



**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 23 August 2012, the attached Group and Bank unaudited Condensed Interim Financial Statements for the six-month period ended 30 June 2012 were approved.

The Condensed Interim Financial Statements for the period ended 30 June 2012 are available for viewing and download on the Bank's website at [www.lombardmalta.com](http://www.lombardmalta.com).

***Unquote***

Graham Fairclough  
Company Secretary

23 August 2012



# LOMBARD

23 August 2012

*This report is published in terms of Chapter 5 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 2012, as approved by the Board of Directors on 23 August 2012.*

## **Interim Directors' Report**

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

The Lombard Bank Group registered a profit before tax of €4.3 million for the six months ended 30 June 2012 compared to €7 million in 2011. Pre-tax profit of Lombard Bank Malta p.l.c. was €4.9 million, compared to €6.2 million for the same period 2011.

- Group Profit after Tax of €2.8 million was down from €4.5 million in 2011 due to a combination of factors viz: adverse tariff movements in the postal industry; the effect of one-off transactions in 2011 (disposal of securities) which were not repeated in 2012; decline in interest margin – which results from the Bank's commitment to pursue its policy of prudent treasury management, effectively meaning the placing of its funds almost exclusively with the European Central Bank.
- Net Interest Income for H1 2012 decreased by 6.5 per cent from €7.3 million to €6.8 million.
- Operating Income at €18.8 million down from €19.9 million in the previous year.
- The Group Cost-to-Income ratio increased from 63.8 per cent to 74.3 per cent while that of the Bank rose from 35.9 per cent to 41.6 per cent.
- Impairment Allowances as a percentage of loans and advances to customers stood at 2.4 per cent. An amount of €456,000 was provided for in this period's profits as a net increase in Impairment Allowances in accordance with the Group's provisioning policy.
- Loans and Advances to customers stood at €24.2 million, 5 per cent up on previous year.
- Customer Deposits at €478 million increased by 3 per cent.
- Total Assets under management stood at €608.9 million, an increase of 7.2 per cent.



# LOMBARD

## *Commentary*

The European debt crisis is still ongoing and the impact it will have on the financial system in Europe and on the world economy is unquantifiable. Within the Eurozone the Gross National Product declined by 0.2 per cent in the second quarter of this year. Great Britain too is showing signs of decline. One aspect of globalisation is that it also brings with it interdependence and as such there are few, if any, economies that are not affected by the fortunes of trading partners. Thus as the American and European economies remain subdued, signs of weakness in other markets around the world such as Brazil and China are becoming evident.

While we are hopeful that eventually the European debt crisis will be resolved and the Euro will remain a stable and strong currency, the present uncertain situation poses many challenges to the banking system and it is the task of the Management of Lombard Bank to safeguard its shareholders and customers from any risks which the present crisis holds in store. One is pleased to note Lombard Bank has been successful in this respect. However, maintaining sound liquidity ratios and very healthy capital adequacy ratios come at a cost, more so at a time of such international financial and economic instability. Over the past months the Bank preferred to place its liquidity at very low rates though with top quality counterparties such as the European Central Bank. We have purposely abstained from investing in higher yielding and by definition riskier assets and thus steered clear from problems other institutions in Europe have been facing. Within this context and in the face of increased competitive forces, it is indeed gratifying to see that the Bank and its subsidiary have managed to maintain satisfactory returns on investment.

It is also reassuring to note that the Bank continued to operate independently of any of its shareholders and held no financial exposure whatsoever to its largest shareholder, Cyprus Popular Bank. Moreover, the Bank holds no exposure to any form of non-Maltese sovereign or corporate securities. Lombard Bank continues to operate as an independent Maltese banking institution determined to be a reliable and strong partner to its customer base.

