



# LOMBARD

## COMPANY ANNOUNCEMENT

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

### QUOTE

#### Interim Directors' Statement

Lombard Bank Malta p.l.c. announces that during the period commencing 1 July 2014 up to the date of this Announcement, no material events and/or transactions have taken place, other than mentioned in this and other Announcements, that would have an impact on the financial position of the Bank or the Group, such that would require special mention, disclosure or announcement pursuant to the applicable Listing Rules.

The prevailing difficult market environment continues to condition banking sector performance. According to the European Central Bank, geopolitical tensions remain severe and growth drivers appear weak, with macroeconomic adjustments, high unemployment and sluggish investment acting as a drag on economic activity. Though the Maltese economy nevertheless remains resilient, a number of factors are exerting pressure on domestic bank profitability. These include narrowing interest margins, reflecting record low investment yields and high levels of liquidity, and slow loan growth. On the expenditure side, the effect of these factors is compounded by the growing burden of compliance and regulatory costs. Apart from its direct impact on profitability, the new EU regulatory regime is also likely to result in more cautious bank lending policies and perceptions of risk, with inevitable consequences for the economy. This prospect is largely attributable to the regime's relative inflexibility, which overlooks the internationally-recognised track record and the on-going resilience of Malta's banks and their lending practices.

Against this background, the recent performance of Lombard Bank Malta p.l.c. can be considered satisfactory. Although revenue streams from its core lending and investment activities have been affected by low industry-wide interest rates, income from commission-based business has continued to increase. As for the Bank's credit portfolio, reviews currently underway in satisfaction of the new regulatory requirements may result in some technical downgrading of facilities, notwithstanding that in substance the underlying quality remains sound.

While the Bank's outstanding loans and advances remained stable, close to the same level at the start of the accounting period, demand by customers for deposit services increased. However, at a time when financial markets are quoting very low, at times even negative, interest rates, the Bank is being selective in its deposit-taking activity.

Meanwhile, operating costs were contained despite increased outlays in connection with compliance and regulatory requirements, such that the overall financial position remained stable. As was announced in August, an improved performance is expected from the Bank's subsidiary, MaltaPost p.l.c..

#### Lombard Bank Malta p.l.c.

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Tel: +356 25581117 • Fax: +356 25581151 • e-mail: mail@lombardmalta.com • www.lombardmalta.com • SWIFT Code: LBMAMTMT  
Licensed to conduct Investment Services Business by the Malta Financial Services Authority • Regulated by the Malta Financial Services Authority & listed on the Malta Stock Exchange

Registered Office: 67 Republic Street Valletta Malta • Company Registration Number: C 1607



**LOMBARD**

Throughout the period covered by this Announcement, Lombard Bank Malta p.l.c. continued to register high Liquidity and Capital Adequacy Ratios that comfortably exceed regulatory and prudential thresholds, while adhering to its traditionally cautious provisioning policy.

The Directors believe that the Bank remains well placed to meet customer needs while providing satisfactory returns to investors for this year.

**UNQUOTE**

A handwritten signature in black ink, appearing to read 'Dr Helena Said'.

Dr Helena Said LL.D  
Company Secretary

14 November 2014