



**LOMBARD**

## **Company Announcement**

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

***Quote:***

In a meeting of the Board of Directors of Lombard Bank Malta p.l.c. held on 24 August 2010, the attached Group and Bank unaudited Condensed Interim Financial Statements for the six-month period ended 30 June 2010 were approved.

The Condensed Interim Financial Statements for the period ended 30 June 2010 are available for viewing and download on the Bank's website at [www.lombardmalta.com](http://www.lombardmalta.com).

***Unquote***

Graham Fairclough  
Company Secretary

24 August 2010

24 August 2010

*This report is published in terms of Chapters 8 and 9 of the Listing Rules of The Listing Authority, and the Prevention of Financial Markets Abuse Act 2005. The published figures have been extracted from the Bank's unaudited Group accounts for the six months ended 30 June 2010, as approved by the Board of Directors on 24 August 2010.*

## **Interim Directors' Report**

### *Review of Financial Performance & Financial Position*

Pre-tax profit of Lombard Bank Malta p.l.c. for the six months ended 30 June 2010 increased to €6.10 million, 12.7 per cent higher than in 2009. The Lombard Group result was up by 4.9 per cent to €6.76 million.

- Group Profit after Tax of €4.33 million increased by 6.0 per cent compared to €4.09 million in the previous year.
- Net Interest Income of €8.17 million increased by 18.6 per cent from €6.89 million in 2009.
- Tight treasury management resulted in an increase of 7.4 per cent in Operating Income to €19.73 million.
- The Bank's Cost-to-Income ratio improved to 33.0 per cent from 37.1 per cent as a result of higher income streams and increased efficiency. The ratio also improved for the Group from 65.3 per cent to 62.0 per cent as further efficiencies at MaltaPost p.l.c. continue to bear fruit.
- Prudential risk assessment of the Bank's loan assets resulted in an increase of €645,000 in Impairment Allowances, which now stand at a satisfactory 1.8 per cent of the total advances portfolio.
- Loans and Advances to customers remained stable at €330.29 million.
- Customer Deposits at €473.00 million increased by 6.0 per cent.
- Total Assets under management stood at €564.14 million, up 3.9 per cent.

### *Commentary*

The Bank remained financially resilient and continued to perform well despite subdued business sentiment and record low interest rates in financial markets. The Board and Management of the Bank find it gratifying that even during a period of worldwide recession and financial crisis, the Bank's performance has remained on a steady upward trend. MaltaPost p.l.c. continued to add value to the Group and this company looks forward to a positive financial performance in its own right. The Group shows strong balance sheet fundamentals and sound risk management processes. Through the adoption of consistently prudent risk management and investment policies the Lombard Group considers itself well positioned to seize opportunities that will present themselves in a forthcoming economic recovery, first signs of which seem to appear on the horizon. Nevertheless the Board remains mindful of the fact that economic and financial challenges can still occur. A number of structural problems – such as large sovereign debts, also outside the euro zone, imbalances of trade and excess liquidity in the market – still need to be addressed. In a number of economies the recovery seems slow and it would be too early indeed to consider the recession as having reached its end. The Board however remains confident that the Bank is well placed to continue operating successfully.

## Explanatory Notes

### 1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2010 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 2009, 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 2009, as described in those financial statements. Adoption of revised standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2010 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 2010 have been published by the date of authorisation for issue of this financial information. 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 2013. 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.

