



LOMBARD

Half Yearly Results
30 June 2021



26 August 2021

***LOMBARD BANK MALTA p.l.c.
HALF-YEARLY RESULTS FOR 2021***

- Group Profit Before Tax was €5.4m (H1 2020: €5.0m).
- Profit Attributable to Equity Holders was €3.2m (H1 2020: €3.1m).
- Group Operating Income was €32.7m (H1 2020: €28.9m).
- Bank Cost-to-Income Ratio stood at 60.2% (H1 2020: 59.6%).
- Customer Deposits stood at €982.5m (FYE 2020: €941.1m).
- Loans & Advances to Customers reached €644.3m (FYE 2020: €621.1m).
- Group Total Assets stood at €1,177.5m (FYE 2020: €1,131.0m).
- Bank Advances to Deposits Ratio was 65.3% (FYE 2020: 65.5%).
- Total Capital Ratio stood at 15.1% (FYE 2020: 15.8%).



Directors' Report

Considering the continued uncertainty due to COVID-19 and persistent pressures on interest rate margins from low and negative interest rates, the performance of the Lombard Group during the first half of 2021 is considered satisfactory.

The Bank continued implementing its strategy of prudent growth by investing in its physical presence, technology and human resources. Supported by a strong financial position, the Bank saw further growth in relationships and market share both in its commercial and home loan lending portfolios, as well as deposits. Pressures on costs were inevitable though these were prudently managed. Business continued to be undertaken in line with the Bank's straightforward non-complex and traditional banking model, while support continued to be provided to customers in these challenging times. The Bank's balance sheet fundamentals remain strong.

MaltaPost, the Bank's main subsidiary remained well positioned to weather the challenges resulting from the Pandemic and the accelerated reduction in traditional Letter Mail, by maximising all revenue potential through changes in its business mix and by implementing strict cost containment measures.

H1 2021 results demonstrate the strength of our strategy and business model. It is also a testament to the ability of our staff members to quickly adapt to the changed circumstances so as to continue delivering efficient service to customers and the community, underpinned by our commitment to provide a personalised service.

Against this background the Group registered a Profit before Tax of €5.4m, up from €5.0m for the same period last year while the Bank's Profit before Tax was €4.0m, up from €3.6m in H1 2020.

Loans and Advances to Customers as well as Customer deposits rose by 4%. Net Interest Income for the Group at €10.0m was 8% higher compared to the previous year. Higher interest revenues generated from increased credit activity offset the effect of pressure on interest margins from persistent low interest rates.

The Bank continues to rely on a diversified funding base for its liquidity, which over the years has proven to be relatively stable.

Fee and commission income for the Group was up by 4% resulting from general increases across the board.



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Group Employee Compensation and Benefits rose by 2% in line with the Group's ethos to employ suitably qualified staff to support its growth initiatives. While operating costs remain under control, costs associated with obligations to satisfy regulatory requirements and enhance Compliance capabilities continued to increase.

Increases in Expected Credit Losses (ECL) as defined and determined by International Financial Reporting Standard 9 (IFRS9) during the period were driven by loan portfolio growth as well as application of expert judgement in respect of industry-specific exposures adversely hit by the ongoing uncertain economic situation. It is encouraging to note that the majority of those personal customers who benefitted from capital and interest moratoria have returned to pre-concession performance. The resultant charge for 'Credit Impairment Losses' as determined by IFRS 9 for the six months under review, at €0.9m was slightly lower compared to €1.1m in the corresponding period last year. The Bank will continue to closely monitor its exposures in light of developments so as to accordingly align the 'Expected Credit Loss' as determined by IFRS 9.

Both Common Equity Tier 1 Ratio (CET1) as well as Total Capital Ratio stood at 15.1%, the Regulatory minimum in terms of Regulation (EU) No 575/2013 being 4.5% and 8.0%, respectively.

Bank Advances to Deposits Ratio was 65.3% (FYE 2020: 65.5%), indicative of a healthy liquidity buffer.

Looking ahead, we shall be mindful of the continued downside risks associated with COVID-19 and the effects and consequences of the Financial Actions Task Force's (FATF) decision to add Malta to the list of jurisdictions under increased monitoring - both factors bound to condition the performance outlook for the second half of the year. Despite these considerations, we remain optimistic that supported by strong fundamentals and a time-tested, sound business model, we continue on our journey of prudent growth, while remaining agile so as to meet with the ever-changing needs of our customers and thereby continue to provide value-added to all our stakeholders.



