



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 25th August 2015, 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 2015 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 downloading on the Bank's website at <http://www.lombardmalta.com>.

Unquote

Dr. Helena Said LL.D.
Company Secretary

25 August 2015



25 August 2015

***LOMBARD BANK MALTA p.l.c.
HALF-YEARLY RESULTS FOR 2015***

- Group profit before tax stood at €4.3m (H1 2014: €3.3m).
- Profit Attributable to Equity Holders was €2.3m (H1 2014: €1.9m).
- Group Operating Income reached €21.6m (H1 2014: €19.5m).
- Customer Deposits stood at €590.4m (FYE 2014: €573.9m).
- Loans and Advances to customers stood at €269.2m (FYE 2014: €318.7m).
- Bank Cost-to-Income Ratio stood at 47.0% (H1 2014: 45.2%).
- Impairment Allowances increased by €1.8m (H1 2014: €1.6m).
- Total Assets stood at €715.9m (FYE 2014: €691.5m).
- Liquidity Ratio was 79.1% (regulatory minimum requirement of 30%).
- CRDIV Total Capital Ratio of 17.7% (regulatory minimum requirement of 8%).



Commentary

The Lombard Bank Group registered a profit before tax of €4.3m for the first six months of 2015, compared with €3.3m in the same period last year. This increase was largely due to an improved performance by MaltaPost.

Net Interest Income for H1 2015 decreased by 5.8% from €6.8m to €6.4m while Interest Receivable was impacted by pressure on lending margins. The Bank registered a net decrease in customer advances of 15.5%, which led to 12.5% lower gross interest. Customer deposits increased further to €590.4m, up by 2.9%, reflecting a high level of liquidity in the market as well as continued customer confidence in the Bank. The current level of low interest rates gave rise to a reduced cost of holding customer deposits. Interest expense was down by 18.9% to €4.0m. The Bank remains well funded and supported by a diversified portfolio of retail deposits.

The Bank's Cost-to-Income Ratio increased from 45.2% in the first half of 2014 to the current 47.0%. Compliance costs continued to bear heavily on the level of costs with increases being experienced in salaries, training, IT, licence fees and contribution to the Depositor Compensation Scheme. Other increases in costs relate to product development and maintenance of the retail infrastructure.

Prudent management of credit risk resulted in an increase in Impairment Allowances of €0.2m, taking the total to €19.0m, in order to hedge against any possible future loss from the lending portfolio. Given the high level of tangible security held against the lending portfolio, the Bank considers this level of provisioning to be adequate.

Common Equity Tier 1 Ratio (CET1), for which the Regulatory minimum is 4.5% in terms of EU Regulation No. 575/2013, improved from 15.9% at the start of the Financial Year to 16.8%. Total Capital Ratio also strengthened from 16.8% to 17.7%, while the Liquidity Ratio at 79.1% was well in excess of the 30% minimum requirement. Loan to Deposit Ratio stood at 45.6%.

The Bank is well equipped to meet the challenges resulting from the ever-increasing obligations of the regulatory regime and market conditions by focusing its strategy and policy framework on the realities and needs of the Maltese market. This will continue to be based on providing the personalised and reliable service that Lombard Bank is renowned for. However, in the short term the Bank's performance is expected to continue to be determined by the available business opportunities, while every effort will be made so that the expectations of all stakeholders continue to be met.



Lombard Bank Malta p.l.c.