### 3. Segmental analysis

	Banking services		Postal services		Total	
	01.01.10	01.01.09	01.01.10	01.01.09	01.01.10	01.01.09
	to	to	to	to	to	to
	30.06.10	30.06.09	30.06.10	30.06.09	30.06.10	30.06.09
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
<b>Net operating income</b>	<b>8,895</b>	<b>7,578</b>	<b>10,831</b>	<b>10,797</b>	<b>19,726</b>	<b>18,375</b>
<b>Segment result - Profit before taxation</b>	<b>4,897</b>	<b>4,522</b>	<b>1,859</b>	<b>1,918</b>	<b>6,756</b>	<b>6,440</b>
	30.06.10	31.12.09	30.06.10	31.12.09	30.06.10	31.12.09
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
<b>Total assets</b>	<b>542,471</b>	<b>520,776</b>	<b>21,667</b>	<b>22,065</b>	<b>564,138</b>	<b>542,841</b>

# Lombard Bank Malta p.l.c.

Income Statements for the period 1 January 2010 to 30 June 2010

	Group		Bank	
	01.01.10 to 30.06.10 € 000	01.01.09 to 30.06.09 € 000	01.01.10 to 30.06.10 € 000	01.01.09 to 30.06.09 € 000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	12,082	12,890	12,081	12,828
- on debt and other fixed income instruments	1,289	1,400	1,160	1,343
Interest expense	(5,200)	(7,399)	(5,219)	(7,446)
<b>Net interest income</b>	<b>8,171</b>	<b>6,891</b>	<b>8,022</b>	<b>6,725</b>
Fee and commission income	971	710	583	700
Fee and commission expense	(31)	(34)	(31)	(34)
<b>Net fee and commission income</b>	<b>940</b>	<b>676</b>	<b>552</b>	<b>666</b>
Postal sales and other revenues	10,203	10,005	54	-
Dividend income	86	68	1,255	926
Net trading income	379	262	174	127
Net gains/(losses) on disposal of non-trading financial instruments	2	(53)	2	(53)
Other operating (expenses)/income	(55)	526	15	54
<b>Operating income</b>	<b>19,726</b>	<b>18,375</b>	<b>10,074</b>	<b>8,445</b>
Employee compensation and benefits	(7,278)	(6,938)	(2,128)	(2,038)
Administrative expenses	(4,389)	(4,547)	(1,073)	(982)
Depreciation and amortisation	(565)	(520)	(125)	(113)
Provisions for liabilities and other charges	(93)	(34)	(12)	(10)
Net impairment (losses)/gains	(645)	104	(645)	104
<b>Profit before taxation</b>	<b>6,756</b>	<b>6,440</b>	<b>6,091</b>	<b>5,406</b>
Income tax expense	(2,426)	(2,354)	(2,152)	(1,718)
<b>Profit for the period</b>	<b>4,330</b>	<b>4,086</b>	<b>3,939</b>	<b>3,688</b>
<b>Attributable to:</b>				
Equity holders of the Bank	3,936	3,690	3,939	3,688
Non-controlling interests	394	396	-	-
	<b>4,330</b>	<b>4,086</b>	<b>3,939</b>	<b>3,688</b>
<b>Earnings per share</b>	<b>11.0c</b>	<b>10.4c</b>	<b>11.0c</b>	<b>10.4c</b>

## Lombard Bank Malta p.l.c.

Statements of Comprehensive Income for the period 1 January 2010 to 30 June 2010

	Group		Bank	
	01.01.10 to 30.06.10 € 000	01.01.09 to 30.06.09 € 000	01.01.10 to 30.06.10 € 000	01.01.09 to 30.06.09 € 000
<b>Profit for the period</b>	<b>4,330</b>	<b>4,086</b>	<b>3,939</b>	<b>3,688</b>
<b>Other comprehensive Income</b>				
Investment revaluation reserve (available-for-sale financial assets):				
Net amount reclassified to profit or loss	(4)	30	(4)	(56)
Net change in fair value	(19)	85	(100)	48
Income tax relating to other comprehensive income	36	3	36	3
Other comprehensive Income for the period, net of Income tax	13	118	(68)	-7
<b>Total comprehensive Income for the period, net of Income tax</b>	<b>4,343</b>	<b>4,204</b>	<b>3,871</b>	<b>3,681</b>
<b>Attributable to:</b>				
Equity holders of the Bank	3,922	3,764		
Non-controlling interests	421	440		
	<b>4,343</b>	<b>4,204</b>		