Lombard Bank Malta p.l.c.

Income Statements for the period 1 January 2021 to 30 June 2021

	Group		Bank	
	30/06/21	30/06/20	30/06/21	30/06/20
	€ 000	€ 000	€ 000	€ 000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	11,771	10,991	11,754	10,974
- on debt and other fixed income instruments	1,175	970	1,124	904
Interest expense	(2,957)	(2,709)	(2,933)	(2,679)
Net interest income	9,989	9,252	9,945	9,199
Fee and commission income	2,547	2,440	2,006	1,874
Fee and commission expense	(118)	(159)	(117)	(159)
Net fee and commission income	2,429	2,281	1,889	1,715
Postal sales and other revenues	19,797	17,025	33	425
Dividend income	18	12	18	12
Net trading income	280	319	265	331
Other operating income	191	5	201	56
Operating income	32,704	28,894	12,351	11,738
Employee compensation and benefits	(11,936)	(11,657)	(4,008)	(3,764)
Other operating costs	(13,045)	(9,892)	(2,977)	(2,828)
Depreciation and amortisation	(1,323)	(1,131)	(455)	(405)
Provisions for liabilities and other charges	(36)	(45)	-	(7)
Credit impairment losses	(873)	(1,129)	(872)	(1,099)
Operating profit	5,491	5,040	4,039	3,635
Share of loss of investment accounted for using the equity method, net of tax	(57)	-	-	-
Profit before taxation	5,434	5,040	4,039	3,635
Income tax expense	(1,983)	(1,724)	(1,473)	(1,239)
Profit for the period	3,451	3,316	2,566	2,396
Attributable to:				
Equity holders of the Bank	3,189	3,053	2,566	2,396
Non-controlling interests	262	263	-	-
Profit for the period	3,451	3,316	2,566	2,396
Earnings per share	7.2c	6.9c		



Lombard Bank Malta p.l.c.

Statements of Comprehensive Income for the period 1 January 2021 to 30 June 2021

	Group		Bank	
	30/06/21	30/06/20	30/06/21	30/06/20
	€ 000	€ 000	€ 000	€ 000
Profit for the period	3,451	3,316	2,566	2,396
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Investments measured at FVOCI				
Net loss in fair value, before tax	(1,215)	(902)	(1,202)	(770)
Net loss on financial assets reclassified to profit or loss on disposal, before tax	(63)	(84)	(63)	(84)
Net loss attributable to change in credit risk	(367)	(3)	(367)	(3)
Income taxes	571	300	571	300
<i>Items that will not be reclassified to profit or loss:</i>				
Net loss on investments in equity instruments measured at FVOCI	(1,156)	(1,803)	(1,156)	(1,803)
Surplus arising on revaluation of land and buildings	7,019	-	7,019	-
Remeasurements of defined benefit obligations	(21)	74	-	-
Income taxes	(755)	603	(762)	631
Other comprehensive income for the period, net of income tax	4,013	(1,815)	4,040	(1,729)
Total comprehensive income for the period, net of income tax	7,464	1,501	6,606	667
Attributable to:				
Equity holders of the Bank	7,210	1,263		
Non-controlling interests	254	238		
Total comprehensive income for the period, net of income tax	7,464	1,501		



Lombard Bank Malta p.l.c.

