(1,475)	(1,491)	(1,534)	(1,654)
<b>Profit for the period</b>	<b>2,685</b>	<b>2,809</b>	<b>2,895</b>	<b>3,211</b>
<b>Attributable to:</b>				
Equity holders of the Bank	2,482	2,647	2,895	3,211
Non-controlling interests	203	162	-	-
<b>Profit for the period</b>	<b>2,685</b>	<b>2,809</b>	<b>2,895</b>	<b>3,211</b>
<b>Earnings per share</b>	<b>6.8c</b>	<b>7.3c</b>		



# LOMBARD

Lombard Bank Malta p.l.c.

## Statements of Comprehensive Income for the period 1 January 2013 to 30 June 2013

	Group		Bank	
	30/06/13	30/06/12	30/06/13	30/06/12
	€000	€000	€000	€000
<b>Profit for the period</b>	<b>2,685</b>	2,809	<b>2,895</b>	3,211
<b>Other comprehensive income</b>				
<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	271	(521)	237	(494)
Income tax relating to components of other comprehensive income	(83)	173	(83)	173
<b>Other comprehensive income for the period, net of income tax</b>	<b>188</b>	(348)	<b>154</b>	(321)
<b>Total comprehensive income for the period, net of income tax</b>	<b>2,873</b>	2,461	<b>3,049</b>	2,890
<b>Attributable to:</b>				
Equity holders of the Bank	2,659	2,308		
Non-controlling interests	214	153		
<b>Total comprehensive income for the period, net of income tax</b>	<b>2,873</b>	2,461		



# LOMBARD

## Lombard Bank Malta p.l.c.

### Statements of Financial Position at 30 June 2013

	Group		Bank	
	30/06/13 €000	31/12/12 €000	30/06/13 €000	31/12/12 €000
<b>Assets</b>				
Balances with Central Bank of Malta, treasury bills and cash	92,227	133,641	91,620	133,200
Cheques in course of collection	1,279	1,063	1,279	1,063
Investments	33,060	32,669	30,203	29,871
Loans and advances to banks	55,753	46,911	51,047	39,379
Loans and advances to customers	331,018	319,864	331,615	320,221
Investment in subsidiaries	-	-	9,352	9,352
Intangible assets	1,408	1,548	178	227
Property, plant and equipment	22,773	22,915	13,218	13,172
Investment property	745	745	745	745
Assets classified as held for sale	600	584	600	584
Current tax assets	313	1,454	-	654
Deferred tax assets	3,491	2,998	3,058	2,610
Inventories	862	810	286	175
Trade and other receivables	7,403	5,474	2,817	1,941
Accrued income and other assets	4,521	4,568	3,112	3,120
<b>Total assets</b>	<b>555,453</b>	<b>575,244</b>	<b>539,130</b>	<b>556,314</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital	9,926	9,023	9,926	9,023
Share premium	17,746	17,746	17,746	17,746
Revaluation and other reserves	4,678	4,463	4,554	4,342
Retained earnings	44,845	46,307	43,854	44,735
<b>Equity attributable to equity holders of the Bank</b>	<b>77,195</b>	<b>77,539</b>	<b>76,080</b>	<b>75,846</b>
<b>Non-controlling interests</b>	<b>4,957</b>	<b>5,027</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>82,152</b>	<b>82,566</b>	<b>76,080</b>	<b>75,846</b>
<b>Liabilities</b>				
Derivative financial instruments	-	-	21	-
Amounts owed to banks	53	3,256	53	3,256
Amounts owed to customers	449,601	462,116	450,323	463,276
Current tax liabilities	65	-	65	-
Provisions for liabilities and other charges	2,861	2,264	671	666
Other liabilities	11,368	14,800	7,112	8,307
Accruals and deferred income	9,353	10,242	4,805	4,963
<b>Total liabilities</b>	<b>473,301</b>	<b>492,678</b>	<b>463,050</b>	<b>480,468</b>
<b>Total equity and liabilities</b>	<b>555,453</b>	<b>575,244</b>	<b>539,130</b>	<b>556,314</b>
<b>Memorandum items</b>				
Contingent liabilities	4,158	4,916	4,158	4,916
Commitments	73,890	81,232	73,890	81,232

These condensed financial statements were approved by the Board on 22 August 2013 and signed on its behalf by:

Michael C. Bonello, *Chairman*

Joseph Said, *Chief Executive Officer*





# LOMBARD

Lombard Bank Malta p.l.c.