Lombard Bank Malta p.l.c.  
Statements of Financial Position at 30 June 2010

	Group		Bank	
	30.06.10	31.12.09	30.06.10	31.12.09
	€ 000	€ 000	€ 000	€ 000
<b>Assets</b>				
Balances with Central Bank of Malta, treasury bills and cash	118,508	116,357	118,061	115,993
Cheques in course of collection	1,209	811	1,209	811
Investments	43,064	45,025	37,899	39,357
Loans and advances to banks	41,251	22,383	38,596	18,460
Loans and advances to customers	330,287	327,802	330,568	327,956
Investment in subsidiaries	-	-	7,274	7,634
Intangible assets	1,190	1,238	2	3
Property and equipment	14,170	13,878	12,107	11,654
Investment property	745	745	745	745
Assets held for sale	109	109	109	109
Current tax assets	-	1,171	741	1,731
Deferred tax assets	2,035	1,993	1,567	1,551
Inventories	832	671	238	247
Trade and other receivables	7,640	6,545	823	31
Prepayments and accrued income	3,098	4,113	3,796	4,622
<b>Total assets</b>	<b>564,138</b>	<b>542,841</b>	<b>553,735</b>	<b>530,904</b>
<b>Liabilities</b>				
Amounts owed to banks	77	3,675	77	3,675
Amounts owed to customers	473,001	446,209	476,176	449,436
Current tax liabilities	214	-	-	-
Provisions for liabilities and other charges	2,963	2,520	673	577
Other liabilities	8,683	12,598	6,225	8,594
Accruals and deferred income	7,963	9,649	3,926	4,975
<b>Total liabilities</b>	<b>492,901</b>	<b>474,639</b>	<b>487,077</b>	<b>467,257</b>
<b>Equity</b>				
Called up share capital	9,023	8,903	9,023	8,903
Share premium	17,746	16,409	17,746	16,409
Property revaluation reserve	2,288	2,288	2,288	2,288
Investment revaluation reserve	276	290	118	186
Retained earnings	37,907	36,395	37,483	35,861
Equity attributable to equity holders of the Bank	67,240	64,285	66,658	63,647
Non-controlling interests	3,997	3,917	-	-
<b>Total equity</b>	<b>71,237</b>	<b>68,202</b>	<b>66,658</b>	<b>63,647</b>
<b>Total liabilities and equity</b>	<b>564,138</b>	<b>542,841</b>	<b>553,735</b>	<b>530,904</b>
<b>Memorandum items</b>				
Contingent liabilities	6,295	10,484	6,295	10,484
Commitments	77,081	98,611	77,081	98,611

These condensed financial information were approved by the Board on 24 August 2010 and were signed on its behalf by:

Christian Lemmerich  
Chairman

Joseph Said  
Chief Executive Officer

# Lombard Bank Malta p.l.c.

Statements of Changes in Equity for the period 1 January 2010 to 30 June 2010

## Group

	Called Up Issued Share Capital € 000	Share Premium € 000	Property Revaluation Reserve € 000	Investment Revaluation Reserve € 000	Retained Earnings € 000	Total € 000	Non- controlling Interests € 000	Total Equity € 000
At 1 January 2009	8,762	15,137	2,288	(16)	31,518	57,689	3,401	61,090
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	3,690	3,690	396	4,086
<b>Other comprehensive income</b>								
Investment revaluation reserve (available-for-sale financial assets):								
Net amount reclassified to profit or loss, net of tax	-	-	-	6	-	6	44	50
Net change in fair value, net of tax	-	-	-	68	-	68	-	68
Total other comprehensive income for the period	-	-	-	74	-	74	44	118
<b>Total comprehensive income for the period</b>	-	-	-	74	3,690	3,764	440	4,204
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Dividends to equity holders	-	-	-	-	(2,277)	(2,277)	(406)	(2,683)
Rights issue of ordinary shares	141	1,272	-	-	-	1,413	-	1,413
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>								
Change in non-controlling interests in subsidiary	-	-	-	-	(268)	(268)	172	(96)
<b>Total transactions with owners</b>	141	1,272	-	-	(2,545)	(1,132)	(234)	(1,366)
At 30 June 2009	8,903	16,409	2,288	58	32,663	60,321	3,607	63,928