Statements of Financial Position at 30 June 2021

	Group		Bank	
	30/06/21	31/12/20	30/06/21	31/12/20
	€ 000	€ 000	€ 000	€ 000
Assets				
Balances with Central Bank of Malta,				
treasury bills and cash	150,906	169,687	150,288	168,648
Cheques in course of collection	876	666	876	666
Investments	190,306	161,424	187,030	157,863
Loans and advances to banks	92,707	96,985	84,407	93,641
Loans and advances to customers	644,303	621,129	644,305	621,132
Investment in subsidiary	-	-	15,861	15,732
Investment in associate	3,352	1,932	1,645	1,645
Intangible assets	2,059	2,050	181	246
Property, plant and equipment	59,703	50,928	39,138	30,446
Assets classified as held for sale	134	134	134	134
Current tax assets	248	1,156	242	1,156
Deferred tax assets	10,707	10,117	10,097	9,669
Inventories	1,329	1,274	652	555
Trade and other receivables	12,111	9,136	5,844	1,761
Accrued income and other assets	8,785	4,337	4,098	3,737
Total assets	1,177,526	1,130,955	1,144,798	1,107,031
Equity and liabilities				
Equity				
Share capital	11,191	11,044	11,191	11,044
Share premium	18,530	18,530	18,530	18,530
Revaluation and other reserves	22,999	18,978	21,116	17,076
Retained earnings	79,650	77,469	76,250	74,692
Equity attributable to equity holders of the Bank	132,370	126,021	127,087	121,342
Non-controlling interests	7,948	7,741	-	-
Total equity	140,318	133,762	127,087	121,342
Liabilities				
Amounts owed to banks	981	5,602	981	5,602
Amounts owed to customers	982,492	941,110	986,051	948,478
Provisions for liabilities and other charges	2,376	2,632	664	903
Current tax liabilities	1,239	844	-	-
Deferred tax liabilities	6,636	6,448	5,609	5,421
Other liabilities	30,565	29,665	18,014	18,842
Accruals and deferred income	12,919	10,892	6,392	6,443
Total liabilities	1,037,208	997,193	1,017,711	985,689
Total equity and liabilities	1,177,526	1,130,955	1,144,798	1,107,031
Memorandum items				
Contingent liabilities	11,564	10,851	11,727	10,983
Commitments	201,584	200,870	200,482	200,217

These condensed interim financial statements were approved by the Board of Directors on 26 August 2021 and signed on its behalf by:

Michael C. Bonello, Chairman

Joseph Said, Director & Chief Executive Officer



Lombard Bank Malta p.l.c.

Statements of Changes in Equity for the period 1 January 2021 to 30 June 2021

Group	Attributable to equity holders of the Bank				Non-controlling interests € 000	Total equity € 000
	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000		
At 1 January 2020	11,044	18,530	19,832	69,722	7,674	126,802
Comprehensive income						
Profit for the period	-	-	-	3,053	263	3,316
Other comprehensive income						
Fair valuation of financial assets measured at FVOCI:						
Net changes in fair value arising during the period	-	-	(1,766)	-	(38)	(1,804)
Reclassification adjustments						
- net amounts reclassified to profit or loss	-	-	(54)	-	-	(54)
Net change attributable to changes in credit risk	-	-	(3)	-	-	(3)
Remeasurements of defined benefit obligations	-	-	33	-	13	46
Total other comprehensive income for the period	-	-	(1,790)	-	(25)	(1,815)
Total comprehensive income for the period	-	-	(1,790)	3,053	238	1,501
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners:						
Dividends to equity holders	-	-	-	-	(429)	(429)
Transfers and other movements	-	-	-	12	5	17
Total transactions with owners	-	-	-	12	(424)	(412)
At 30 June 2020	11,044	18,530	18,042	72,787	7,488	127,891
At 1 January 2021	11,044	18,530	18,978	77,469	7,741	133,762
Comprehensive income						
Profit for the period	-	-	-	3,189	262	3,451
Other comprehensive income						
Fair valuation of land and buildings, net of tax	-	-	5,852	-	-	5,852
Fair valuation of financial assets measured at FVOCI:						
Net changes in fair value arising during the period	-	-	(1,542)	-	(4)	(1,546)
Reclassification adjustments						
- net amounts reclassified to profit or loss	-	-	(41)	-	-	(41)
Net change attributable to changes in credit risk	-	-	(238)	-	-	(238)
Remeasurements of defined benefit obligations	-	-	(10)	-	(4)	(14)
Total other comprehensive income for the period	-	-	4,021	-	(8)	4,013
Total comprehensive income for the period	-	-	4,021	3,189	254	7,464
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners:						
Dividends to equity holders	-	-	-	(861)	(429)	(1,290)
Bonus shares	147	-	-	(147)	-	-
On acquisition of subsidiary	-	-	-	-	382	382
Total transactions with owners	147	-	-	(1,008)	(47)	(908)
At 30 June 2021	11,191	18,530	22,999	79,650	7,948	140,318



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Statements of Changes in Equity for the period 1 January 2021 to 30 June 2021