Income Statements for the period 1 January 2015 to 30 June 2015

	Group		Bank	
	30/06/15	30/06/14	30/06/15	30/06/14
	€000	€000	€000	€000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	9,507	11,003	9,491	10,998
- on debt and other fixed income instruments	868	688	804	626
Interest expense	(3,961)	(4,885)	(3,970)	(4,904)
Net interest income	6,414	6,806	6,325	6,720
Fee and commission income	1,547	1,349	1,046	890
Fee and commission expense	(123)	(69)	(123)	(69)
Net fee and commission income	1,424	1,280	923	821
Postal sales and other revenues	12,789	11,236	5	4
Dividend income	128	98	1,641	1,498
Net trading income	726	244	446	237
Other operating income/(expenses)	143	(168)	223	(147)
Operating income	21,624	19,496	9,563	9,133
Employee compensation and benefits	(8,459)	(8,183)	(2,784)	(2,570)
Other operating costs	(6,387)	(5,764)	(1,470)	(1,312)
Depreciation and amortisation	(653)	(605)	(244)	(250)
Net operating income before impairment charges and provisions	6,125	4,944	5,065	5,001
Net impairment losses	(1,770)	(1,586)	(1,770)	(1,564)
Provisions for liabilities and other charges	(49)	(93)	-	-
Profit before taxation	4,306	3,265	3,295	3,437
Income tax expense	(1,533)	(1,160)	(1,179)	(1,189)
Profit for the period	2,773	2,105	2,116	2,248
Attributable to:				
Equity holders of the Bank	2,281	1,860	2,116	2,248
Non-controlling interests	492	245	-	-
Profit for the period	2,773	2,105	2,116	2,248
Earnings per share	5.2c	4.3c		



Lombard Bank Malta p.l.c.

Statements of Comprehensive Income for the period 1 January 2015 to 30 June 2015

	Group		Bank	
	30/06/15	30/06/14	30/06/15	30/06/14
	€000	€000	€000	€000
Profit for the period	2,773	2,105	2,116	2,248
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 year, before tax	2,384	389	2,129	377
Reclassification adjustments- net amount reclassified to profit or loss, before tax	(17)	(1)	(17)	(1)
Income tax relating to components of other comprehensive income	(739)	(132)	(739)	(132)
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurements of defined benefit obligations	(151)	-	-	-
Deferred tax adjustment on property revaluation		-	-	-
Other comprehensive income for the period, net of income tax	1,477	256	1,373	244
Total comprehensive income for the period, net of income tax	4,250	2,361	3,489	2,492
Attributable to:				
Equity holders of the Bank	3,727	2,113		
Non-controlling interests	523	248		
Total comprehensive income for the period, net of income tax	4,250	2,361		



Lombard Bank Malta p.l.c.

Statements of Financial Position at 30 June 2015

	Group		Bank	
	30/06/15	31/12/14	30/06/15	31/12/14
	€000	€000	€000	€000
Assets				
Balances with Central Bank of Malta, treasury bills and cash	160,847	84,311	160,269	83,914
Cheques in course of collection	1,118	1,656	1,118	1,656
Investments	72,550	55,077	68,711	51,795
Loans and advances to banks	164,182	185,918	161,164	182,857
Loans and advances to customers	269,207	318,742	269,887	319,420
Investment in subsidiaries	-	-	12,168	11,184
Intangible assets	1,472	1,422	324	202
Property, plant and equipment	25,342	24,574	13,190	13,141
Assets classified as held for sale	1,022	1,022	1,022	1,022
Current tax assets	-	1,665	-	1,289
Deferred tax assets	4,684	4,764	4,362	4,429
Inventories	1,134	996	425	343
Trade and other receivables	8,649	5,545	2,090	1,447
Accrued income and other assets	5,738	5,835	2,882	3,132
Total assets	715,945	691,527	697,612	675,831
Equity and Liabilities				
Equity				
Share capital	10,943	10,422	10,943	10,422
Share premium	17,746	17,746	17,746	17,746
Revaluation and other reserves	10,412	8,329	10,196	8,187
Retained earnings	46,241	46,291	44,618	44,744
Equity attributable to equity holders of the Bank	85,342	82,788	83,503	81,099
Non-controlling interests	5,908	5,519	-	-
Total equity	91,250	88,307	83,503	81,099
Liabilities				
Amounts owed to banks	16	73	16	73
Amounts owed to customers	590,366	573,946	594,095	577,937
Provisions for liabilities and other charges	2,332	2,258	604	565
Other liabilities	21,439	16,919	14,956	11,205
Accruals and deferred income	10,542	10,024	4,438	4,952
Total liabilities	624,695	603,220	614,109	594,732
Total equity and liabilities	715,945	691,527	697,612	675,831
Memorandum items				
Contingent liabilities	7,021	8,023	7,021	8,023
Commitments	79,141	72,115	79,141	72,115

These condensed financial statements were approved by the Board on 25 August 2015 and signed on its behalf by:

Michael C. Bonello, *Chairman*

Joseph Said, *Chief Executive Officer*



Lombard Bank Malta p.l.c.