# Lombard Bank Malta p.l.c.

Statements of Changes in Equity for the period 1 January 2010 to 30 June 2010

## Group

	Called Up Issued Share Capital € 000	Share Premium € 000	Property Revaluation Reserve € 000	Investment Revaluation Reserve € 000	Retained Earnings € 000	Total € 000	Non- controlling Interests € 000	Total Equity € 000
At 1 January 2010	8,903	16,409	2,288	290	36,395	64,285	3,917	68,202
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	3,936	3,936	394	4,330
<b>Other comprehensive income</b>								
Investment revaluation reserve (available-for-sale financial assets):								
Net amount reclassified to profit or loss, net of tax	-	-	-	(3)	-	(3)	27	24
Net change in fair value, net of tax	-	-	-	(11)	-	(11)	-	(11)
Total other comprehensive income for the period	-	-	-	(14)	-	(14)	27	13
<b>Total comprehensive income for the period</b>	-	-	-	(14)	3,936	3,922	421	4,343
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Dividends to equity holders	-	-	-	-	(2,315)	(2,315)	(406)	(2,721)
Rights issue of ordinary shares	120	1,337	-	-	-	1,457	-	1,457
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>								
Change in non-controlling interests in subsidiary	-	-	-	-	(138)	(138)	196	58
<b>Total transactions with owners</b>	120	1,337	-	-	(2,453)	(996)	(210)	(1,206)
<b>Other changes</b>								
Disposal of subsidiary	-	-	-	-	29	29	(131)	(102)
At 30 June 2010	9,023	17,746	2,288	276	37,907	67,240	3,997	71,237



# Lombard Bank Malta p.l.c.

Statements of Changes in Equity for the period 1 January 2010 to 30 June 2010

<b>Bank</b>	<b>Called Up Issued Share Capital € 000</b>	<b>Share Premium € 000</b>	<b>Property Revaluation Reserve € 000</b>	<b>Investment Revaluation Reserve € 000</b>	<b>Retained Earnings € 000</b>	<b>Total Equity € 000</b>
At 1 January 2009	8,762	15,137	2,288	(17)	30,658	56,828
<b>Comprehensive income</b>						
Profit for the period	-	-	-	-	3,688	3,688
<b>Other comprehensive income</b>						
Investment revaluation reserve (available-for-sale financial Net amount reclassified to profit or loss, net of tax	-	-	-	(36)	-	(36)
Net change in fair value, net of tax	-	-	-	29	-	29
Total other comprehensive income for the period	-	-	-	(7)	-	(7)
<b>Total comprehensive income for the period</b>	-	-	-	(7)	3,688	3,681
<b>Transactions with owners, recorded directly in equity - Contributions by and distributions to owners</b>						
Dividends to equity holders	-	-	-	-	(2,280)	(2,280)
Rights issue of ordinary shares	141	1,272	-	-	-	1,413
<b>Total transactions with owners</b>	141	1,272	-	-	(2,280)	(867)
At 30 June 2009	8,903	16,409	2,288	(24)	32,066	59,642
At 1 January 2010	8,903	16,409	2,288	186	35,860	63,646
<b>Comprehensive income</b>						
Profit for the period	-	-	-	-	3,939	3,939
<b>Other comprehensive income</b>						
Investment revaluation reserve (available-for-sale financial Net amount reclassified to profit or loss, net of tax	-	-	-	(3)	-	(3)
Net change in fair value, net of tax	-	-	-	(65)	-	(65)
Total other comprehensive income for the period	-	-	-	(68)	-	(68)
<b>Total comprehensive income for the period</b>	-	-	-	(68)	3,939	3,871
<b>Transactions with owners, recorded directly in equity - Contributions by and distributions to owners</b>						
Dividends to equity holders	-	-	-	-	(2,316)	(2,316)
Rights issue of ordinary shares	120	1,337	-	-	-	1,457
<b>Total transactions with owners</b>	120	1,337	-	-	(2,316)	(859)
At 30 June 2010	9,023	17,746	2,288	118	37,483	66,658