Bank					
	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total equity € 000
At 1 January 2020	11,044	18,530	17,901	67,137	114,612
Comprehensive income					
Profit for the period	-	-	-	2,396	2,396
Other comprehensive income					
Fair valuation of financial assets measured at FVOCI:					
Net changes in fair value arising during the period	-	-	(1,672)	-	(1,672)
Reclassification adjustments					
- net amounts reclassified to profit or loss	-	-	(54)	-	(54)
Net change attributable to changes in credit risk	-	-	(3)	-	(3)
Total other comprehensive income for the period	-	-	(1,729)	-	(1,729)
Total comprehensive income for the period	-	-	(1,729)	2,396	667
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners:					
Dividends to equity holders	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
At 30 June 2020	11,044	18,530	16,172	69,533	115,279
At 1 January 2021	11,044	18,530	17,076	74,692	121,342
Comprehensive income					
Profit for the period	-	-	-	2,566	2,566
Other comprehensive income					
Fair valuation of land and buildings, net of tax	-	-	5,852	-	5,852
Fair valuation of financial assets measured at FVOCI:					
Net changes in fair value arising during the period	-	-	(1,533)	-	(1,533)
Reclassification adjustments					
- net amounts reclassified to profit or loss	-	-	(41)	-	(41)
Net change attributable to changes in credit risk	-	-	(238)	-	(238)
Total other comprehensive income for the period	-	-	4,040	-	4,040
Total comprehensive income for the period	-	-	4,040	2,566	6,606
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners:					
Dividends to equity holders	-	-	-	(861)	(861)
Bonus shares	147	-	-	(147)	-
Total transactions with owners	147	-	-	(1,008)	(861)
At 30 June 2021	11,191	18,530	21,116	76,250	127,087



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Lombard Bank Malta p.l.c.

Statements of Cash Flows for the period 1 January 2021 to 30 June 2021

	Group		Bank	
	30/06/21	30/06/20	30/06/21	30/06/20
	€ 000	€ 000	€ 000	€ 000
Cash flows from operating activities				
Interest and commission receipts	14,163	13,877	14,174	13,931
Receipts from customers relating to postal sales and other revenue	18,100	11,872	33	425
Interest and commission payments	(2,632)	(3,093)	(2,634)	(3,093)
Payments to employees and suppliers	(25,024)	(24,072)	(8,161)	(7,328)
Cash flows attributable to funds collected on behalf of third parties	1,496	3,731	-	-
Cash flows from operating profit before changes in operating assets and liabilities	6,103	2,315	3,412	3,935
<i>(Increase)/decrease in operating assets:</i>				
Treasury bills	(3,028)	(11,521)	(3,028)	(11,521)
Deposits with Central Bank of Malta	341	(421)	341	(421)
Loans and advances to banks and customers	(26,301)	(5,335)	(25,001)	(6,535)
Other receivables	(4,390)	533	(4,379)	219
<i>Increase/(decrease) in operating liabilities:</i>				
Amounts owed to banks and to customers	41,382	35,675	37,573	38,931
Other payables	(1,666)	218	(1,676)	532
Net cash generated from operations	12,441	21,464	7,242	25,140
Income tax paid	(1,165)	(1,025)	(990)	(817)
Net cash flows generated from operating activities	11,276	20,439	6,252	24,323
Cash flows from investing activities				
Dividends received	18	12	18	12
Interest received from investments	1,357	1,093	1,308	999
Proceeds on maturity/disposal of investments	2,532	5,409	2,262	5,179
Purchase of investments	(33,711)	(18,876)	(33,711)	(18,876)
Investment in subsidiary	-	-	(130)	-
Purchase of property, plant and equipment and intangible assets	(1,703)	(3,696)	(692)	(2,498)
Purchase of investment in associate	(1,500)	-	-	-
Net cash flows used in investing activities	(33,007)	(16,058)	(30,945)	(15,184)
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	(861)	-	(861)	-
Dividends paid to non-controlling interests	(429)	(426)	-	-
Payment of lease liability	(236)	(255)	(107)	(103)
Net cash flows used in financing activities	(1,526)	(681)	(968)	(103)
Net (decrease)/ increase in cash and cash equivalents	(23,257)	3,700	(25,661)	9,036
Net cash acquired on acquisition	833	-	-	-
Cash and cash equivalents at beginning of period	210,127	254,902	207,245	251,372
Cash and cash equivalents at end of period	187,703	258,602	181,584	260,408



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Segmental analysis for the period 1 January 2021 to 30 June 2021

