



# LOMBARD

## Company Announcement

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

### *Quote:*

During a meeting held on the 23 August 2018, 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 2018 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 <https://www.lombardmalta.com/en/financial-results>.

### *Unquote*

Dr. Helena Said LL.D.  
Company Secretary

23 August 2018

Lombard Bank Malta p.l.c.



**LOMBARD**

Half Yearly Results  
30 June 2018



# LOMBARD

23 August 2018

***LOMBARD BANK MALTA p.l.c.  
HALF-YEARLY RESULTS FOR 2018***

- Group Profit Before Tax stood at €6.1m (H1 2017: €4.7m).
- Profit Attributable to Equity Holders was €3.7m (H1 2017: €2.7m).
- Group Operating Income reached €35.4m (H1 2017: €26.8m).
- Bank Cost-to-Income Ratio stood at 48.3% (H1 2017: 49.0%).
- Change In Expected Credit Losses & Other Credit Impairment Charges for the Bank (as per IFRS 9) amounted to €1.0m compared to Net Impairment Losses of €0.8m in 2017 (as per IAS 39).
- Customer Deposits stood at €751.8m (FYE 2017: €733.2m).
- Loans and Advances to Customers stood at €474.7m (FYE 2017: €428.6m).
- Group Total Assets stood at €916.6m (FYE 2017: €882.7m).
- Bank Advances to Deposits Liquidity Ratio was 62.7% (FYE 2017: 58.2%).
- Total Capital Ratio of 13.6% (regulatory minimum requirement of 8%).



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## *Commentary*

In spite of persistent low interest rates, intense competition and a commitment to service only high quality business, the Lombard Bank Group registered a Profit before Tax of €6.1m in the first six months of 2018, compared to €4.7m in the same period last year.

Activity remained strong and profitable in all significant business lines of both the banking and the postal segments of the Group.

Net Interest Income at Bank level for H1 2018 rose by 24% from €7.1m to €8.9m. The increase mainly reflected higher volumes of commercial credit activity during the past 12 months. The Bank also continued to manage its liquidity positions judiciously so as to limit the negative effects of low-to-negative interest rates in the money markets. Loans and Advances to Customers rose by 11% during the first half of this year. Meanwhile Customer Deposits increased by 3% with terms tending towards the shorter maturities. The Bank relies on a well-diversified funding base mainly consisting of retail deposits.

The increase of 2% in Fee and Commission Income for the Bank was mainly attributable to higher levels of credit activity as noted above. Postal Sales and Other Revenues continued to experience positive trends in international mail services, registered mail and parcel volumes.

The ability to recruit additional professional human resources to meet the needs of the Group remained a challenge in an economy that is experiencing virtually full employment. Employee Compensation and Benefits rose by 8% and are expected to continue to increase given the highly competitive labour market. Risk Management and Compliance costs remained significant and also on the increase.

As from 1 January 2018 the Bank adopted the new Accounting Standard, IFRS 9 'Financial Instruments'. The net impact of this Standard on Shareholders' Funds as well as on Regulatory Capital was minimal. There was no regulatory requirement to restate comparative periods, but adjustments were made to the balance sheet as at 1 January 2018. The change in 'Expected Credit Losses & Other Credit Impairment Charges' under IFRS 9 for H1 was €1.0m. The smooth transition to the new IFRS 9 regime was a result of the high quality of the Bank's Credit and Treasury portfolios. This confirms the Bank's continued commitment to prudent financial management practices.

Both Common Equity Tier 1 Ratio (CET1), at 13.6% and for which the Regulatory minimum is 4.5% in terms of EU Regulation No. 575/2013, and Total Capital Ratio, also at 13.6%, stood well above the transitional and fully loaded regulatory requirements. The Bank experienced an expected increase in its Risk Weighted Assets as a result of the expansion in lending and investment activities during the period reviewed. Bank Advances to Deposits Liquidity Ratio was 62.7% (FYE 2017: 58.2%), leaving a healthy liquidity buffer.

It is also to be noted that in July 2018 the Bank received a dividend from Redbox Limited, which amount shall be included in the second half figures of this financial year.

The Board of Directors is satisfied that the performance achieved during the first six months of the year was in line with expectations, delivering improved operating profits while continuing to invest both in professional expertise and technology. A selective approach to new business



# LOMBARD

remained key to achieving increased shareholder value and provided opportunities for further expansion.

