



LOMBARD

25 August 2016

***LOMBARD BANK MALTA p.l.c.
HALF-YEARLY RESULTS FOR 2016***

- Group Profit Before Tax stood at €4.4m (H1 2015: €4.3m).
- Profit Attributable to Equity Holders was €2.5m (H1 2015: €2.3m).
- Group Operating Income reached €23.9m (H1 2015: €21.6m).
- Customer Deposits stood at €664.0m (FYE 2015: €650.5m).
- Loans and Advances to customers stood at €324.8m (FYE 2015: €305.9m).
- Bank Cost-to-Income Ratio stood at 43.1% (H1 2015: 47.0%).
- Impairment Allowances increased by €2.1m (H1 2015: €1.8m).
- Total Assets stood at €795.8m (FYE 2015: €777.5m).
- Liquidity Ratio was 78.9% (regulatory minimum requirement of 30%).
- CRDIV Total Capital Ratio of 17.5% (regulatory minimum requirement of 8%).



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Commentary

The Lombard Bank Group registered a Profit Before Tax of €4.4m for the first six months of 2016, compared to €4.3m in the same period last year. The Bank recorded a satisfactory performance in most of its business lines while the MaltaPost subsidiary experienced lower profits since one-off items recorded in the previous year were not repeated in the period under review.

The results for the Bank, however, include a one-time significant item of income arising from Visa Inc.'s purchase of all the shares in Visa Europe resulting in the disposal of its membership interest in Visa Europe Limited and for which the Bank received a mixture of cash and non-cash consideration. The income recognised in the accounts amounts to €1.3m and is included under Other Operating Income. The Group results adjusted to exclude this item would be as follows:

	Group		Bank	
	30/06/16	30/06/15	30/06/16	30/06/15
	€000	€000	€000	€000
Reported Profit before Taxation	4,409	4,306	4,157	3,295
Net gain on sale of investment in Visa Europe Limited	(1,290)	-	(1,290)	-
Adjusted Profit before Taxation	3,119	4,306	2,867	3,295

Net Interest Income for H1 2016 rose by 10.4% from €6.4m to €7.1m. Record low, and at times also negative, market interest rates continued to put pressure on the Interest Margin. However, Interest Receivable increased as a result of a 20.7% rise in Loans and Advances to Customers over the past 12 months. Customer deposits also rose by 2.1% since December 2015 and now stand at €664.0m, reflecting a high level of liquidity in the market as well as continued customer confidence in the Bank. Interest expense was down by 13.6% to €3.4m. The Bank remains well funded and supported by a diversified portfolio of retail deposits.

Fee and commission income increased by 16.2%, mainly reflecting higher levels of commercial activity and transaction banking relationships. Postal sales and other revenues rose mainly on account of international mail services, registered mail and parcel activity.

The main increase in costs related to further Compliance and Regulatory requirements. Nevertheless, the gross increase in income streams mentioned above have led to an improved Bank's Cost-to-Income Ratio from 47.0% in the first half of 2015 to the current 43.1%.

The Bank remains prudent by hedging against any possible future losses in its lending portfolio by increased Impairment Allowances, which now stand at €22.2m. Given the high level of tangible security held against the lending portfolio as well as a satisfactory overall asset quality, the Bank considers this level of provisioning to be adequate.



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Common Equity Tier 1 Ratio (CET1), for which the Regulatory minimum is 4.5% in terms of EU Regulation No. 575/2013, rose further to 16.9%. Total Capital Ratio also strengthened from 17.4% to 17.5%, while the Liquidity Ratio at 78.9% was well in excess of the 30% minimum requirement. Loan to Deposit Ratio stood at 48.9%.

The performance of the Group for the first half of 2016 was in line with expectations. The Board remains confident that the Group will meet its business targets for the year even in the current challenging environment, and despite the costly obligations imposed by a demanding regulatory regime it remains committed to continue its support for Maltese corporates and households.



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Lombard Bank Malta p.l.c.