	Banking services		Postal services		Total	
	30/06/21	30/06/20	30/06/21	30/06/20	30/06/21	30/06/20
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Operating income	12,228	11,595	20,476	17,299	32,704	28,894
Segment result - Profit before taxation	4,032	3,633	1,402	1,407	5,434	5,040
	30/06/21	31/12/20	30/06/21	31/12/20	30/06/21	31/12/20
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Segment total assets	1,127,072	1,084,409	50,454	46,546	1,177,526	1,130,955



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 2021				
Equity instruments	-	-	8,097	8,097
Debt securities	9,382	9,382	170,566	170,566
Other assets	2,925	2,925	953,828	953,828
	12,307	12,307	1,132,491	1,132,491
At 31 December 2020				
Equity instruments	-	-	9,242	9,242
Debt securities	9,961	9,961	139,583	139,583
Other assets	3,629	3,629	944,616	944,616
	13,590	13,590	1,093,441	1,093,441

Lombard Bank does not encumber any collateral received. As at 30 June 2021, the Bank did not have any outstanding liabilities associated with encumbered assets and collateral received.

The Bank undertakes the following types of encumbrance:

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



Explanatory Notes

1. Reporting Entity

Lombard Bank Malta p.l.c. is a credit institution incorporated and domiciled in Malta with its registered address at 67, Republic Street, Valletta. The condensed interim financial statements of the Bank as at end of the six months ended 30 June 2021 include the Bank, subsidiaries and equity-accounted investee (together referred to as 'the Group').

The audited financial statements of the Group as at and for the year ended 31 December 2020 are available upon request from the Bank's registered office and are also available for viewing on its website at <https://www.lombardmalta.com/en/financial-results>.

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34 - 'Interim Financial Reporting'. These include the comparative statements of financial position information as of 31 December 2020 and the comparative statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows information for the period ended 30 June 2021. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, 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'.

No related party transactions were undertaken during the period 1 January to 30 June 2021 that had a material effect on the performance of the Group.



3. *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 2020, as described in those financial statements.

Standards, interpretations and amendments to published standards effective in 2021

In 2021, the Group adopted amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2021. 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.

Standards, interpretations and amendments to published standards that are not yet effective

There were no new standards, amendments and interpretations to existing standards which are mandatory for accounting periods beginning after 1 January 2021 that were published by the date of authorisation for issue of this financial information and which could have a possible significant impact on the Group's financial statements in the period of initial application.



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4. *Financial instruments subject to expected credit losses accounted for in line with IFRS 9*

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

	Gross carrying amount ¹			
	Stage 1 € 000	Stage 2 € 000	Stage 3 € 000	Total € 000
At 30 June 2021				
Loans and advances to customers at amortised cost	498,530	91,282	83,461	673,273
Loans and advances to banks at amortised cost	84,408	-	-	84,408
Other financial assets	156,517	459	-	156,976
Debt instruments measured at FVOCI	179,948	-	-	179,948
Total carrying amount	919,403	91,741	83,461	1,094,605
Contingent liabilities and financial guarantee contracts	8,858	-	-	8,858
Undrawn commitments	191,920	4,876	992	197,788
Total	1,120,181	96,617	84,453	1,301,251

	Gross carrying amount ¹			
	Stage 1 € 000	Stage 2 € 000	Stage 3 € 000	Total € 000
At 31 December 2020				
Loans and advances to customers at amortised cost	523,819	57,807	66,658	648,284
Loans and advances to banks at amortised cost	93,641	-	-	93,641
Other financial assets	170,605	440	-	171,045
Debt instruments measured at FVOCI	149,545	-	-	149,545
Total carrying amount	937,610	58,247	66,658	1,062,515
Contingent liabilities and financial guarantee contracts	8,681	-	-	8,681
Undrawn commitments	189,487	5,280	3,521	198,288
Total	1,135,778	63,527	70,179	1,269,484

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 30 June 2021				
Loans and advances to customers at at amortised cost	4,739	5,705	17,298	27,742
Loans and advances to banks at amortised cost	-	-	-	-
Other financial assets	-	-	-	-
Debt instruments measured at FVOCI	441	-	-	441
Total carrying amount	5,180	5,705	17,298	28,183
Contingent liabilities and financial guarantee contracts	27	-	-	27
Undrawn commitments	20	-	-	20
Total	5,227	5,705	17,298	28,230

