

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.

Unquote

Graham Fairclough Company Secretary

23 August 2012



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 €324.2 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.



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.



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.



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



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

	Group		Ba	ank
	30/06/12	30/06/11	30/06/12	30/06/11
	€000	€000	€000	€000
Profit for the period	2,809	4,534	3,211	4,019
Other comprehensive income				
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)
Other comprehensive income for the period, net of income tax	(348)	237	(321)	396
Total comprehensive income for the period, net of income tax	2,461	4,771	2,890	4,415
Attributable to:				
Equity holders of the Bank	2,308	4,459		
Non-controlling interests	153	312		
Total comprehensive income for the period, net of income tax	2,461	4,771		



Statements of Financial Position at 30 June 2012

Assets Balances with Central Bank of Malta, treasury bills and cash 12 Cheques in course of collection Derivative financial instruments Investments 2 Loans and advances to banks 32 Loans and advances to customers 32 Investment in subsidiaries 34 Intangible assets 32 Property, plant and equipment 22 Investment property Assets classified as held for sale Current tax assets 24 Deferred tax assets 34 Inventories 34 Trade and other receivables 34 Accrued income and other assets 36 Total assets 36 Equity and Liabilities 36 Equity 35 Share capital 35 Share premium 35 Retained earnings 34 Equity attributable to equity holders of the Bank 37 Non-controlling interests 37	706/12 106/12 1000 23,845 1,142 22,361 22,361 22,361 22,361 24,202 - 1,477 21,925 745 184 442 2,903 958 11,130 4,676 108,869 9,023 17,746 1,668 15,954 1000	$31/12/11 \\ \notin 000$ $164,175 \\ 456 \\ - \\ 16,328 \\ 35,570 \\ 310,354 \\ - \\ 1,518 \\ 21,373 \\ 745 \\ 111 \\ 760 \\ 2,572 \\ 784 \\ 8,361 \\ 4,847 \\ 567,954 \\ 9,023 \\ 17,746 \\ 2,007 \\ 100 \\ 1$	30/06/12 €000 123,404 1,142 270 19,586 89,280 324,558 8,502 223 12,711 745 185 - 2,457 331 2,995 3,119 589,508 9,023 17,746	31/12/11 €000 163,445 456 179 12,565 33,983 310,752 8,502 244 12,504 745 111 220 2,181 246 906 3,100 550,139
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Actained earnings Ac	45,954		1,563	1,884
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Non-controlling interests Cotal equity Liabilities Derivative financial instruments	74,391	74,885	73,447	73,257
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ciabilities Derivative financial instruments	4,753	4,774		-
Derivative financial instruments	79,144	79,659	73,447	73,257
mounts aread to honly	1	9	1	9
amounts owed to banks	6,774	6,942	4,082	2,985
mounts owed to customers 4	77,445	462,322	478,604	463,761
Current tax liabilities	969	-	969	-
rovisions for liabilities and other charges	2,834	2,426	696	676
Other liabilities	30,308	6,245	26,955	4,149
ccruals and deferred income	1,394	10,351	4,754	5,302
otal liabilities 52	29,725	488,295	516,061	476,882
otal equity and liabilities 60)8,869	567,954	589,508	550,139
femorandum items contingent liabilities	5,275	6,314	5,275	6,314
Commitments	5,415	0,514	5,415	79,470