Balance sheet fundamentals remain strong and we are confident in our ability to continue to enhance shareholder value. With a robust liquidity ratio of 89 per cent and a healthy capital adequacy ratio of 18 per cent as well as a loan to deposit ratio of 68 per cent, the Bank can meet future challenges with confidence. However, the Board shall not be complacent in the light of the difficulties that the sector is currently experiencing. We reiterate our commitment to a policy of prudent risk management and cautious investment decisions that will, however, result in a stronger group that will deliver increased value to all stakeholders.



# LOMBARD

## **Explanatory Notes**

### *1. Basis of preparation*

The condensed consolidated interim financial information for the six months ended 30 June 2012 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 2011, 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 2011, as described in those financial statements. Adoption of amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2012 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 2012 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 Bank Malta p.l.c.**

**Income Statements for the period 1 January 2012 to 30 June 2012**

	Group		Bank	
	30/06/12	30/06/11	30/06/12	30/06/11
	€000	€000	€000	€000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	<b>11,608</b>	11,579	<b>11,599</b>	11,567
- on debt and other fixed income instruments	<b>283</b>	1,014	<b>186</b>	912
Interest expense	<u>(5,114)</u>	<u>(5,345)</u>	<u>(5,034)</u>	<u>(5,348)</u>
<b>Net interest income</b>	<u><b>6,777</b></u>	<u>7,248</u>	<u><b>6,751</b></u>	<u>7,131</u>
Fee and commission income	<b>1,187</b>	1,092	<b>702</b>	619
Fee and commission expense	<u>(41)</u>	<u>(39)</u>	<u>(40)</u>	<u>(37)</u>
<b>Net fee and commission income</b>	<u><b>1,146</b></u>	<u>1,053</u>	<u><b>662</b></u>	<u>582</u>
Postal sales and other revenues	<b>10,526</b>	10,214	<b>15</b>	8
Dividend income	<b>88</b>	88	<b>1,395</b>	1,195
Net trading income	<b>178</b>	144	<b>199</b>	154
Net gains on disposal of non-trading financial instruments	<b>12</b>	1,174	-	877
Other operating income	<u><b>89</b></u>	<u>19</u>	<u><b>89</b></u>	<u>19</u>
<b>Operating income</b>	<u><b>18,816</b></u>	<u>19,940</u>	<u><b>9,111</b></u>	<u>9,966</u>
Employee compensation and benefits	<b>(7,535)</b>	(7,462)	<b>(2,346)</b>	(2,386)
Other operating costs	<b>(5,655)</b>	(4,626)	<b>(1,239)</b>	(985)
Depreciation and amortisation	<b>(786)</b>	(639)	<b>(205)</b>	(202)
Provisions for liabilities and other charges	<b>(84)</b>	(28)	-	(11)
Net impairment losses	<u><b>(456)</b></u>	<u>(188)</u>	<u><b>(456)</b></u>	<u>(188)</u>
<b>Profit before taxation</b>	<u><b>4,300</b></u>	<u>6,997</u>	<u><b>4,865</b></u>	<u>6,194</u>
Income tax expense	<u><b>(1,491)</b></u>	<u>(2,463)</u>	<u><b>(1,654)</b></u>	<u>(2,175)</u>
<b>Profit for the period</b>	<u><u><b>2,809</b></u></u>	<u><u>4,534</u></u>	<u><u><b>3,211</b></u></u>	<u><u>4,019</u></u>
<b>Attributable to:</b>				
Equity holders of the Bank	<b>2,647</b>	4,170	<b>3,211</b>	4,019
Non-controlling interests	<u><b>162</b></u>	<u>364</u>	<u>-</u>	<u>-</u>
<b>Profit for the period</b>	<u><u><b>2,809</b></u></u>	<u><u>4,534</u></u>	<u><u><b>3,211</b></u></u>	<u><u>4,019</u></u>
<b>Earnings per share</b>	<u><u><b>7.3c</b></u></u>	<u><u>11.6c</u></u>		



# LOMBARD

Lombard Bank Malta p.l.c.