	Allowance for ECL			
	Stage 1 € 000	Stage 2 € 000	Stage 3 € 000	Total € 000
At 31 December 2020				
Loans and advances to customers at at amortised cost	6,200	2,799	16,915	25,914
Loans and advances to banks at amortised cost	-	-	-	-
Other financial assets	-	-	-	-
Debt instruments measured at FVOCI	808	-	-	808
Total carrying amount	7,008	2,799	16,915	26,722
Contingent liabilities and financial guarantee contracts	62	-	-	62
Undrawn commitments	221	-	2	223
Total	7,291	2,799	16,917	27,007

Reconciliation of ECL allowance for financial assets as follows:

	€ 000
At 31 December 2020	27,007
Charge for the period	872
Unwind of discount	351
At 30 June 2021	28,230



5. *Assumptions, judgements and credit risk in a COVID-19 scenario*

As set out in the Annual Report 2020 under ‘Accounting estimates and judgements’ (page 112), the measurement of the Expected Credit Loss allowance for financial assets measured at Amortised cost and Fair value through Other Comprehensive Income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

The COVID-19 pandemic gave rise to levels of uncertainty that required increased use of estimation and judgement, especially in relation to effects that the pandemic will be having on the local and international economy. Judgement in this context, to name a few, would include assumptions as to duration of the pandemic, change in collateral value, central support to business, availability of medical facilities and solutions and level of response to central authority directives. The situation is still evolving from last year and uncertainty remains of the full impact on the economy. Economies started to open up gradually this year and with the easing of restrictions and progressing of vaccination programmes a return to a ‘normal’ post-pandemic activity appears to be under way.

Stressed probabilities of default (PDs) used in the sectorial macroeconomic variables were adjusted to reflect the Central Bank of Malta data. At the reporting date the risks associated with the Bank’s financial assets remained well mitigated by the assets’ underlying quality and low loan to value. The Bank will continue to closely monitor its exposures in the light of developments so as to align the Expected Credit Loss accordingly.

The methodology used for the calculation of the ECL is elaborated in the Annual Report 2020 on pages 63 to 71 and has not changed since.

In relation to retail portfolios, SICR is generally determined on the basis of delinquency related indicators since less information is available at asset level to enable the timely identification of a SICR. In this respect, a set of criteria were established to determine if borrowers which were granted a general payment moratorium exhibited signs of SICR or Unlikelihood-to-Pay (UTP). Such criteria includes whether the COVID-19 pandemic negatively affects the level of income of the borrower to the extent that the repayment ability of the borrower is jeopardised and whether the economic sector in which the borrower is employed is severely affected. With respect to borrowers who have not requested a moratorium, the Bank continued to apply rigorously its credit assessment and oversight processes, which include monitoring of arrears. Retail borrowers were considered to exhibit signs of SICR and consequently downgraded to Stage 2 if they met the criteria of repayments being past-due by more than 30 days and other qualitative criteria, including but not limited to actual or potential loss of personal income.

In relation to the corporate portfolio, the Bank assessed all borrowers which were granted a general payment moratorium. As part of these credit assessments, judgement is exercised in evaluating all relevant information on indicators of impairment, particularly where factors indicate deterioration in the financial condition and outlook of borrowers affecting



their ability to pay. As part of the ongoing credit review process, the Bank also assessed whether potential heightened credit risk factors exists (SICR or UTP) from exposures not subject to a general payment moratoria. Such assessment was based on the performance of the economic sector to which the borrower belongs.

On 13 April 2020 the Central Bank of Malta issued Directive 18 (in terms of Legal Notice 142) specifying parameters for granting of COVID-19 measures and other Government guaranteed assistance.

The following assistance was offered by the Bank to its borrowing customers in response to the COVID-19 pandemic.

As at 30 June 2021, 96 obligors (Dec 2020: 96 obligors) had been granted moratoria in respect of gross exposures amounting to €93.9 million (Dec 2020: €78.6 million) which moratoria met the criteria for a general payment moratorium as established within Directive No. 18 and the EBA guidelines.

As at 30 June 2021, outstanding gross loans and advances subject to general payment moratoria amounted to €16.1 million (Dec 2020: €65.7 million), of which €15.4 million (Dec 2020: €0.5 million) are classified as Stage 2 and €0.5 million (Dec 2020: €0.05 million) are classified as Stage 3.