Income Statements for the period 1 January 2016 to 30 June 2016

	Group		Bank	
	30/06/16 €000	30/06/15 €000	30/06/16 €000	30/06/15 €000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	9,508	9,507	9,501	9,491
- on debt and other fixed income instruments	995	868	926	804
Interest expense	(3,421)	(3,961)	(3,425)	(3,970)
Net interest income	7,082	6,414	7,002	6,325
Fee and commission income	1,797	1,547	1,252	1,046
Fee and commission expense	(125)	(123)	(125)	(123)
Net fee and commission income	1,672	1,424	1,127	923
Postal sales and other revenues	13,474	12,789	69	5
Dividend income	225	128	1,603	1,641
Net trading income	196	726	294	446
Other operating income	1,290	143	1,290	223
Operating income	23,939	21,624	11,385	9,563
Employee compensation and benefits	(9,166)	(8,459)	(2,969)	(2,784)
Other operating costs	(7,302)	(6,387)	(1,670)	(1,470)
Depreciation and amortisation	(685)	(653)	(264)	(244)
Net operating income before impairment charges and provisions	6,786	6,125	6,482	5,065
Net impairment losses	(2,116)	(1,770)	(2,116)	(1,770)
Provisions for liabilities and other charges	(239)	(49)	(209)	-
Operating profit	4,431	4,306	4,157	3,295
Share of results of associates, net of tax	(22)	-	-	-
Profit before taxation	4,409	4,306	4,157	3,295
Income tax expense	(1,544)	(1,533)	(1,358)	(1,179)
Profit for the period	2,865	2,773	2,799	2,116
Attributable to:				
Equity holders of the Bank	2,536	2,281	2,799	2,116
Non-controlling interests	329	492	-	-
Profit for the period	2,865	2,773	2,799	2,116
Earnings per share	5.7c	5.2c		



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Lombard Bank Malta p.l.c.

Statements of Comprehensive Income for the period 1 January 2016 to 30 June 2016

	Group		Bank	
	30/06/16 €000	30/06/15 €000	30/06/16 €000	30/06/15 €000
Profit for the period	2,865	2,773	2,799	2,116
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Fair valuation of available-for-sale financial assets:				
Net changes in fair value arising during the year, before tax	1,607	2,384	1,556	2,129
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	(1,290)	(17)	(1,290)	(17)
Income tax relating to components of other comprehensive income	(93)	(739)	(93)	(739)
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurements of defined benefit obligations	(9)	(151)	-	-
Other comprehensive income for the period, net of income tax	215	1,477	173	1,373
Total comprehensive income for the period, net of income tax	3,080	4,250	2,972	3,489
Attributable to:				
Equity holders of the Bank	2,738	3,727		
Non-controlling interests	342	523		
Total comprehensive income for the period, net of income tax	3,080	4,250		



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Lombard Bank Malta p.l.c.

Statements of Financial Position at 30 June 2016

	Group		Bank	
	30/06/16 €000	31/12/15 €000	30/06/16 €000	31/12/15 €000
Assets				
Balances with Central Bank of Malta, treasury bills and cash	185,262	115,884	184,483	115,377
Cheques in course of collection	1,824	475	1,824	475
Investments	81,423	76,246	77,496	72,465
Loans and advances to banks	150,792	229,788	147,513	225,546
Loans and advances to customers	324,836	305,891	325,519	306,572
Investment in subsidiaries	-	-	12,168	12,168
Investment in associates	1,623	1,645	1,645	1,645
Intangible assets	1,659	1,490	591	409
Property, plant and equipment	27,033	26,931	13,768	13,833
Assets classified as held for sale	1,024	1,023	1,024	1,023
Current tax assets	-	533	-	533
Deferred tax assets	4,064	3,318	4,471	3,784
Inventories	1,239	1,106	531	425
Trade and other receivables	9,909	8,170	4,234	2,104
Accrued income and other assets	5,155	5,043	2,751	2,790
Total assets	795,843	777,543	778,018	759,149
Equity and Liabilities				
Equity				
Share capital	11,044	10,943	11,044	10,943
Share premium	18,530	17,746	18,530	17,746
Revaluation and other reserves	13,355	13,152	13,042	12,869
Retained earnings	48,841	47,556	47,212	45,551
Equity attributable to equity holders of the Bank	91,770	89,397	89,828	87,109
Non-controlling interests	6,324	6,101	-	-
Total equity	98,094	95,498	89,828	87,109
Liabilities				
Amounts owed to banks	889	1,059	889	1,059
Amounts owed to customers	664,019	650,516	668,593	654,316
Provisions for liabilities and other charges	2,481	2,378	839	639
Current tax liabilities	1,552	346	586	-
Other liabilities	19,895	18,404	12,846	11,670
Accruals and deferred income	8,913	9,342	4,437	4,356
Total liabilities	697,749	682,045	688,190	672,040
Total equity and liabilities	795,843	777,543	778,018	759,149
Memorandum items				
Contingent liabilities	7,752	7,479	7,752	7,479
Commitments	127,845	106,925	127,845	106,925

These condensed financial statements were approved by the Board on 25 August 2016 and signed on its behalf by:

Michael C. Bonello, *Chairman*

Joseph Said, *Chief Executive Officer*



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Lombard Bank Malta p.l.c.