## Statements of Comprehensive Income for the period 1 January 2012 to 30 June 2012

	Group		Bank	
	30/06/12 €000	30/06/11 €000	30/06/12 €000	30/06/11 €000
<b>Profit for the period</b>	<b>2,809</b>	4,534	<b>3,211</b>	4,019
<b>Other comprehensive income</b>				
Fair valuation of available-for-sale financial assets:				
Net changes in fair value arising during the period, before tax	(521)	451	(494)	610
Income tax relating to components of other comprehensive income	173	(214)	173	(214)
<b>Other comprehensive income for the period, net of income tax</b>	<b>(348)</b>	237	<b>(321)</b>	396
<b>Total comprehensive income for the period, net of income tax</b>	<b>2,461</b>	4,771	<b>2,890</b>	4,415
<b>Attributable to:</b>				
Equity holders of the Bank	2,308	4,459		
Non-controlling interests	153	312		
<b>Total comprehensive income for the period, net of income tax</b>	<b>2,461</b>	4,771		



**Lombard Bank Malta p.l.c.**

**Statements of Financial Position at 30 June 2012**

	<b>Group</b>		<b>Bank</b>	
	<b>30/06/12</b>	31/12/11	<b>30/06/12</b>	31/12/11
	<b>€000</b>	€000	<b>€000</b>	€000
<b>Assets</b>				
Balances with Central Bank of Malta,				
treasury bills and cash	<b>123,845</b>	164,175	<b>123,404</b>	163,445
Cheques in course of collection	<b>1,142</b>	456	<b>1,142</b>	456
Derivative financial instruments	-	-	<b>270</b>	179
Investments	<b>22,361</b>	16,328	<b>19,586</b>	12,565
Loans and advances to banks	<b>92,879</b>	35,570	<b>89,280</b>	33,983
Loans and advances to customers	<b>324,202</b>	310,354	<b>324,558</b>	310,752
Investment in subsidiaries	-	-	<b>8,502</b>	8,502
Intangible assets	<b>1,477</b>	1,518	<b>223</b>	244
Property, plant and equipment	<b>21,925</b>	21,373	<b>12,711</b>	12,504
Investment property	<b>745</b>	745	<b>745</b>	745
Assets classified as held for sale	<b>184</b>	111	<b>185</b>	111
Current tax assets	<b>442</b>	760	-	220
Deferred tax assets	<b>2,903</b>	2,572	<b>2,457</b>	2,181
Inventories	<b>958</b>	784	<b>331</b>	246
Trade and other receivables	<b>11,130</b>	8,361	<b>2,995</b>	906
Accrued income and other assets	<b>4,676</b>	4,847	<b>3,119</b>	3,100
<b>Total assets</b>	<b><u>608,869</u></b>	<u>567,954</u>	<b><u>589,508</u></b>	<u>550,139</u>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital	<b>9,023</b>	9,023	<b>9,023</b>	9,023
Share premium	<b>17,746</b>	17,746	<b>17,746</b>	17,746
Revaluation and other reserves	<b>1,668</b>	2,007	<b>1,563</b>	1,884
Retained earnings	<b>45,954</b>	46,109	<b>45,115</b>	44,604
<b>Equity attributable to equity holders of the Bank</b>	<b><u>74,391</u></b>	<u>74,885</u>	<b><u>73,447</u></b>	<u>73,257</u>
Non-controlling interests	<b>4,753</b>	4,774	-	-
<b>Total equity</b>	<b><u>79,144</u></b>	<u>79,659</u>	<b><u>73,447</u></b>	<u>73,257</u>
<b>Liabilities</b>				
Derivative financial instruments	<b>1</b>	9	<b>1</b>	9
Amounts owed to banks	<b>6,774</b>	6,942	<b>4,082</b>	2,985
Amounts owed to customers	<b>477,445</b>	462,322	<b>478,604</b>	463,761
Current tax liabilities	<b>969</b>	-	<b>969</b>	-
Provisions for liabilities and other charges	<b>2,834</b>	2,426	<b>696</b>	676
Other liabilities	<b>30,308</b>	6,245	<b>26,955</b>	4,149
Accruals and deferred income	<b>11,394</b>	10,351	<b>4,754</b>	5,302
<b>Total liabilities</b>	<b><u>529,725</u></b>	<u>488,295</u>	<b><u>516,061</u></b>	<u>476,882</u>
<b>Total equity and liabilities</b>	<b><u>608,869</u></b>	<u>567,954</u>	<b><u>589,508</u></b>	<u>550,139</u>
<b>Memorandum items</b>				
Contingent liabilities	<b><u>5,275</u></b>	<u>6,314</u>	<b><u>5,275</u></b>	<u>6,314</u>
Commitments	<b><u>72,749</u></b>	<u>79,470</u>	<b><u>72,749</u></b>	<u>79,470</u>