Out of the outstanding gross loans and advances subject to general payment moratoria, €0.1 million (Dec 2020: €12.4 million) relate to retail mortgage customers. In order to earmark obligors experiencing a significant increase in credit risk and estimate the impact of delayed emergence of defaults in view of these moratoria, and accordingly estimate the ECL referred to above, the Bank assessed these exposures by reference to specific criteria established by management (as set out in Note 2.3.4.1 of Annual Report 2020). In respect of corporate exposures amounting to €15.9 million (Dec 2020: €52.1 million), the Bank assessed and individually rated each borrower requesting a general payment moratorium on the basis of recently obtained management information, including forecasts.

During 2020 the Bank also confirmed its participation in the Malta Development Bank COVID-19 Guarantee Scheme, whereby the risk of newly originated loans under the scheme to viable businesses experiencing liquidity pressures resulting from the effects of the pandemic are mitigated by a government guarantee.

In this respect, as at 30 June 2021, newly originated gross loans subject to the Malta Development Bank COVID-19 Guarantee Scheme amounted to €9.9 million (Dec 2020: €7.2 million), of which a maximum amount of €8.9 million (Dec 2020: €6.4 million) is considered guaranteed, though subject to an overall portfolio capping of €4.4 million (Dec 2020: €3.2 million).



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The following is further information on loans and advances subject to EBA-compliant moratoria (legislative and non-legislative):

	Gross carrying amount							
	Total	Performing			Non performing			Inflows to non-performing exposures
			<i>Of which: exposures with forbearance measures</i>	<i>Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)</i>		<i>Of which: exposures with forbearance measures</i>	<i>Of which: Unlikely to pay that are not past-due or past-due <= 90 days</i>	
At 30 June 2021	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Loans and advances subject to moratorium	16,070	15,557	-	15,416	513	479	-	-
of which: Households	174	141	-	-	33	-	-	-
of which: Collateralised by residential immovable property	141	141	-	-	-	-	-	-
of which: Non-financial corporations	479	-	-	-	479	479	-	-
of which: Small and Medium-sized Enterprises	479	-	-	-	479	479	-	-
of which: Collateralised by commercial immovable property	479	-	-	-	479	479	-	-

	Gross carrying amount							
	Total	Performing			Non performing			Inflows to non-performing exposures
			<i>Of which: exposures with forbearance measures</i>	<i>Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)</i>		<i>Of which: exposures with forbearance measures</i>	<i>Of which: Unlikely to pay that are not past-due or past-due <= 90 days</i>	
At 31 December 2020	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Loans and advances subject to moratorium	65,678	65,622	-	541	56	-	56	38
of which: Households	13,614	13,596	-	160	18	-	18	-
of which: Collateralised by residential immovable property	12,424	12,424	-	-	-	-	-	-
of which: Non-financial corporations	42,788	42,750	-	381	38	-	38	38
of which: Small and Medium-sized Enterprises	16,766	16,728	-	381	38	-	38	38
of which: Collateralised by commercial immovable property	39,087	39,087	-	-	-	-	-	-



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Accumulated impairment, accumulated negative changes in fair value due to credit risk							
Total	Performing			Non performing			
		<i>Of which: exposures with forbearance measures</i>	<i>Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)</i>		<i>Of which: exposures with forbearance measures</i>	<i>Of which: Unlikely to pay that are not past-due or past-due <= 90 days</i>	
At 30 June 2021	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Loans and advances subject to moratorium	(3)	(1)	-	-	(2)	-	-
of which: Households	(3)	(1)	-	-	(2)	-	-
<i>of which: Collateralised by residential immovable property</i>	(1)	(1)	-	-	-	-	-
of which: Non-financial corporations	-	-	-	-	-	-	-
<i>of which: Small and Medium-sized Enterprises</i>	-	-	-	-	-	-	-
<i>of which: Collateralised by commercial immovable property</i>	-	-	-	-	-	-	-

Accumulated impairment, accumulated negative changes in fair value due to credit risk							
Total	Performing			Non performing			
		<i>Of which: exposures with forbearance measures</i>	<i>Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)</i>		<i>Of which: exposures with forbearance measures</i>	<i>Of which: Unlikely to pay that are not past-due or past-due <= 90 days</i>	
At 31 December 2020	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Loans and advances subject to moratorium	(533)	(533)	-	(188)	-	-	-
of which: Households	(138)	(138)	-	(41)	-	-	-
<i>of which: Collateralised by residential immovable property</i>	(96)	(96)	-	(41)	-	-	-
of which: Non-financial corporations	(358)	(358)	-	(147)	-	-	-
<i>of which: Small and Medium-sized Enterprises</i>	(125)	(125)	-	-	-	-	-
<i>of which: Collateralised by commercial immovable property</i>	(211)	(211)	-	-	-	-	-