The transfer of the Lombard Bank shares held by Cyprus Popular Bank Public Co Ltd to the National Development and Social Fund was settled in mid-August. The Board now looks forward to the next phase, which should see the Fund divest itself of the larger part of these same shares.

The Board of Directors thanks all stakeholders for their continued support and loyalty and is confident that positive results will also be registered during the remainder of the year.



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Lombard Bank Malta p.l.c.

## Income Statements for the period 1 January 2018 to 30 June 2018

	Group		Bank	
	30/06/18 €000	30/06/17 €000	30/06/18 €000	30/06/17 €000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	10,892	9,270	10,872	9,268
- on debt and other fixed income instruments	901	979	835	913
Interest expense	(2,832)	(3,041)	(2,832)	(3,045)
<b>Net interest income</b>	<b>8,961</b>	<b>7,208</b>	<b>8,875</b>	<b>7,136</b>
Fee and commission income	2,302	2,260	1,774	1,746
Fee and commission expense	(186)	(188)	(186)	(188)
<b>Net fee and commission income</b>	<b>2,116</b>	<b>2,072</b>	<b>1,588</b>	<b>1,558</b>
Postal sales and other revenues	23,710	17,040	32	16
Dividend income	228	143	228	1,697
Net trading income	374	356	427	318
Other operating income	56	-	105	-
<b>Operating income</b>	<b>35,445</b>	<b>26,819</b>	<b>11,255</b>	<b>10,725</b>
Employee compensation and benefits	(10,395)	(9,669)	(3,138)	(3,080)
Other operating costs	(17,146)	(10,689)	(1,974)	(1,865)
Depreciation and amortisation	(771)	(682)	(326)	(312)
<b>Net operating income before impairment charges and provisions</b>	<b>7,133</b>	<b>5,779</b>	<b>5,817</b>	<b>5,468</b>
Change in expected credit losses and other credit impairment charges	(1,020)	-	(1,020)	-
Net impairment reversals/(losses)	12	(826)	-	(822)
Provisions for liabilities and other charges	(51)	(55)	(10)	(11)
<b>Operating profit</b>	<b>6,074</b>	<b>4,898</b>	<b>4,787</b>	<b>4,635</b>
Share of profit/(loss) of investment accounted for using the equity method, net of tax	18	(155)	-	-
<b>Profit before taxation</b>	<b>6,092</b>	<b>4,743</b>	<b>4,787</b>	<b>4,635</b>
Income tax expense	(2,126)	(1,734)	(1,692)	(1,611)
<b>Profit for the period</b>	<b>3,966</b>	<b>3,009</b>	<b>3,095</b>	<b>3,024</b>
<b>Attributable to:</b>				
Equity holders of the Bank	3,722	2,671	3,095	3,024
Non-controlling interests	244	338	-	-
<b>Profit for the period</b>	<b>3,966</b>	<b>3,009</b>	<b>3,095</b>	<b>3,024</b>
<b>Earnings per share</b>	<b>8.4c</b>	<b>6.0c</b>		



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Lombard Bank Malta p.l.c.

## Statements of Comprehensive Income for the period 1 January 2018 to 30 June 2018

	Group		Bank	
	30/06/18 €000	30/06/17 €000	30/06/18 €000	30/06/17 €000
<b>Profit for the period</b>	<b>3,966</b>	3,009	<b>3,095</b>	3,024
<b>Other comprehensive income</b>				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Fair valuation of FVOCI financial assets:				
Net changes in fair value arising during the year, before tax	728	(1,641)	718	(1,531)
Reclassification adjustments- net amount reclassified to profit or loss, before tax	-	(7)	-	(7)
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurements of defined benefit obligations	(25)	62	-	-
Income tax relating to components of other comprehensive income	(243)	536	(252)	536
<b>Other comprehensive income for the period, net of income tax</b>	<b>460</b>	(1,050)	<b>466</b>	(1,002)
<b>Total comprehensive income for the period, net of income tax</b>	<b>4,426</b>	1,959	<b>3,561</b>	2,022
<b>Attributable to:</b>				
Equity holders of the Bank	4,184	1,634		
Non-controlling interests	242	325		
<b>Total comprehensive income for the period, net of income tax</b>	<b>4,426</b>	1,959		



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## Lombard Bank Malta p.l.c.