These condensed financial statements were approved by the Board on 23 August 2012 and 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 2012 to 30 June 2012

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 2011</b>	9,023	17,746	2,609	42,329	71,707	4,336	76,043
<b>Comprehensive income</b>							
Profit for the period	-	-	-	4,170	4,170	364	4,534
<b>Other comprehensive income</b>							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the period	-	-	289	-	289	(52)	237
<b>Total other comprehensive income for the period</b>	-	-	289	-	289	(52)	237
<b>Total comprehensive income for the period</b>	-	-	289	4,170	4,459	312	4,771
<b>Transactions with owners, recorded directly in equity</b>							
Contributions by and distributions to owners:							
Dividends to equity holders	-	-	-	(2,697)	(2,697)	(404)	(3,101)
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>							
Change in non-controlling interests in subsidiary	-	-	-	(102)	(102)	259	157
<b>Total transactions with owners</b>	-	-	-	(2,799)	(2,799)	(145)	(2,944)
<b>At 30 June 2011</b>	9,023	17,746	2,898	43,700	73,367	4,503	77,870
<b>At 1 January 2012</b>	9,023	17,746	2,007	46,109	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	-	-	(339)	-	(339)	(9)	(348)
<b>Total other comprehensive income for the period</b>	-	-	(339)	-	(339)	(9)	(348)
<b>Total comprehensive income for the period</b>	-	-	(339)	2,647	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	1,668	45,954	74,391	4,753	79,144





# LOMBARD

Lombard Bank Malta p.l.c.

## Statements of Changes in Equity for the period 1 January 2012 to 30 June 2012

Bank

	Share capital €000	Share premium €000	Revaluation and other reserves €000	Retained earnings €000	Total equity €000
<b>At 1 January 2011</b>	9,023	17,746	2,403	41,288	70,460
<b>Comprehensive income</b>					
Profit for the period	-	-	-	4,019	4,019
<b>Other comprehensive income</b>					
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the period	-	-	396	-	396
<b>Total other comprehensive income for the period</b>	-	-	396	-	396
<b>Total comprehensive income for the period</b>	-	-	396	4,019	4,415
<b>Transactions with owners, recorded directly in equity</b>					
Contributions by and distributions to owners:					
Dividends to equity holders	-	-	-	(2,698)	(2,698)
<b>Total transactions with owners</b>	-	-	-	(2,698)	(2,698)
<b>At 30 June 2011</b>	<b>9,023</b>	<b>17,746</b>	<b>2,799</b>	<b>42,609</b>	<b>72,177</b>
<b>At 1 January 2012</b>	<b>9,023</b>	<b>17,746</b>	<b>1,884</b>	<b>44,604</b>	<b>73,257</b>
<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)
<b>Total other comprehensive income for the period</b>	-	-	(321)	-	(321)
<b>Total comprehensive income for the period</b>	-	-	(321)	3,211	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>	<b>9,023</b>	<b>17,746</b>	<b>1,563</b>	<b>45,115</b>	<b>73,447</b>