## Statements of Changes in Equity for the period 1 January 2013 to 30 June 2013

### 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			
<b>At 1 January 2012</b>	9,023	17,746	4,563	43,553	74,885	4,774	79,659
<b>Comprehensive income</b>							
Profit for the period	-	-	-	2,647	2,647	162	2,809
<b>Other comprehensive income</b>							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the period	-	-	(338)	-	(338)	(9)	(347)
Reclassification adjustments							
Net amounts reclassified to profit or loss	-	-	(1)	-	(1)	-	(1)
Transfers and other movements			164	(164)	-	-	-
<b>Total other comprehensive income for the period</b>	-	-	(175)	(164)	(339)	(9)	(348)
<b>Total comprehensive income for the period</b>	-	-	(175)	2,483	2,308	153	2,461
<b>Transactions with owners, recorded directly in equity</b>							
Contributions by and distributions to owners:							
Dividends to equity holders	-	-	-	(2,698)	(2,698)	(418)	(3,116)
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>							
Change in non-controlling interests in subsidiary	-	-	-	(104)	(104)	244	140
<b>Total transactions with owners</b>	-	-	-	(2,802)	(2,802)	(174)	(2,976)
<b>At 30 June 2012</b>	9,023	17,746	4,388	43,234	74,391	4,753	79,144
<b>At 1 January 2013</b>	9,023	17,746	4,463	46,307	77,539	5,027	82,566
<b>Comprehensive Income</b>							
Profit for the period	-	-	-	2,482	2,482	203	2,685
<b>Other comprehensive income</b>							
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)	-	-	-
<b>Total other comprehensive income for the period</b>	-	-	215	(38)	177	11	188
<b>Total comprehensive income for the period</b>	-	-	215	2,444	2,659	214	2,873
<b>Transactions with owners, recorded directly in equity</b>							
Contributions by and distributions to owners:							
Capitalisation of reserves upon bonus issue of shares	903	-	-	(903)	-	-	-
Dividends to equity holders	-	-	-	(2,815)	(2,815)	(422)	(3,237)
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>							
Change in non-controlling interests in subsidiary	-	-	-	(188)	(188)	138	(50)
<b>Total transactions with owners</b>	903	-	-	(3,906)	(3,003)	(284)	(3,287)
<b>At 30 June 2013</b>	9,926	17,746	4,678	44,845	77,195	4,957	82,152



# LOMBARD

Lombard Bank Malta p.l.c.

## Statements of Changes in Equity for the period 1 January 2013 to 30 June 2013

### Bank

	Share capital €000	Share premium €000	Revaluation and other reserves €000	Retained earnings €000	Total equity €000
<b>At 1 January 2012</b>	9,023	17,746	4,440	42,048	73,257
<b>Comprehensive income</b>					
Profit for the period	-	-	-	3,211	3,211
<b>Other comprehensive income</b>					
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the period	-	-	(321)	-	(321)
Transfers and other movements	-	-	164	(164)	-
<b>Total other comprehensive income for the period</b>	-	-	(157)	(164)	(321)
<b>Total comprehensive income for the period</b>	-	-	(157)	3,047	2,890
<b>Transactions with owners, recorded directly in equity</b>					
Contributions by and distributions to owners:					
Dividends to equity holders	-	-	-	(2,700)	(2,700)
<b>Total transactions with owners</b>	-	-	-	(2,700)	(2,700)
<b>At 30 June 2012</b>	9,023	17,746	4,283	42,395	73,447
<b>At 1 January 2013</b>	9,023	17,746	4,342	44,735	75,846
<b>Comprehensive income</b>					
Profit for the period	-	-	-	2,895	2,895
<b>Other comprehensive income</b>					
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)	-
<b>Total other comprehensive income for the period</b>	-	-	212	(58)	154
<b>Total comprehensive income for the period</b>	-	-	212	2,837	3,049
<b>Transactions with owners, recorded directly in equity</b>					
Contributions by and distributions to owners:					
Capitalisation of reserves upon bonus issue of shares	903	-	-	(903)	-
Dividends to equity holders	-	-	-	(2,815)	(2,815)
<b>Total transactions with owners</b>	903	-	-	(3,718)	(2,815)
<b>At 30 June 2013</b>	9,926	17,746	4,554	43,854	76,080



# LOMBARD

Lombard Bank Malta p.l.c.