### Statements of Financial Position at 30 June 2018

	Group		Bank	
	30/06/18 €000	31/12/17 €000	30/06/18 €000	31/12/17 €000
<b>Assets</b>				
Balances with Central Bank of Malta, treasury bills and cash	178,983	215,133	178,398	214,500
Cheques in course of collection	1,298	1,755	1,298	1,755
Investments	77,024	75,895	73,154	72,282
Loans and advances to banks	106,120	97,048	104,341	90,258
Loans and advances to customers	474,684	428,611	474,684	428,611
Investment in subsidiary	-	-	15,732	15,732
Investment in associate	1,593	1,575	1,645	1,645
Intangible assets	1,927	1,648	576	480
Property, plant and equipment	32,682	31,753	18,406	17,676
Current tax assets	436	1,557	436	1,557
Deferred tax assets	9,100	8,980	8,497	8,369
Inventories	1,091	1,164	383	407
Trade and other receivables	25,659	10,949	3,743	3,649
Accrued income and other assets	5,970	6,678	3,289	2,917
<b>Total assets</b>	<b>916,567</b>	<b>882,746</b>	<b>884,582</b>	<b>859,838</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital	11,044	11,044	11,044	11,044
Share premium	18,530	18,530	18,530	18,530
Revaluation and other reserves	13,124	12,662	13,090	12,624
Retained earnings	56,530	53,904	53,886	51,887
<b>Equity attributable to equity holders of the Bank</b>	<b>99,228</b>	<b>96,140</b>	<b>96,550</b>	<b>94,085</b>
<b>Non-controlling interests</b>	<b>6,547</b>	<b>6,734</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>105,775</b>	<b>102,874</b>	<b>96,550</b>	<b>94,085</b>
<b>Liabilities</b>				
Amounts owed to banks	5,696	5,362	5,696	5,362
Amounts owed to customers	751,789	733,151	757,097	736,695
Provisions for liabilities and other charges	3,151	3,177	1,092	1,064
Current tax liabilities	420	229	-	-
Deferred tax liabilities	4,167	3,914	3,390	3,136
Other liabilities	35,944	23,217	16,179	15,076
Accruals and deferred income	9,625	10,822	4,578	4,420
<b>Total liabilities</b>	<b>810,792</b>	<b>779,872</b>	<b>788,032</b>	<b>765,753</b>
<b>Total equity and liabilities</b>	<b>916,567</b>	<b>882,746</b>	<b>884,582</b>	<b>859,838</b>
<b>Memorandum items</b>				
Contingent liabilities	11,528	9,078	11,542	9,093
Commitments	200,885	247,737	200,885	247,737

These condensed interim financial statements were approved by the Board of Directors on 23 August 2018 and signed on its behalf by:

**Michael C. Bonello**, *Chairman*

**Joseph Said**, *Director & Chief Executive Officer*





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Lombard Bank Malta p.l.c.