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



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

Group		ttaihutahla ta	ognity holdow	a of the Donk			
	A		equity holders Revaluation	s of the Dalik		Non-	
	Share	Share	and other	Retained		controlling	Total
	capital	premium	reserves	earnings	Total	interests	equity
	€000	€000	€000	€000	€000	€000	€000
At 1 January 2011	9,023	17,746	2,609	42,329	71,707	4,336	76,043
Comprehensive income							
Profit for the period	-	-	-	4,170	4,170	364	4,534
Other comprehensive income							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the period		-	289	-	289	(52)	237
Total other comprehensive income for the period	-	-	289	-	289	(52)	237
Total comprehensive income for the period		-	289	4,170	4,459	312	4,771
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners:						(10.1)	(2.101)
Dividends to equity holders	-	-	-	(2,697)	(2,697)	(404)	(3,101)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Change in non-controlling interests in subsidiary		_	_	(102)	(102)	259	157
Total transactions with owners	-	-	-	(2,799)	(2,799)	(145)	(2,944)
At 30 June 2011	9,023	17,746	2,898	43,700	73,367	4,503	77,870
At 1 January 2012	9,023	17,746	2,007	46,109	74,885	4,774	79,659
Comprehensive Income							
Profit for the period	-	-	-	2,647	2,647	162	2,809
Other comprehensive income							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the period	-	-	(339)	-	(339)	(9)	(348)
Total other comprehensive income for the period		-	(339)	-	(339)	(9)	(348)
Total comprehensive income for the period	-	-	(339)	2,647	2,308	153	2,461
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners:							
Dividends to equity holders	-	-	-	(2,698)	(2,698)	(418)	(3,116)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Change in non-controlling interests in subsidiary	-	-	-	(104)	(104)	244	140
Total transactions with owners	-	-	-	(2,802)	(2,802)	(174)	(2,976)
At 30 June 2012	9,023	17,746	1,668	45,954	74,391	4,753	79,144
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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
At 1 January 2011	9,023	17,746	2,403	41,288	70,460
Comprehensive income					
Profit for the period	-	-	-	4,019	4,019
Other comprehensive income Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the period	-	-	396	-	396
Total other comprehensive income for the period	-	-	396	-	396
Total comprehensive income for the period	-	-	396	4,019	4,415
Transactions with owners, recorded directly in equity Contributions by and distributions to owners:					
Dividends to equity holders	-	-	-	(2,698)	(2,698)
Total transactions with owners	-	-	-	(2,698)	(2,698)
At 30 June 2011	9,023	17,746	2,799	42,609	72,177
At 1 January 2012	9,023	17,746	1,884	44,604	73,257
Comprehensive income					
Profit for the period	-	-	-	3,211	3,211
Other comprehensive income Fair valuation of available-for-sale financial assets					
Net changes in fair value arising during the period	-	-	(321)	-	(321)
Total other comprehensive income for the period	-	-	(321)	-	(321)
Total comprehensive income for the period	-	-	(321)	3,211	2,890
Transactions with owners, recorded directly in equity Contributions by and distributions to owners:					
Dividends to equity holders	-	-	-	(2,700)	(2,700)
Total transactions with owners	-	-	-	(2,700)	(2,700)
At 30 June 2012	9,023	17,746	1,563	45,115	73,447



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

× v	Group		Bank		
	30/06/12	30/06/11	30/06/12	30/06/11	
	€000	€000	€000	€000	
Cash flows from operating activities					
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)	
Cash flows from operating profit before changes					
in operating assets and liabilities	5,503	4,495	2,443	3,082	
Decrease/(increase) in operating assets:					
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)	
ncrease/(decrease) in operating liabilities:					
Amounts owed to banks and to customers	13,847	(19,921)	14,875	(19,179)	
Other payables	22,797	56	22,797	56	
Net cash from operations	15,987	38,764	13,945	38,050	
ncome tax (paid)/refunded	(362)	50	(111)	361	
Net cash from operating activities	15,625	38,814	13,834	38,411	
Cash flows from investing activities					
Dividends received	88	88	88	88	
nterest 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	
Net cash (used in)/from investing activities	(6,627)	20,451	(6,791)	19,949	
Cash flows from financing activities					
Dividends paid to equity holders of the Bank	(2,698)	(2,698)	(2,698)	(2,698)	
Dividends paid to non-controlling interests	(275)	(201)		-	
Cash used in financing activities	(2,973)	(2,899)	(2,698)	(2,698)	
Net increase in cash and cash equivalents	6,025	56,366	4,345	55,662	
Cash and cash equivalents at beginning of period	122,529	95,515	120,168	93,477	
Cash and cash equivalents at end of period	128,554	151,881	124,513	149,139	



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

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



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