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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 21 August 2019, 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 2019 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

21 August 2019

Lombard Bank Malta p.l.c.



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Half Yearly Results
30 June 2019



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21 August 2019

***LOMBARD BANK MALTA p.l.c.
HALF-YEARLY RESULTS FOR 2019***

- Group Profit Before Tax was €6.2m (H1 2018: €6.1m).
- Profit Attributable to Equity Holders reached €3.8m (H1 2018: €3.7m).
- Group Operating Income was €29.9m (H1 2018: €35.4m).
- Bank Cost-to-Income Ratio stood at 47.4% (H1 2018: 48.3%).
- Customer Deposits stood at €802.4m (FYE 2018: €788.0m).
- Loans & Advances to Customers reached €540.9m (FYE 2018: €511.1m).
- Group Total Assets stood at €972.7m (FYE 2018: €950.1m).
- Bank Advances to Deposits Liquidity Ratio was 67.2% (FYE 2018: 64.7%).
- Total Capital Ratio stood at 14.3% (regulatory minimum 8%).



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Commentary

Lombard Bank registered a Profit before Tax of €6.2m, marginally higher than €6.1m for the same period last year.

Economic conditions in Malta continued to be favourable as low interest rates persisted and the property market remained strong. The Bank continued to be selective in its customer relationships and committed to service only high-quality business.

Tangible increases in activity in all significant lines of business were registered while activity at MaltaPost remained strong except for the ongoing decline of Letter Mail.

Loans and Advances to Customers in the period rose by 6% contributing towards an increase of 9% in interest income. Customer deposits increased by 2% while the resultant Group Net Interest Income for H1 2019 was up by 14% from €9.0m to €10.2m.

The Bank relies on a diversified liquidity funding base, which over the years has proven to be relatively stable. The impact of low-to-negative interest rates continues to be well managed and contained.

While operating costs remain under control, however, compliance obligations present significant challenges both in terms of expense as well as human resources. Group Employee Compensation and Benefits rose by 8% and are expected to continue to increase given the highly competitive labour market. Most of the decrease in Other Operating Costs at Group level was proportionate to the reduction in foreign mail revenue.

The change in 'Credit Impairment Losses' for H1 was €2.0m - an increase of €924k for the Bank resulting from further alignment to the requirements of the International Financial Reporting Standard 9.

Both Common Equity Tier 1 Ratio (CET1), at 14.3% and for which the Regulatory minimum is 4.5% in terms of EU Regulation No. 575/2013, as well as Total Capital Ratio, also at 14.3%, stood above the regulatory requirements.

Bank Advances to Deposits Liquidity Ratio was 67.2% (FYE 2018: 64.7%), indicative of a healthy liquidity buffer.

Investment in new business opportunities and the development of existing initiatives within the Group are expected to ensure continued strong growth. The Directors are confident that the Group will register a satisfactory full-year result within the context of the challenges being faced in both the banking and postal services sectors.



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Lombard Bank Malta p.l.c.

Income Statements for the period 1 January 2019 to 30 June 2019

	Group		Bank	
	30/06/19 € 000	30/06/18 € 000	30/06/19 € 000	30/06/18 € 000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	11,903	10,892	11,869	10,872
- on debt and other fixed income instruments	965	901	903	835
Interest expense	(2,694)	(2,832)	(2,695)	(2,832)
Net interest income	10,174	8,961	10,077	8,875
Fee and commission income	2,754	2,302	2,160	1,774
Fee and commission expense	(132)	(186)	(132)	(186)
Net fee and commission income	2,622	2,116	2,028	1,588
Postal sales and other revenues	16,376	23,710	157	32
Dividend income	165	228	165	228
Net trading income	523	374	447	427
Other operating income	14	56	24	105
Operating income	29,874	35,445	12,898	11,255
Employee compensation and benefits	(11,278)	(10,395)	(3,463)	(3,138)
Other operating costs	(9,614)	(17,146)	(2,351)	(1,974)
Depreciation and amortisation	(785)	(771)	(303)	(326)
Provisions for liabilities and other charges	(50)	(51)	(8)	(10)
Credit impairment losses	(1,954)	(1,008)	(1,944)	(1,020)
Operating profit	6,193	6,074	4,829	4,787
Share of profit of investment accounted for using the equity method, net of tax	-	18	-	-
Profit before taxation	6,193	6,092	4,829	4,787
Income tax expense	(2,135)	(2,126)	(1,669)	(1,692)
Profit for the period	4,058	3,966	3,160	3,095
Attributable to:				
Equity holders of the Bank	3,801	3,722	3,160	3,095
Non-controlling interests	257	244	-	-
Profit for the period	4,058	3,966	3,160	3,095
Earnings per share	8.6c	8.4c		



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Lombard Bank Malta p.l.c.