## Statements of Changes in Equity for the period 1 January 2018 to 30 June 2018

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			
At 1 January 2017	11,044	18,530	13,723	50,541	93,838	6,510	100,348
<b>Comprehensive income</b>							
Profit for the period	-	-	-	2,671	2,671	338	3,009
<b>Other comprehensive income</b>							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the period	-	-	(1,074)	-	(1,074)	(31)	(1,105)
Reclassification adjustments	-	-	-	-	-	-	-
Net amounts reclassified to profit or loss	-	-	(7)	-	(7)	-	(7)
Remeasurements of defined benefit obligations	-	-	44	-	44	18	62
Total other comprehensive income for the period	-	-	(1,037)	-	(1,037)	(13)	(1,050)
<b>Total comprehensive income for the period</b>	-	-	(1,037)	2,671	1,634	325	1,959
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners:</b>							
Dividends to equity holders	-	-	-	(1,148)	(1,148)	(433)	(1,581)
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>							
Change in non-controlling interests in subsidiary	-	-	3	(429)	(426)	184	(242)
<b>Total transactions with owners</b>	-	-	3	(1,577)	(1,574)	(249)	(1,823)
At 30 June 2017	11,044	18,530	12,689	51,635	93,898	6,586	100,484
At 31 December 2017	11,044	18,530	12,662	53,904	96,140	6,734	102,874
<b>Impact on transition to IFRS 9</b>	-	-	-	52	52	-	52
At 1 January 2018	11,044	18,530	12,662	53,956	96,192	6,734	102,926
<b>Comprehensive income</b>							
Profit for the period	-	-	-	3,722	3,722	244	3,966
<b>Other comprehensive income</b>							
Financial assets at FVOCI							
Net changes in fair value arising during the period	-	-	474	-	474	2	476
Remeasurements of defined benefit obligations	-	-	(12)	-	(12)	(4)	(16)
Total other comprehensive income for the period	-	-	462	-	462	(2)	460
<b>Total comprehensive income for the period</b>	-	-	462	3,722	4,184	242	4,426
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners:</b>							
Dividends to equity holders	-	-	-	(1,148)	(1,148)	(429)	(1,577)
<b>Total transactions with owners</b>	-	-	-	(1,148)	(1,148)	(429)	(1,577)
At 30 June 2018	11,044	18,530	13,124	56,530	99,228	6,547	105,775



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Lombard Bank Malta p.l.c.

## Statements of Changes in Equity for the period 1 January 2018 to 30 June 2018

<b>Bank</b>	<b>Share capital €000</b>	<b>Share premium €000</b>	<b>Revaluation and other reserves €000</b>	<b>Retained earnings €000</b>	<b>Total equity €000</b>
At 1 January 2017	11,044	18,530	13,434	48,381	91,389
<b>Comprehensive income</b>					
Profit for the period	-	-	-	3,024	3,024
<b>Other comprehensive income</b>					
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the period	-	-	(995)	-	(995)
Reclassification adjustments					
Net amounts reclassified to profit or loss	-	-	(7)	-	(7)
Total other comprehensive income for the period	-	-	(1,002)	-	(1,002)
<b>Total comprehensive income for the period</b>	-	-	(1,002)	3,024	2,022
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners:</b>					
Dividends to equity holders	-	-	-	(1,148)	(1,148)
<b>Total transactions with owners</b>	-	-	-	(1,148)	(1,148)
At 30 June 2017	11,044	18,530	12,432	50,257	92,263
<b>At 31 December 2017</b>	<b>11,044</b>	<b>18,530</b>	<b>12,624</b>	<b>51,887</b>	<b>94,085</b>
<b>Impact on transition to IFRS 9</b>	-	-	-	52	52
<b>At 1 January 2018</b>	<b>11,044</b>	<b>18,530</b>	<b>12,624</b>	<b>51,939</b>	<b>94,137</b>
<b>Comprehensive income</b>					
Profit for the period	-	-	-	3,095	3,095
<b>Other comprehensive income</b>					
Financial assets at FVOCI					
Net changes in fair value arising during the period	-	-	466	-	466
Total other comprehensive income for the period	-	-	466	-	466
<b>Total comprehensive income for the period</b>	-	-	466	3,095	3,561
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners:</b>					
Dividends to equity holders	-	-	-	(1,148)	(1,148)
<b>Total transactions with owners</b>	-	-	-	(1,148)	(1,148)
<b>At 30 June 2018</b>	<b>11,044</b>	<b>18,530</b>	<b>13,090</b>	<b>53,886</b>	<b>96,550</b>



# LOMBARD

Lombard Bank Malta p.l.c.