Statements of Changes in Equity for the period 1 January 2015 to 30 June 2015

Group

	Attributable to equity holders of the Bank				Non-controlling interests €000	Total equity €000
	Share capital €000	Share premium €000	Revaluation and other reserves €000	Retained earnings €000	Total €000	
At 1 January 2014	9,925	17,746	6,231	45,372	79,274	84,401
Comprehensive income						
Profit for the period	-	-	-	1,860	1,860	2,105
Other comprehensive income						
Fair valuation of available-for-sale financial assets:						
Net changes in fair value arising during the period	-	-	254	-	254	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	256
Total comprehensive income for the period	-	-	278	1,835	2,113	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)	(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)	146
Total transactions with owners	496	-	-	(1,645)	(1,149)	(1,308)
At 30 June 2014	10,421	17,746	6,509	45,562	80,238	85,454
At 1 January 2015	10,422	17,746	8,329	46,291	82,788	88,307
Comprehensive Income						
Profit for the period	-	-	-	2,281	2,281	2,773
Other comprehensive income						
Fair valuation of available-for-sale financial assets:						
Net changes in fair value arising during the period	-	-	1,562	-	1,562	1,638
Reclassification adjustments						
Net amounts reclassified to profit or loss	-	-	(10)	-	(10)	(10)
Transfers and other movements	-	-	636	(636)	-	-
Remeasurements of defined benefit obligations	-	-	(106)	-	(106)	(151)
Total other comprehensive income for the period	-	-	2,082	(636)	1,446	1,477
Total comprehensive income for the period	-	-	2,082	1,645	3,727	4,250
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners:						
Bonus shares issued	521	-	-	(521)	-	-
Dividends to equity holders	-	-	-	(1,085)	(1,085)	(1,513)
Changes in ownership interests in subsidiaries that do not result in a loss of control						
Change in non-controlling interests in subsidiary	-	-	1	(89)	(88)	206
Total transactions with owners	521	-	1	(1,695)	(1,173)	(1,307)
At 30 June 2015	10,943	17,746	10,412	46,241	85,342	91,250

Lombard Bank Malta p.l.c.

Statements of Changes in Equity for the period 1 January 2015 to 30 June 2015

Bank

	Share capital €000	Share premium €000	Revaluation and other reserves €000	Retained earnings €000	Total equity €000
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
At 1 January 2015	10,422	17,746	8,187	44,744	81,099
Comprehensive income					
Profit for the period	-	-	-	2,116	2,116
Other comprehensive income					
Fair valuation of available-for-sale financial assets					
Net changes in fair value arising during the period	-	-	1,384	-	1,384
Reclassification adjustments					
Net amounts reclassified to profit or loss	-	-	(11)	-	(11)
Transfers and other movements	-	-	636	(636)	-
Total other comprehensive income for the period	-	-	2,009	(636)	1,373
Total comprehensive income for the period	-	-	2,009	1,480	3,489
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners:					
Bonus shares issued	521	-	-	(521)	-
Dividends to equity holders	-	-	-	(1,085)	(1,085)
Total transactions with owners	521	-	-	(1,606)	(1,085)
At 30 June 2015	10,943	17,746	10,196	44,618	83,503

Lombard Bank Malta p.l.c.