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Analysis by residual maturity of moratoria:

At 30 June 2021	Number of obligors	€ 000	Gross carrying amount						
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Loans and advances for which moratorium was offered	98	94,143							
Loans and advances subject to moratorium (granted)	96	93,866	93,866	77,796	16,070	-	-	-	-
of which: Households		14,652	14,652	14,478	174	-	-	-	-
of which: Collateralised by residential immovable property		13,297	13,297	13,156	141	-	-	-	-
of which: Non-financial corporations		50,824	50,824	50,345	479	-	-	-	-
of which: Small and Medium-sized Enterprises		20,222	20,222	19,743	479	-	-	-	-
of which: Collateralised by commercial immovable property		45,181	45,181	44,702	479	-	-	-	-

At 31 December 2020	Number of obligors	€ 000	Of which: legislative moratoria	Of which: expired	Gross carrying amount				
					Residual maturity of moratoria				
			€ 000	€ 000	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Loans and advances for which moratorium was offered	98	78,906							
Loans and advances subject to moratorium (granted)	96	78,630	78,630	12,952	50,985	14,162	480	51	-
of which: Households		14,550	14,550	936	8,956	4,526	132	-	-
of which: Collateralised by residential immovable property		12,853	12,853	429	8,560	3,732	132	-	-
of which: Non-financial corporations		49,209	49,209	6,421	34,647	7,742	348	51	-
of which: Small and Medium-sized Enterprises		18,141	18,141	1,375	14,826	1,940	-	-	-
of which: Collateralised by commercial immovable property		44,235	44,235	5,148	33,340	5,747	-	-	-



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Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis:

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		<i>of which: forborne</i>	Public guarantees received	Inflows to non-performing exposures
At 30 June 2021	€ 000	€ 000	€ 000	€ 000
Newly originated loans and advances subject to public guarantee schemes	9,871	3,128	4,442	-
of which: Households	-			-
of which: Collateralised by residential immovable property	-			-
of which: Non-financial corporations	9,413	3,128	4,236	-
of which: Small and Medium-sized Enterprises	2,191			-
of which: Collateralised by commercial immovable property	255			-

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		<i>of which: forborne</i>	Public guarantees received	Inflows to non-performing exposures
At 31 December 2020	€ 000	€ 000	€ 000	€ 000
Newly originated loans and advances subject to public guarantee schemes	7,212	-	3,245	-
of which: Households	-			-
of which: Collateralised by residential immovable property	-			-
of which: Non-financial corporations	6,761	-	3,042	-
of which: Small and Medium-sized Enterprises	1,581			-
of which: Collateralised by commercial immovable property	250			-



6. *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 2021 and 31 December 2020, 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 repriceable 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 2020.



7. Dividends

	30/06/21	30/06/20
Dividends (net) declared and paid by the Bank (€ 000)	861	0
€ cent per share – gross	3c0	0
€ cent per share – net	1c95	0

On 27 July 2020, the European Central Bank ('ECB') issued a Recommendation on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/19 (ECB/2020/35), which inter alia recommended that no dividends be paid out by credit institutions until 1 January 2021 and that no irrevocable commitment to pay out dividends be undertaken by credit institutions for the financial years 2019 and 2020.

On the basis of this, during August 2020 the Board of Directors resolved to withdraw its recommendation of 23 March 2020 for the payment of a final gross dividend of 7 cent per nominal 25 cent share (net dividend of 4.55 cent for a total amount of €2,010,095) for the twelve months ended 31 December 2019.

On 15 December 2020, the ECB issued another Recommendation on dividend distributions during the COVID-19 pandemic repealing Recommendation ECB/2020/35 (ECB/2020/62), which encourages prudence on the part of credit institutions when deciding on or paying out dividends. In this respect, the ECB generally considers distributions exceeding the lower of 15% of accumulated profit for the financial years ended 31 December 2019 and 2020 and 20 basis points in terms of the Common Equity Tier 1 ratio to lack prudence.

Based on the above, during the Annual General Meeting of shareholders held on 28 May 2021 a final gross dividend of 3 cent (net dividend of 1.95 cent) per nominal €0.25 share, representing a final gross payment of €1,325,337 be approved was 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 2021 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 Directors' Report includes a fair review of the information required in terms of Listing Rules.

Joseph Said, *Chief Executive Officer*