## Statements of Cash Flows for the period 1 January 2018 to 30 June 2018

	Group		Bank	
	30/06/18 €000	30/06/17 €000	30/06/18 €000	30/06/17 €000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	13,089	11,541	13,131	11,547
Receipts from customers relating to postal sales and other revenue	10,191	14,498	32	17
Interest and commission payments	(2,897)	(3,082)	(2,898)	(3,086)
Payments to employees and suppliers	(16,811)	(17,668)	(5,244)	(4,908)
<b>Cash flows from operating profit before changes in operating assets and liabilities</b>	<b>3,572</b>	<b>5,289</b>	<b>5,021</b>	<b>3,570</b>
<i>(Increase)/decrease in operating assets:</i>				
Treasury bills	(2,510)	36,770	(2,510)	36,770
Deposits with Central Bank of Malta	(435)	(484)	(435)	(484)
Loans and advances to banks and customers	(46,954)	(96,283)	(46,954)	(94,814)
Other receivables	403	(2,625)	431	(2,791)
<i>Increase/(decrease) in operating liabilities:</i>				
Amounts owed to banks and to customers	18,638	(8,085)	20,402	(8,585)
Other payables	1,131	11,335	1,103	11,500
<b>Net cash used in operations</b>	<b>(26,155)</b>	<b>(54,083)</b>	<b>(22,942)</b>	<b>(54,834)</b>
Net income tax paid	(959)	(237)	(725)	(61)
<b>Net cash flows used in operating activities</b>	<b>(27,114)</b>	<b>(54,320)</b>	<b>(23,667)</b>	<b>(54,895)</b>
<b>Cash flows from investing activities</b>				
Dividends received	227	143	227	143
Interest received from investments	962	1,030	879	939
Proceeds on maturity/disposal of investments	318	792	68	357
Purchase of investments	(1,007)	(431)	(503)	(430)
Purchase of property, plant and equipment	(2,166)	(1,834)	(1,152)	(1,148)
Acquisition of non-controlling interests	-	(429)	-	-
Investment in subsidiary	-	-	-	(1,500)
<b>Net cash flows used in investing activities</b>	<b>(1,666)</b>	<b>(729)</b>	<b>(481)</b>	<b>(1,639)</b>
<b>Cash flows from financing activities</b>				
Dividends paid to equity holders of the Bank	(1,148)	(1,149)	(1,148)	(1,148)
Dividends paid to non-controlling interests	(427)	(244)	-	-
<b>Net cash flows used in financing activities</b>	<b>(1,575)</b>	<b>(1,393)</b>	<b>(1,148)</b>	<b>(1,148)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(30,355)</b>	<b>(56,442)</b>	<b>(25,296)</b>	<b>(57,682)</b>
Cash and cash equivalents at beginning of period	268,636	296,385	263,213	289,923
<b>Cash and cash equivalents at end of period</b>	<b>238,281</b>	<b>239,943</b>	<b>237,917</b>	<b>232,241</b>



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Lombard Bank Malta p.l.c.

**Segmental analysis for the period 1 January 2018 to 30 June 2018**

	<b>Banking services</b>		<b>Postal services</b>		<b>Total</b>	
	<b>30/06/18</b>	30/06/17	<b>30/06/18</b>	30/06/17	<b>30/06/18</b>	30/06/17
	<b>€000</b>	€000	<b>€000</b>	€000	<b>€000</b>	€000
Net operating income	<b>11,134</b>	9,099	<b>24,311</b>	17,720	<b>35,445</b>	26,819
Segment result - Profit before taxation	<b>4,802</b>	2,925	<b>1,290</b>	1,818	<b>6,092</b>	4,743
	<b>30/06/18</b>	31/12/17	<b>30/06/18</b>	31/12/17	<b>30/06/18</b>	31/12/17
	<b>€000</b>	€000	<b>€000</b>	€000	<b>€000</b>	€000
Segment total assets	<b>865,268</b>	841,234	<b>51,299</b>	41,512	<b>916,567</b>	882,746



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## 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
<b>At 30 June 2018</b>				
Equity instruments	-	-	11,014	11,014
Debt securities	8,750	8,750	54,131	54,131
Other assets	2,809	2,809	807,878	807,878
	<b>11,559</b>	<b>11,559</b>	<b>873,023</b>	<b>873,023</b>
<b>At 31 December 2017</b>				
Equity instruments	-	-	9,383	9,383
Debt securities	9,003	9,003	54,601	54,601
Other assets	2,809	2,809	784,043	784,043
	<b>11,812</b>	<b>11,812</b>	<b>848,027</b>	<b>848,027</b>

Lombard Bank does not encumber any collateral received. As at 30 June 2018, the Bank did not have any outstanding liabilities associated with encumbered assets and collateral received.

The Bank undertakes the following types of encumbrance:

- i. Pledging of a deposit with the Central Bank of Malta in favour of the Depositor Compensation Scheme.
- ii. 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.