Statements of Comprehensive Income for the period 1 January 2019 to 30 June 2019

	Group		Bank	
	30/06/19 € 000	30/06/18 € 000	30/06/19 € 000	30/06/18 € 000
Profit for the period	4,058	3,966	3,160	3,095
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Investments measured at FVOCI				
Net gain/(loss) in fair value, before tax	1,691	(416)	1,627	(426)
Net (loss)/gain on financial assets reclassified to profit or loss on disposal, before tax	(8)	-	(8)	-
Net loss attributable to change in credit risk	20	-	20	-
Income taxes	(573)	148	(573)	148
<i>Items that will not be reclassified to profit or loss:</i>				
Net (loss) / gain on investments in equity instruments measured at FVOCI	(483)	1,144	(483)	1,144
Remeasurements of defined benefit obligations	43	(25)	-	-
Income taxes	154	(391)	169	(400)
Other comprehensive income for the period	844	460	752	466
Total comprehensive income for the period	4,902	4,426	3,912	3,561
Attributable to:				
Equity holders of the Bank	4,619	4,184		
Non-controlling interests	283	242		
Total comprehensive income for the period	4,902	4,426		



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Lombard Bank Malta p.l.c.

Statements of Financial Position at 30 June 2019

	Group		Bank	
	30/06/19 € 000	31/12/18 € 000	30/06/19 € 000	31/12/18 € 000
Assets				
Balances with Central Bank of Malta, treasury bills and cash	108,234	128,726	107,462	128,143
Cheques in course of collection	2,536	1,422	2,536	1,422
Investments	110,453	100,070	106,565	96,245
Loans and advances to banks	134,539	140,581	126,391	125,819
Loans and advances to customers	540,924	511,124	540,924	511,124
Investment in subsidiary	-	-	15,732	15,732
Investment in associate	1,684	1,684	1,645	1,645
Intangible assets	1,808	1,701	371	375
Property, plant and equipment	39,510	38,554	21,772	21,449
Assets classified as held for sale	779	778	779	778
Current tax assets	-	865	-	681
Deferred tax assets	9,966	9,221	9,423	8,639
Inventories	1,323	1,360	627	754
Trade and other receivables	12,788	5,010	6,501	1,812
Accrued income and other assets	8,128	8,973	4,826	4,618
Total assets	972,672	950,069	945,554	919,236
Equity and Liabilities				
Equity				
Share capital	11,044	11,044	11,044	11,044
Share premium	18,530	18,530	18,530	18,530
Revaluation and other reserves	18,174	17,356	16,242	15,490
Retained earnings	63,745	61,380	60,821	59,097
Equity attributable to equity holders of the Bank	111,493	108,310	106,637	104,161
Non-controlling interests	7,379	7,525	-	-
Total equity	118,872	115,835	106,637	104,161
Liabilities				
Amounts owed to banks	6,084	854	6,084	854
Amounts owed to customers	802,371	788,044	804,828	790,073
Provisions for liabilities and other charges	3,004	3,135	1,118	1,107
Current tax liabilities	3,013	-	2,950	-
Deferred tax liabilities	5,662	5,264	4,635	4,236
Other liabilities	24,721	27,138	14,364	14,070
Accruals and deferred income	8,945	9,799	4,938	4,735
Total liabilities	853,800	834,234	838,917	815,075
Total equity and liabilities	972,672	950,069	945,554	919,236
Memorandum items				
Contingent liabilities	13,302	14,148	13,403	14,167
Commitments	192,558	202,384	192,558	202,384

These condensed interim financial statements were approved by the Board of Directors on 21 August 2019 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 2019 to 30 June 2019

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 31 December 2017	11,044	18,530	12,662	53,904	96,140	6,734	102,874
Changes on initial application of IFRS 9	-	-	36	53	89	-	89
At 1 January 2018 - restated balance	11,044	18,530	12,698	53,957	96,229	6,734	102,963
Comprehensive income							
Profit for the period	-	-	-	3,722	3,722	244	3,966
Other comprehensive income							
Fair valuation of financial assets measured 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
Total comprehensive income for the period	-	-	462	3,722	4,184	242	4,426
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners:							
Dividends to equity holders	-	-	-	(1,148)	(1,148)	(429)	(1,577)
Total transactions with owners	-	-	-	(1,148)	(1,148)	(429)	(1,577)
At 30 June 2018	11,044	18,530	13,160	56,531	99,265	6,547	105,812
At 1 January 2019	11,044	18,530	17,356	61,380	108,310	7,525	115,835
Comprehensive income							
Profit for the period	-	-	-	3,801	3,801	257	4,058
Other comprehensive income							
Fair valuation of financial assets measured at FVOCI:							
Net changes in fair value arising during the period	-	-	789	-	789	18	807
Reclassification adjustments							
- net amounts reclassified to profit or loss	-	-	(5)	-	(5)	-	(5)
Net change attributable to changes in credit risk	-	-	13	-	13	-	13
Remeasurements of defined benefit obligations	-	-	21	-	21	8	29
Total other comprehensive income for the period	-	-	818	-	818	26	844
Total comprehensive income for the period	-	-	818	3,801	4,619	283	4,902
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners:							
Dividends to equity holders	-	-	-	(1,436)	(1,436)	(429)	(1,865)
Total transactions with owners	-	-	-	(1,436)	(1,436)	(429)	(1,865)
At 30 June 2019	11,044	18,530	18,174	63,745	111,493	7,379	118,872



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Lombard Bank Malta p.l.c.

