Lombard Bank Malta p.l.c.

Interim Condensed Financial Statements
30 June 2023

Company Registration Number: C 1607

Contents

Statements of Financial Position

	Group		Bank	
	30 June 2023 € 000	31 December 2022 € 000	**30 June 2023 € 000**	31 December 2022 € 000
Assets				
Balances with Central Bank of Malta, treasury bills and cash	**132,025**	139,234	**131,229**	138,393
Cheques in course of collection	**1,916**	1,053	**1,916**	1,053
Financial investments	**218,182**	220,815	**215,737**	218,286
Loans and advances to banks	**33,441**	27,615	**29,449**	20,936
Loans and advances to customers	**719,866**	711,612	**719,868**	711,613
Trade and other receivables	**14,398**	13,243	**3,404**	3,445
Accrued income and other assets	**5,563**	5,302	**4,911**	4,581
Assets classified as held for sale	**703**	703	**703**	703
Current tax assets	**212**	575	**-**	296
Inventories	**1,219**	1,271	**483**	602
Investments in subsidiaries	**-**	-	**17,135**	16,058
Investments in associates	**2,974**	2,607	**1,645**	1,645
Intangible assets	**2,161**	2,121	**28**	57
Property, plant and equipment	**67,288**	66,375	**42,515**	42,400
Deferred tax assets	**11,242**	10,889	**10,935**	10,552
Total assets	**1,211,190**	1,203,415	**1,179,958**	1,170,620

Statements of Financial Position *- continued*

	Group		Bank	
	30 June 2023 € 000	31 December 2022 € 000	**30 June 2023 € 000**	31 December 2022 € 000
Equity and Liabilities				
Equity				
Share capital	**11,341**	11,341	**11,341**	11,341
Share premium	**18,530**	18,530	**18,530**	18,530
Revaluation and other reserves	**5,501**	4,639	**2,826**	1,918
Retained earnings	**104,558**	101,700	**103,949**	100,204
Equity attributable to equity holders of the Bank	**139,930**	136,210	**136,646**	131,993
Non-controlling interests	**7,971**	8,090	**-**	-
Total equity	**147,901**	144,300	**136,646**	131,993
Liabilities				
Amounts owed to banks	**983**	535	**983**	535
Amounts owed to customers	**1,009,300**	1,008,431	**1,011,375**	1,010,100
Current tax liabilities	**2,963**	-	**2,963**	-
Accruals and deferred income	**11,548**	11,015	**7,144**	7,589
Other liabilities	**32,676**	33,347	**17,656**	17,220
Provisions for liabilities and other charges	**1,720**	1,688	**391**	383
Deferred tax liabilities	**4,099**	4,099	**2,800**	2,800
Total liabilities	**1,063,289**	1,059,115	**1,043,312**	1,038,627
Total equity and liabilities	**1,211,190**	1,203,415	**1,179,958**	1,170,620
Memorandum items				
Contingent liabilities	**14,667**	13,611	**14,667**	13,610
Commitments	**245,499**	202,396	**246,337**	203,285

The notes on pages 12 to 23 are an integral part of these interim condensed financial statements.

These interim condensed financial statements on pages 3 to 23 were approved and authorised for issue by the Board of Directors on 29 August 2023 and signed on its behalf by:

Michael C. Bonello, *Chairman*

Joseph Said, *Director & Chief Executive Officer*

Income Statements

	Group		Bank	
	30 June 2023 € 000	30 June 2022 € 000	**30 June 2023 € 000**	30 June 2022 € 000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	**14,987**	12,127	**14,973**	12,103
- on debt and other fixed income instruments	**1,270**	1,235	**1,232**	1,200
Interest expense	**(3,567)**	(3,232)	**(3,543)**	(3,209)
Net interest income	**12,690**	10,130	**12,662**	10,094
Fee and commission income	**2,777**	3,022	**2,289**	2,445
Fee and commission expense	**(177)**	(129)	**(177)**	(128)
Net fee and commission income	**2,600**	2,893	**2,112**	2,317
Postal sales and other revenues	**19,810**	15,065	**129**	163
Dividend income	**81**	53	**1,738**	1,710
Net trading income	**71**	433	**277**	358
Other operating income/(charges)	**-**	34	**(27)**	46
Operating income	**35,252**	28,608	**16,891**	14,688
Employee compensation and benefits	**(12,234)**	(12,044)	**(4,415)**	(4,246)
Other operating costs	**(14,037)**	(9,951)	**(3,652)**	(3,738)
Depreciation and amortisation	**(1,544)**	(1,418)	**(603)**	(522)
Provisions for liabilities and other charges	**(20)**	(8)	**-**	26
Net movement in expected credit losses	**(1,882)**	12,131	**(1,881)**	12,107
Operating profit	**5,535**	17,318	**6,340**	18,315
Share of loss of investment accounted for using the equity method, net of tax	**(134)**	(142)	**-**	-
Profit before taxation	**5,401**	17,176	**6,340**	18,315
Income tax expense	**(2,023)**	(6,186)	**(2,309)**	(6,509)
Profit for the period	**3,378**	10,990	**4,031**	11,806
Attributable to:				
Equity holders of the Bank	**3,247**	10,891	**4,031**	11,806
Non-controlling interests	**131**	99	**-**	-
Profit for the period	**3,378**	10,990	**4,031**	11,806
Earnings per share	**€0.04**	€0.12		