# LOMBARD

## Explanatory Notes

### 1. *Basis of preparation*

The condensed consolidated interim financial information for the six months ended 30 June 2018 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 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The condensed interim financial information has been extracted from the Bank's unaudited half yearly financial statements. It has not been subject to an audit in accordance with the requirements of International Standards on Auditing nor to a review in accordance with the requirements of ISRE 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

Related party transactions with other members of the Group covering the period 1 January to 30 June 2018 did not materially affect the performance of the period under review and financial position at the end of the reporting date.

### 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 2017, as described in those financial statements. Apart from IFRS 9, the adoption of new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2018 did not result in any significant change 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 2018 have been published by the date of authorisation for issue of this financial information. The Bank has not early adopted these requirements of IFRSs as adopted by the EU and the Bank's management are of the opinion that there are no requirements that will have a possible significant impact on the Bank's consolidated financial statements in the period of initial application.

### 3. *IFRS 9*

In July 2014, the IASB issued the final version of IFRS 9 'Financial Instruments'. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement', and is effective for annual periods beginning on or after 1 January 2018. The Bank applied IFRS 9 on 1 January 2018.



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The Bank made a full disclosure of the nature of the changes in accounting policies brought about by the adoption of IFRS 9 in its consolidated financial statements for the year ended 31 December 2017.

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.

There was no material restatement in the measurement category of financial assets in accordance with IAS 39 and IFRS 9 at the date of initial application. 1 January 2018. Remeasurements of financial assets, which include changes to the measurement bases as well as expected credit losses, would result in a change to the carrying value of the financial instrument, with a corresponding impact (net of tax) on shareholders' equity. This result of such remeasurements at 1 January 2018 were insignificant.

The following is a summary of the credit risk and the financial instruments to which the impairment requirements in IFRS 9 were applied for the Bank.

	Gross carrying amount				
	30/06/18				01/01/18
	Stage 1	Stage 2	Stage 3	Total	Total
	€000	€000	€000	€000	€000
Loans and advances to customers at amortised cost	382,274	53,419	63,474	499,167	452,467
Loans and advances to banks at amortised cost	104,344	-	-	104,344	90,259
Other financial assets	194,028	-	439	194,467	229,302
Debt instruments at Fair Value through OCI	62,938	-	-	62,938	63,660
<b>Total</b>	<b>743,584</b>	<b>53,419</b>	<b>63,913</b>	<b>860,916</b>	<b>835,688</b>

	Allowance for ECL				
	30/06/18				01/01/18
	Stage 1	Stage 2	Stage 3	Total	Total
	€000	€000	€000	€000	€000
Loans and advances to customers at amortised cost	482	3,969	18,676	23,127	22,711
Loans and advances to banks at amortised cost	2	-	-	2	-
Other financial assets	-	-	-	-	-
Debt instruments at Fair Value through OCI	56	-	-	56	56
<b>Total</b>	<b>540</b>	<b>3,969</b>	<b>18,676</b>	<b>23,185</b>	<b>22,767</b>



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Reconciliation of allowances for financial assets as follows:

	<b>Allowance for ECL</b>
At 1 January 2018	22,767
Charge for the period	1,020
Assets written off	<u>(602)</u>
<b>At 30 June 2018</b>	<b><u>23,185</u></b>

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

The Group's financial instruments which are measured at fair value comprise available-for-sale financial assets, categorised as Investments within the Statement of Financial Position. The Group is required to disclose fair value measurements by the 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 2018 and 31 December 2017, investments were principally valued using Level 1 inputs.

No transfers of financial instruments measured at fair value between different levels of the fair value hierarchy have occurred during the interim period under review.

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 repriced 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 2017.





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## 5. Dividends

	30/06/18	30/06/17
<u>Dividends (net) declared and paid by the Bank (€ 000)</u>	<b>1,148</b>	1,148
<u>€ cent per share - gross</u>	<b>4c0</b>	4c0
<u>€ cent per share - net</u>	<b>2c6</b>	2c6

During the Annual General Meeting of shareholders held on 26 April 2018 the following resolution was approved: “That a final gross dividend of 4 cent (net dividend of 2.6 cent) per share, representing a final gross payment of €1,767,117, as recommended by the Directors, be hereby approved.”



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## **Statement pursuant to Listing Rules 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 2018 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 Rules.

**Joseph Said**, *Chief Executive Officer*