Statements of Changes in Equity for the period 1 January 2019 to 30 June 2019

Bank

	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total equity € 000
At 31 December 2017	11,044	18,530	12,624	51,887	94,085
Changes on initial application of IFRS 9	-	-	36	53	89
At 1 January 2018 - restated balance	11,044	18,530	12,660	51,940	94,174
Comprehensive income					
Profit for the period	-	-	-	3,095	3,095
Other comprehensive income					
Fair valuation of financial assets measured at FVOCI:					
Net changes in fair value arising during the period	-	-	466	-	466
Total other comprehensive income for the period	-	-	466	-	466
Total comprehensive income for the period	-	-	466	3,095	3,561
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners:					
Dividends to equity holders	-	-	-	(1,148)	(1,148)
Total transactions with owners	-	-	-	(1,148)	(1,148)
At 30 June 2018	11,044	18,530	13,126	53,887	96,587
At 1 January 2019	11,044	18,530	15,490	59,097	104,161
Comprehensive income					
Profit for the period	-	-	-	3,160	3,160
Other comprehensive income					
Fair valuation of financial assets measured at FVOCI:					
Net changes in fair value arising during the period	-	-	743	-	743
Reclassification adjustments					
- net amounts reclassified to profit or loss	-	-	(5)	-	(5)
Net change attributable to changes in credit risk	-	-	14	-	14
Total other comprehensive income for the period	-	-	752	-	752
Total comprehensive income for the period	-	-	752	3,160	3,912
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners:					
Dividends to equity holders	-	-	-	(1,436)	(1,436)
Total transactions with owners	-	-	-	(1,436)	(1,436)
At 30 June 2019	11,044	18,530	16,242	60,821	106,637



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Lombard Bank Malta p.l.c.

Statements of Cash Flows for the period 1 January 2019 to 30 June 2019

	Group		Bank	
	30/06/19	30/06/18	30/06/19	30/06/18
	€ 000	€ 000	€ 000	€ 000
Cash flows from operating activities				
Interest and commission receipts	15,044	13,089	15,056	13,131
Receipts from customers relating to postal sales and other revenue	14,237	10,191	157	32
Interest and commission payments	(2,457)	(2,897)	(2,458)	(2,898)
Payments to employees and suppliers	(24,374)	(16,811)	(6,020)	(5,244)
Cash flows from operating profit before changes in operating assets and liabilities	2,450	3,572	6,735	5,021
<i>(Increase)/decrease in operating assets:</i>				
Treasury bills	2,205	(2,510)	2,206	(2,510)
Deposits with Central Bank of Malta	(471)	(435)	(471)	(435)
Loans and advances to banks and customers	(25,143)	(46,954)	(24,142)	(46,954)
Other receivables	(5,414)	403	(5,676)	431
<i>Increase/(decrease) in operating liabilities:</i>				
Amounts owed to banks and to customers	14,327	18,638	14,755	20,402
Other payables	34	1,131	296	1,103
Net cash used in operations	(12,012)	(26,155)	(6,297)	(22,942)
Net income tax refunded / (paid)	973	(959)	1,171	(725)
Net cash flows used in operating activities	(11,039)	(27,114)	(5,126)	(23,667)
Cash flows from investing activities				
Dividends received	165	227	164	227
Interest received from investments	1,039	962	952	879
Proceeds on maturity/disposal of investments	1,597	318	1,596	68
Purchase of investments	(11,133)	(1,007)	(11,133)	(503)
Purchase of property, plant and equipment	(1,794)	(2,166)	(622)	(1,152)
Net cash flows used in investing activities	(10,126)	(1,666)	(9,043)	(481)
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	(1,436)	(1,148)	(1,436)	(1,148)
Dividends paid to non-controlling interests	(429)	(427)	-	-
Net cash flows used in financing activities	(1,865)	(1,575)	(1,436)	(1,148)
Net decrease in cash and cash equivalents	(23,030)	(30,355)	(15,605)	(25,296)
Cash and cash equivalents at beginning of period	212,193	268,636	199,848	263,213
Cash and cash equivalents at end of period	189,163	238,281	184,243	237,917



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Lombard Bank Malta p.l.c.