Statements of Changes in Equity for the period 1 January 2016 to 30 June 2016

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 2015	10,422	17,746	8,329	46,291	82,788	5,519	88,307
Comprehensive income							
Profit for the period	-	-	-	2,281	2,281	492	2,773
Other comprehensive income							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the period	-	-	1,562	-	1,562	76	1,638
Reclassification adjustments	-	-	-	-	-	-	-
Net amounts reclassified to profit or loss	-	-	(10)	-	(10)	-	(10)
Transfers and other movements	-	-	636	(636)	-	-	-
Remeasurements of defined benefit obligations	-	-	(106)	-	(106)	(45)	(151)
Total other comprehensive income for the period	-	-	2,082	(636)	1,446	31	1,477
Total comprehensive income for the period	-	-	2,082	1,645	3,727	523	4,250
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners:							
Bonus shares issued	521	-	-	(521)	-	-	-
Dividends to equity holders	-	-	-	(1,085)	(1,085)	(428)	(1,513)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Change in non-controlling interests in subsidiary	-	-	1	(89)	(88)	294	206
Total transactions with owners	521	-	1	(1,695)	(1,173)	(134)	(1,307)
At 30 June 2015	10,943	17,746	10,412	46,241	85,342	5,908	91,250
At 1 January 2016	10,943	17,746	13,152	47,556	89,397	6,101	95,498
Comprehensive income							
Profit for the period	-	-	-	2,536	2,536	329	2,865
Other comprehensive income							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the period	-	-	1,047	-	1,047	16	1,063
Reclassification adjustments	-	-	-	-	-	-	-
Net amounts reclassified to profit or loss	-	-	(839)	-	(839)	-	(839)
Remeasurements of defined benefit obligations	-	-	(6)	-	(6)	(3)	(9)
Total other comprehensive income for the period	-	-	202	-	202	13	215
Total comprehensive income for the period	-	-	202	2,536	2,738	342	3,080
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners:							
Dividends to equity holders	-	-	-	(1,138)	(1,138)	(435)	(1,573)
Rights issue of ordinary shares	101	784	-	-	885	-	885
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Change in non-controlling interests in subsidiary	-	-	1	(113)	(112)	316	204
Total transactions with owners	101	784	1	(1,251)	(365)	(119)	(484)
At 30 June 2016	11,044	18,530	13,355	48,841	91,770	6,324	98,094



LOMBARD

Lombard Bank Malta p.l.c.

Statements of Changes in Equity for the period 1 January 2016 to 30 June 2016

Bank

	Share capital €000	Share premium €000	Revaluation and other reserves €000	Retained earnings €000	Total equity €000
At 1 January 2015	10,422	17,746	8,187	44,744	81,099
Comprehensive income					
Profit for the period	-	-	-	2,116	2,116
Other comprehensive income					
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the period	-	-	1,384	-	1,384
Reclassification adjustments					
Net amounts reclassified to profit or loss	-	-	(11)	-	(11)
Transfers and other movements	-	-	636	(636)	-
Total other comprehensive income for the period	-	-	2,009	(636)	1,373
Total comprehensive income for the period	-	-	2,009	1,480	3,489
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners:					
Bonus shares issued	521	-	-	(521)	-
Dividends to equity holders	-	-	-	(1,085)	(1,085)
Total transactions with owners	521	-	-	(1,606)	(1,085)
At 30 June 2015	10,943	17,746	10,196	44,618	83,503
At 1 January 2016	10,943	17,746	12,869	45,551	87,109
Comprehensive income					
Profit for the period	-	-	-	2,799	2,799
Other comprehensive income					
Fair valuation of available-for-sale financial assets					
Net changes in fair value arising during the period	-	-	1,012	-	1,012
Reclassification adjustments					
Net amounts reclassified to profit or loss	-	-	(839)	-	(839)
Total other comprehensive income for the period	-	-	173	-	173
Total comprehensive income for the period	-	-	173	2,799	2,972
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners:					
Dividends to equity holders	-	-	-	(1,138)	(1,138)
Rights issue of ordinary shares	101	784	-	-	885
Total transactions with owners	101	784	-	(1,138)	(253)
At 30 June 2016	11,044	18,530	13,042	47,212	89,828



LOMBARD

Lombard Bank Malta p.l.c.

