Company Announcement

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

Quote

INTERIM DIRECTORS' STATEMENT & COVID-19 UPDATE

Lombard Bank Malta p.l.c. (the 'Bank') refers to its Company Announcements of 17 March 2020 (LOM 239), 23 March 2020 (LOM 240) and 7 April 2020 (LOM 241).

The Bank's Board of Directors today reviewed the more recent financial data and COVID-19 related developments. With all available economic forecasts suggesting that the Maltese economy is set for a contraction during 2020, the Bank's financial performance stands to be negatively impacted. Though it is unlikely that the original objectives set for the year will be achieved, however, given the current level of uncertainty it is not considered prudent to attempt any medium-term forecasts.

The following highlights taken from the latest financial information are relevant:

- Net interest income is marginally down as a result of higher interest payable on increased volumes of customer deposits and pressure from negative interest rates on excess liquidity.
- Fees and commission income has decreased as the second quarter progresses while transaction banking activity and international payments have also experienced lower volumes.
- Costs remain well under control and in line with expectations.
- Net Loans & Advances to Customers remained virtually unchanged and Customer Deposits continued to increase from the end of the previous year.
- Total Capital Ratio remains strong and well above the minimum regulatory requirements.

While the Bank had a good start to 2020 with growth in line with expectations, as the first quarter progressed, the impact on its operations stemming from the COVID-19 economic environment makes it unlikely that the profit target for the year will be achieved. Apart from the reduction in international trade and increased caution by local businesses in seeking new medium-term credit facilities, other relevant factors such as declining employment levels coupled with a subdued business sentiment are still evolving.

It is nevertheless reassuring to note that the Bank's balance sheet remains strong with total assets at the same levels of the previous year, while healthy liquidity ratios continue to be actively managed and monitored and the loans to deposits ratio stands at a prudent 59%. The Bank's Loans and Advances portfolio moreover includes facilities for medium-term projects which should not be unduly impacted by the short-term economic environment and to date the Bank has not experienced any need to increase provisions for expected credit losses as a direct result of the pandemic. The Bank is however well equipped to increase provisions should the economic situation deteriorate such that the repayment ability of its borrowing customers becomes impaired. At the same time, the Bank has introduced its own support measures to complement those introduced by Government to assist the economy.

In spite of the challenges being faced, MaltaPost p.l.c., the Bank's main subsidiary, continued to deliver postal services uninterruptedly, with only minor disruptions mainly in deference to consideration of health and safety issues. However, other areas of operational activity have been significantly affected, not least by the sharp decline in flight connections to and from Malta. As may well be expected, this unplanned interruption is having a negative impact on some of the subsidiary's more important revenue streams and which are in part being rigorously mitigated through the efficient and judicious management of costs, together with other related efficiencies. Currently it is not at all clear when the situation regarding flights is likely to return to normal.

The Bank continues to closely monitor developments and remains committed to ensuring that the best interests of its stakeholders are given priority and safeguarded at all times. The Bank will continue to keep the market updated with any material developments.

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Helena Said
Company Secretary

20 May 2020