Segmental analysis for the period 1 January 2019 to 30 June 2019

	Banking services		Postal services		Total	
	30/06/19	30/06/18	30/06/19	30/06/18	30/06/19	30/06/18
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Net operating income	12,733	11,134	17,141	24,311	29,874	35,445
Segment result - Profit before taxation	4,825	4,802	1,368	1,290	6,193	6,092
	30/06/19	31/12/18	30/06/19	31/12/18	30/06/19	31/12/18
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Segment total assets	929,295	902,139	43,377	47,930	972,672	950,069



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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
At 30 June 2019				
Equity instruments	-	-	12,171	12,171
Debt securities	8,786	8,786	86,334	86,334
Other assets	2,809	2,809	835,454	835,454
	11,595	11,595	933,959	933,959
At 31 December 2018				
Equity instruments	-	-	12,652	12,652
Debt securities	8,956	8,956	75,226	75,226
Other assets	2,809	2,809	819,593	819,593
	11,765	11,765	907,471	907,471

Lombard Bank does not encumber any collateral received. As at 30 June 2019, 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.



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Explanatory Notes

1. *Basis of preparation*

The condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018, 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 2019 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 2018, as described in those financial statements. The Bank did not early adopt any new standards, amendments and interpretations to existing standards applicable to periods after 31 December 2019 and the Bank's management is 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.

Standards, interpretations and amendments to published standards effective in 2019

In 2019, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU, did not result in changes to the Group's accounting policies impacting the Group's financial performance and position.

IFRS 16 - Leases, became applicable in 2019. Under the said standard, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets.

The Bank's management considers the impact upon adopting IFRS 16 not to be material to the financial statements.



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3. IFRS 9

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

	Gross carrying amount ¹			Total € 000
	Stage 1 € 000	Stage 2 € 000	Stage 3 € 000	
At 31 December 2018				
Loans and advances to customers at amortised cost	423,775	52,086	60,109	535,970
Loans and advances to banks at amortised cost	125,827	-	-	125,827
Other financial assets	131,386	-	-	131,386
Debt instruments measured at FVOCI	84,183	-	-	84,183
Total carrying amount	765,171	52,086	60,109	877,366
Contingent liabilities and financial guarantee contracts	11,206	-	-	11,206
Total	776,377	52,086	60,109	888,572
At 30 June 2019				
Loans and advances to customers at amortised cost	455,126	52,062	60,822	568,010
Loans and advances to banks at amortised cost	126,408	-	-	126,408
Other financial assets	116,500	-	-	116,500
Debt instruments measured at FVOCI	95,120	-	-	95,120
Total carrying amount	793,154	52,062	60,822	906,038
Contingent liabilities and financial guarantee contracts	10,632	-	-	10,632
Total	803,786	52,062	60,822	916,670

¹ Gross carrying amount includes accrued interest.



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	Allowance for ECL			
	Stage 1 € 000	Stage 2 € 000	Stage 3 € 000	Total € 000
At 31 December 2018				
Loans and advances to customers at amortised cost	2,827	1,740	18,846	23,413
Loans and advances to banks at amortised cost	-	-	-	-
Other financial assets	-	-	-	-
Debt instruments measured at FVOCI	163	-	-	163
Total carrying amount	2,990	1,740	18,846	23,576
Contingent liabilities and financial guarantee contracts	2	-	-	2
Total	2,992	1,740	18,846	23,578
At 30 June 2019				
Loans and advances to customers at amortised cost	3,532	2,220	19,869	25,621
Loans and advances to banks at amortised cost	-	-	-	-
Other financial assets	-	-	-	-
Debt instruments measured at FVOCI	184	-	-	184
Total carrying amount	3,716	2,220	19,869	25,805
Contingent liabilities and financial guarantee contracts	2	-	-	2
Total	3,718	2,220	19,869	25,807

Reconciliation of ECL allowance for financial assets as follows:

	€ 000
At 31 December 2018	23,578
Charge for the period	1,944
Write-offs	(134)
Unwind of discount	419
At 30 June 2019	25,807



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4. Fair values of financial assets and liabilities

The Group's financial instruments categorised as Investments within the Statement of Financial Position are measured at fair value. The Group is required to disclose fair value measurements according to the following hierarchy:

- 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 2019 and 31 December 2018, 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 repricable 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 2018.

5. Dividends

	30/06/19	30/06/18
Dividends (net) declared and paid by the Bank (€ 000)	1,436	1,148
€ cent per share – gross	5c0	4c0
€ cent per share – net	3c25	2c6

During the Annual General Meeting of shareholders held on 11 April 2019 the following resolution was approved: "That a final gross dividend of 5 cent (net dividend of 3.25 cent) per share, representing a final gross payment of €2,208,896 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 2019 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*