# LOMBARD

## Lombard Bank Malta p.l.c.

### Statements of Cash Flows for the period 1 January 2012 to 30 June 2012

	Group		Bank	
	30/06/12 €000	30/06/11 €000	30/06/12 €000	30/06/11 €000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	11,758	12,163	11,809	12,167
Receipts from customers relating to postal sales and other revenue	51,546	55,439	15	9
Interest and commission payments	(5,607)	(5,304)	(5,527)	(5,308)
Payments to employees and suppliers	(52,194)	(57,803)	(3,854)	(3,786)
<b>Cash flows from operating profit before changes in operating assets and liabilities</b>	<b>5,503</b>	<b>4,495</b>	<b>2,443</b>	<b>3,082</b>
<i>Decrease/(increase) in operating assets:</i>				
Treasury bills	(13,124)	20,478	(13,124)	20,478
Deposits with Central Bank of Malta	3,276	677	3,276	677
Loans and advances to banks and customers	(14,191)	33,366	(14,149)	33,323
Other receivables	(2,121)	(387)	(2,173)	(387)
<i>Increase/(decrease) in operating liabilities:</i>				
Amounts owed to banks and to customers	13,847	(19,921)	14,875	(19,179)
Other payables	22,797	56	22,797	56
<b>Net cash from operations</b>	<b>15,987</b>	<b>38,764</b>	<b>13,945</b>	<b>38,050</b>
Income tax (paid)/refunded	(362)	50	(111)	361
<b>Net cash from operating activities</b>	<b>15,625</b>	<b>38,814</b>	<b>13,834</b>	<b>38,411</b>
<b>Cash flows from investing activities</b>				
Dividends received	88	88	88	88
Interest received from investments	1,165	1,779	1,035	1,564
Purchase of investments	(7,592)	-	(7,592)	-
Proceeds on maturity/disposal of investments	1,039	20,141	69	18,781
Purchase of property, plant and equipment	(1,327)	(1,515)	(391)	(601)
Acquisition of non-controlling interests	-	(42)	-	-
Proceeds from liquidation of subsidiary	-	-	-	117
<b>Net cash (used in)/from investing activities</b>	<b>(6,627)</b>	<b>20,451</b>	<b>(6,791)</b>	<b>19,949</b>
<b>Cash flows from financing activities</b>				
Dividends paid to equity holders of the Bank	(2,698)	(2,698)	(2,698)	(2,698)
Dividends paid to non-controlling interests	(275)	(201)	-	-
<b>Cash used in financing activities</b>	<b>(2,973)</b>	<b>(2,899)</b>	<b>(2,698)</b>	<b>(2,698)</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,025</b>	<b>56,366</b>	<b>4,345</b>	<b>55,662</b>
Cash and cash equivalents at beginning of period	122,529	95,515	120,168	93,477
<b>Cash and cash equivalents at end of period</b>	<b>128,554</b>	<b>151,881</b>	<b>124,513</b>	<b>149,139</b>



# LOMBARD

## Lombard Bank Malta p.l.c.

### Segmental analysis for the period 1 January 2012 to 30 June 2012

	Banking services		Postal Services		Total	
	30/06/12 €000	30/06/11 €000	30/06/12 €000	30/06/11 €000	30/06/12 €000	30/06/11 €000
Net operating income	<b>7,726</b>	9,071	<b>11,090</b>	10,869	<b>18,816</b>	19,940
Segment result - Profit before taxation	<b>3,504</b>	5,311	<b>796</b>	1,686	<b>4,300</b>	6,997
	<b>30/06/12 €000</b>	31/12/11 €000	<b>30/06/12 €000</b>	31/12/11 €000	<b>30/06/12 €000</b>	31/12/11 €000
Segment total assets	<b>579,225</b>	540,478	<b>29,644</b>	27,476	<b>608,869</b>	567,954



**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 2012 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*

23 August 2012