Statements of Cash Flows for the period 1 January 2016 to 30 June 2016

	Group		Bank	
	30/06/16 €000	30/06/15 €000	30/06/16 €000	30/06/15 €000
Cash flows from operating activities				
Interest and commission receipts	11,526	11,604	10,532	11,694
Receipts from customers relating to postal sales and other revenue	14,175	12,336	69	5
Interest and commission payments	(3,560)	(4,385)	(3,564)	(4,394)
Payments to employees and suppliers	(18,142)	(16,291)	(4,794)	(4,696)
Cash flows from operating profit before changes in operating assets and liabilities	3,999	3,264	2,243	2,609
<i>(Increase)/decrease in operating assets:</i>				
Treasury bills	(33,420)	(77,518)	(33,420)	(77,517)
Deposits with Central Bank of Malta	724	(665)	724	(664)
Loans and advances to banks and customers	(21,219)	47,672	(21,220)	47,670
Other receivables	(2,340)	(187)	(2,488)	(188)
<i>Increase in operating liabilities:</i>				
Amounts owed to banks and to customers	13,503	16,419	14,276	16,157
Other payables	1,028	3,003	1,177	3,005
Net cash used in operations	(37,725)	(8,012)	(38,708)	(8,928)
Net income tax (paid) / refunded	(644)	839	(658)	714
Net cash flows used in operating activities	(38,369)	(7,173)	(39,366)	(8,214)
Cash flows from investing activities				
Dividends received	225	128	225	128
Interest received from investments	1,231	1,103	1,127	995
Proceeds on maturity/disposal of investments	1,050	1,360	1,050	1,360
Purchase of investments	(4,952)	(16,536)	(4,854)	(16,233)
Purchase of property, plant and equipment	(851)	(907)	(382)	(416)
Net cash flows used in investing activities	(3,297)	(14,852)	(2,834)	(14,166)
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	(252)	(1,084)	(252)	(1,084)
Dividends paid to non-controlling interests	(226)	(218)	-	-
Net cash flows used in financing activities	(478)	(1,302)	(252)	(1,084)
Net decrease in cash and cash equivalents	(42,144)	(23,327)	(42,452)	(23,464)
Cash and cash equivalents at beginning of period	307,730	233,894	304,031	230,580
Cash and cash equivalents at end of period	265,586	210,567	261,579	207,116



LOMBARD

Lombard Bank Malta p.l.c.

Segmental analysis for the period 1 January 2016 to 30 June 2016

	Banking services		Postal services		Total	
	30/06/16	30/06/15	30/06/16	30/06/15	30/06/16	30/06/15
	€000	€000	€000	€000	€000	€000
Net operating income	9,939	7,913	14,000	13,711	23,939	21,624
Segment result - Profit before taxation	2,753	1,779	1,656	2,527	4,409	4,306
	30/06/16	31/12/15	30/06/16	31/12/15	30/06/16	31/12/15
	€000	€000	€000	€000	€000	€000
Segment total assets	760,384	743,194	35,459	34,349	795,843	777,543



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Lombard Bank Malta p.l.c.

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 2016				
Equity instruments	-	-	9,176	9,176
Debt securities	11,290	11,290	57,746	57,746
Other assets	1,235	1,235	698,572	698,572
	12,525	12,525	765,494	765,494
At 31 December 2015				
Equity instruments	-	-	9,777	9,777
Debt securities	12,650	12,650	50,705	50,705
Other assets	1,235	1,235	684,782	684,782
	13,885	13,885	745,264	745,264

Lombard Bank does not encumber any collateral received. As at 30 June 2016, 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 in favour of the Depositor Compensation Scheme.
- iii. 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 2016 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 2015, 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'.

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 2015, as described in those financial statements. Adoption of new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2016 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 2016 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 2018. 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.



LOMBARD

3. *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 2016 and 31 December 2015, available-for-sale 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 2015.



LOMBARD

4. *Net Impairment Losses are analysed as follows:*

	Group /Bank	
	30/06/16	30/06/15
	€000	€000
Write downs:		
Loans and advances to customers		
- specific allowances	(1,983)	(2,090)
- collective allowances	(1,145)	(46)
- bad debts written off	(242)	-
	<u>(3,370)</u>	<u>(2,136)</u>
Reversal of write downs:		
Loans and advances to customers		
- specific allowances	1,254	366
	<u>1,254</u>	<u>366</u>
Net Impairment Losses	<u>(2,116)</u>	<u>(1,770)</u>

5. *Dividends*

	30/06/16	30/06/15
<u>Dividends (net) declared and paid by the Bank (€ 000)</u>	1,138	1,085
<u>€ cent per share - gross</u>	4c0	4c0
<u>€ cent per share - net</u>	2c6	2c6

During the Annual General Meeting of shareholders held on 28 April 2016 the following resolution was approved: "To declare a final gross dividend of 4 cent (net dividend of 2.6 cent) per share, representing a final gross payment of €1,750,863, to be distributed either in cash or by the issue of new shares at the option of each individual shareholder." The exercise of this option by shareholders to receive their dividend in the form of new shares resulted in an increase of €101,000 in the Share Capital account and an increase of €784,000 in the Share Premium account.



LOMBARD

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 2016 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*