## Statements of Cash Flows for the period 1 January 2013 to 30 June 2013

	Group		Bank	
	30/06/13 €000	30/06/12 €000	30/06/13 €000	30/06/12 €000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	11,979	11,758	11,959	11,809
Receipts from customers relating to postal sales and other revenue	9,318	8,966	72	15
Interest and commission payments	(4,525)	(5,607)	(4,533)	(5,527)
Payments to employees and suppliers	(15,507)	(9,614)	(3,752)	(3,854)
<b>Cash flows from operating profit before changes in operating assets and liabilities</b>	<b>1,265</b>	<b>5,503</b>	<b>3,746</b>	<b>2,443</b>
<i>(Increase)/decrease in operating assets:</i>				
Treasury bills	(30,006)	(13,124)	(30,006)	(13,124)
Deposits with Central Bank of Malta	388	3,276	388	3,276
Loans and advances to banks and customers	(9,684)	(14,191)	(12,924)	(14,149)
Other receivables	(305)	(2,121)	(333)	(2,173)
<i>(Decrease)/increase in operating liabilities:</i>				
Amounts owed to banks and to customers	(12,642)	13,847	(13,078)	14,875
Other payables	(1,224)	22,797	(1,174)	22,797
<b>Net cash (used in)/from operations</b>	<b>(52,208)</b>	<b>15,987</b>	<b>(53,381)</b>	<b>13,945</b>
Income tax paid	(843)	(362)	(927)	(111)
<b>Net cash flows (used in)/from operating activities</b>	<b>(53,051)</b>	<b>15,625</b>	<b>(54,308)</b>	<b>13,834</b>
<b>Cash flows from investing activities</b>				
Dividends received	101	88	101	88
Interest received from investments	1,146	1,165	992	1,035
Proceeds on maturity/disposal of investments	412	1,039	-	69
Purchase of investments	(637)	(7,592)	(200)	(7,592)
Purchase of property, plant and equipment	(804)	(1,327)	(221)	(391)
Acquisition of non-controlling interests	(235)	-	-	-
<b>Net cash flows (used in)/from investing activities</b>	<b>(17)</b>	<b>(6,627)</b>	<b>672</b>	<b>(6,791)</b>
<b>Cash flows from financing activities</b>				
Dividends paid to equity holders of the Bank	(2,815)	(2,698)	(2,815)	(2,698)
Dividends paid to non-controlling interests	(234)	(275)	-	-
<b>Net cash flows used in financing activities</b>	<b>(3,049)</b>	<b>(2,973)</b>	<b>(2,815)</b>	<b>(2,698)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(56,117)</b>	<b>6,025</b>	<b>(56,451)</b>	<b>4,345</b>
Cash and cash equivalents at beginning of period	123,432	122,529	118,453	120,168
<b>Cash and cash equivalents at end of period</b>	<b>67,315</b>	<b>128,554</b>	<b>62,002</b>	<b>124,513</b>



# LOMBARD

## Lombard Bank Malta p.l.c.

### Segmental analysis for the period 1 January 2013 to 30 June 2013

	Banking services		Postal services		Total	
	30/06/13 €000	30/06/12 €000	30/06/13 €000	30/06/12 €000	30/06/13 €000	30/06/12 €000
Net operating income	<b>8,495</b>	7,726	<b>11,401</b>	11,090	<b>19,896</b>	18,816
Segment result - Profit before taxation	<b>3,144</b>	3,504	<b>1,016</b>	796	<b>4,160</b>	4,300
	<b>30/06/13 €000</b>	31/12/12 €000	<b>30/06/13 €000</b>	31/12/12 €000	<b>30/06/13 €000</b>	31/12/12 €000
Segment total assets	<b>528,479</b>	546,271	<b>26,974</b>	28,973	<b>555,453</b>	575,244



**LOMBARD**

**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 2013 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*

22 August 2013