Statements of Cash Flows for the period 1 January 2015 to 30 June 2015

	Group		Bank	
	30/06/15	30/06/14	30/06/15	30/06/14
	€000	€000	€000	€000
Cash flows from operating activities				
Interest and commission receipts	11,604	11,930	11,694	11,977
Receipts from customers relating to postal sales and other revenue	12,336	10,317	5	16
Interest and commission payments	(4,385)	(4,736)	(4,394)	(4,756)
Payments to employees and suppliers	(16,291)	(13,982)	(4,696)	(4,070)
Cash flows from operating profit before changes in operating assets and liabilities	3,264	3,529	2,609	3,167
<i>(Increase)/decrease in operating assets:</i>				
Treasury bills	(77,518)	(59,859)	(77,517)	(59,859)
Deposits with Central Bank of Malta	(665)	(877)	(664)	(877)
Loans and advances to banks and customers	47,672	6,980	47,670	6,936
Other receivables	(187)	(1,295)	(188)	(1,345)
<i>Increase in operating liabilities:</i>				
Amounts owed to banks and to customers	16,419	43,031	16,157	41,891
Other payables	3,003	1,630	3,005	1,681
Net cash used in operations	(8,012)	(6,861)	(8,928)	(8,406)
Net income tax refunded/(paid)	839	(798)	714	(587)
Net cash flows used in operating activities	(7,173)	(7,659)	(8,214)	(8,993)
Cash flows from investing activities				
Dividends received	128	97	128	97
Interest received from investments	1,103	1,053	995	943
Proceeds on maturity/disposal of investments	1,360	298	1,360	180
Purchase of investments	(16,536)	(4,299)	(16,233)	(3,882)
Purchase of property, plant and equipment	(907)	(822)	(416)	(176)
Acquisition of non-controlling interests	-	(44)	-	-
Net cash flows used in investing activities	(14,852)	(3,717)	(14,166)	(2,838)
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	(1,084)	(1,032)	(1,084)	(1,032)
Dividends paid to non-controlling interests	(218)	(230)	-	-
Net cash flows used in financing activities	(1,302)	(1,262)	(1,084)	(1,032)
Net decrease in cash and cash equivalents	(23,327)	(12,638)	(23,464)	(12,863)
Cash and cash equivalents at beginning of period	233,894	148,346	230,580	142,955
Cash and cash equivalents at end of period	210,567	135,708	207,116	130,092



Lombard Bank Malta p.l.c.

Segmental analysis for the period 1 January 2015 to 30 June 2015

	Banking services		Postal services		Total	
	30/06/15	30/06/14	30/06/15	30/06/14	30/06/15	30/06/14
	€000	€000	€000	€000	€000	€000
Net operating income	7,913	7,677	13,711	11,819	21,624	19,496
Segment result - Profit before taxation	1,779	2,033	2,527	1,232	4,306	3,265
	30/06/15	31/12/14	30/06/15	31/12/14	30/06/15	31/12/14
	€000	€000	€000	€000	€000	€000
Segment total assets	681,797	660,743	34,148	30,784	715,945	691,527



Lombard Bank Malta p.l.c.

Asset encumbrance

Banking Rule 07 transposed the provisions of the EBA Guidelines on Disclosure of Encumbered and Unencumbered Assets (EBA/GL/2014/03) and introduced the requirement to disclose information about asset encumbrance.

This disclosure is meant to facilitate an understanding of available and unrestricted assets that could be used to support potential future funding and collateral needs. An asset is defined as encumbered if it has been pledged as collateral against an existing liability, and as a result is no longer available to the group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

The disclosure is not designed to identify assets which would be available to meet the claims of creditors or to predict assets that would be available to creditors in the event of a resolution or bankruptcy.

Encumbered and unencumbered assets

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Bank	€000	€000	€000	€000
At 30 June 2015				
Equity Instruments	-	-	8,417	8,417
Debt Securities	11,498	11,498	49,423	49,423
Other Assets	1,234	1,234	627,040	627,040
	12,732	12,732	684,880	684,880
At 31 December 2014				
Equity Instruments	-	-	5,565	5,565
Debt Securities	11,694	11,694	35,101	35,101
Other Assets	1,235	1,235	622,236	622,236
	12,929	12,929	662,902	662,902

Lombard Bank does not encumber any collateral received. As at 30 June 2015, the Bank did not have any outstanding liabilities associated with encumbered assets and collateral received.

The Bank undertakes the following types of encumbrance:

- Pledging of a deposit with the Central Bank of Malta in favour of the Depositor Compensation Scheme.
- Pledging of Malta Government Stocks in favour of the Depositor Compensation Scheme.
- Pledging of Malta Government Stocks held in terms of Directive No. 8 (Chapter 204 of the Central Bank of Malta Act) as security for a facility not currently utilised.



Explanatory Notes

1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2015 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 2014, 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 2014, 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 2015 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 2015 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.



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 2015 and 31 December 2014, 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 repriceable 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 2014.



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 2015 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

25 August 2015