# Lombard Bank Malta p.l.c.

Statement of cash flows for the period 1 January 2010 to 30 June 2010

	Group		Bank	
	01.01.10 to 30.06.10 € 000	01.01.09 to 30.06.09 € 000	01.01.10 to 30.06.10 € 000	01.01.09 to 30.06.09 € 000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	12,494	11,634	12,499	11,681
Cash receipts from customers	45,545	36,297	57	140
Interest and commission payments	(6,054)	(6,506)	(6,073)	(6,552)
Payments to employees and suppliers	(49,187)	(38,284)	(3,587)	(3,493)
<b>Operating profit before changes in operating assets and liabilities</b>	<b>2,798</b>	<b>3,141</b>	<b>2,896</b>	<b>1,776</b>
<b>(Increase)/decrease in operating assets:</b>				
Treasury bills	25,707	(19,001)	25,706	(19,001)
Deposits with Central Bank of Malta	(746)	(992)	(746)	(992)
Loans and advances to banks and customers	(2,584)	287	(2,710)	141
Other receivables	(1,173)	1,615	(1,181)	1,615
<b>Increase/(decrease) in operating liabilities:</b>				
Amounts owed to banks and to customers	23,234	39,521	23,181	40,079
Other payables	(2,369)	971	(2,369)	971
<b>Net cash from operations</b>	<b>44,867</b>	<b>25,542</b>	<b>44,777</b>	<b>24,589</b>
Income tax paid	(1,048)	(1,012)	(734)	(1,006)
<b>Net cash from operating activities</b>	<b>43,819</b>	<b>24,530</b>	<b>44,043</b>	<b>23,583</b>
<b>Cash flows from investing activities</b>				
Dividends received	86	69	86	926
Interest received from investments	2,298	2,536	2,076	2,340
Proceeds on maturity/disposal of investments	3,671	5,168	3,979	5,168
Purchase of investments	(1,737)	(557)	(1,542)	(271)
Investment in subsidiary	-	-	-	(715)
Purchase of property and equipment	(911)	(707)	(577)	(453)
Acquisition of non-controlling interests	(133)	(156)	-	-
<b>Net cash flows from investing activities</b>	<b>3,274</b>	<b>6,353</b>	<b>4,022</b>	<b>6,995</b>
<b>Cash flows from financing activities</b>				
Dividends paid to non-controlling interests	(213)	(249)	-	-
Dividends paid to equity holders of the Bank	(858)	(865)	(858)	(865)
<b>Cash used in financing activities</b>	<b>(1,071)</b>	<b>(1,114)</b>	<b>(858)</b>	<b>(865)</b>
<b>Net increase in cash and cash equivalents</b>	<b>46,022</b>	<b>29,769</b>	<b>47,207</b>	<b>29,713</b>
Cash and cash equivalents at beginning of period	69,426	64,770	65,139	59,752
<b>Cash and cash equivalents at end of period</b>	<b>115,448</b>	<b>94,539</b>	<b>112,346</b>	<b>89,465</b>

**Statement pursuant to Listing Rule 9.44k.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 2010 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 9.

A handwritten signature in black ink, appearing to read 'Joseph Said', with a large, stylized initial 'J' and 'S'.

**Joseph Said**  
*Chief Executive Officer*

24 August 2010