The notes on pages 12 to 23 are an integral part of these interim condensed financial statements.

Statements of Comprehensive Income

	Group		Bank	
	30 June 2023	30 June 2022	**30 June 2023**	30 June 2022
	€ 000	€ 000	**€ 000**	€ 000
Profit for the period	**3,378**	10,990	**4,031**	11,806
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Debt investments measured at FVOCI				
Net gains/(losses) from changes in fair value, before tax	**527**	(14,915)	**612**	(14,807)
Net amounts reclassified to profit or loss on disposal, before tax	**88**	5	**88**	5
Net movements attributable to changes in credit risk reflected within profit or loss, before tax	**42**	(20)	**42**	(20)
Income taxes relating to these items	**(260)**	5,188	**(260)**	5,188
Items that will not be subsequently reclassified to profit or loss				
Net gains/(losses) from changes in fair value of investments in equity instruments designated at FVOCI, before tax	**215**	(1,317)	**215**	(1,317)
Surplus arising on revaluation of land and buildings, before tax	**-**	47	**-**	47
Remeasurements of defined benefit obligations, before tax	**(9)**	83	**-**	-
Income taxes relating to these items	**(72)**	431	**(75)**	461
Other comprehensive income for the period, net of income tax	**531**	(10,498)	**622**	(10,443)
Total comprehensive income for the period, net of income tax	**3,909**	492	**4,653**	1,363
Attributable to:				
Equity holders of the Bank	**3,803**	409		
Non-controlling interests	**106**	83		
Total comprehensive income for the period, net of income tax	**3,909**	492		

The notes on pages 12 to 23 are an integral part of these interim condensed financial statements.

Statements of Changes in Equity

Group

	Attributable to equity holders of the Bank						
	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total € 000	Non-controlling interests € 000	Total equity € 000
At 1 January 2022	11,192	18,530	23,668	83,910	137,300	8,470	145,770
Comprehensive income							
Profit for the period	-	-	-	10,891	10,891	99	10,990
Other comprehensive income							
Surplus on the revaluation of land and buildings, net of tax	-	-	47	-	47	-	47
Fair valuation of financial assets measured at FVOCI:							
Net movements in fair value arising during the period	-	-	(10,559)	-	(10,559)	(31)	(10,590)
Reclassification adjustment:							
- net amounts reclassified to profit or loss on disposal	-	-	3	-	3	-	3
Net movement attributable to changes in credit risk	-	-	(13)	-	(13)	-	(13)
Remeasurement of defined benefit obligations	-	-	40	-	40	15	55
Total other comprehensive income for the period	-	-	(10,482)	-	(10,482)	(16)	(10,498)
Total comprehensive income for the period	-	-	(10,482)	10,891	409	83	492
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners:							
Dividends to equity holders	-	-	-	(875)	(875)	(429)	(1,304)
Bonus issue	149	-	-	(149)	-	-	-
Total transactions with owners	149	-	-	(1,024)	(875)	(429)	(1,304)
At 30 June 2022	11,341	18,530	13,186	93,777	136,834	8,124	144,958

Statements of Changes in Equity *– continued*

Group

	Attributable to equity holders of the Bank						
	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total € 000	Non-controlling interests € 000	Total equity € 000
At 1 January 2023	11,341	18,530	4,639	101,700	136,210	8,090	144,300
Comprehensive income							
Profit for the period	-	-	-	3,247	3,247	131	3,378
Other comprehensive income							
Fair valuation of financial assets measured at FVOCI:							
Net movements in fair value arising during the period	-	-	476	-	476	(23)	453
Reclassification adjustment:							
- net amounts reclassified to profit or loss on disposal	-	-	57	-	57	-	57
Net movements attributable to changes in credit risk	-	-	27	-	27	-	27
Remeasurements of defined benefit obligations	-	-	(4)	-	(4)	(2)	(6)
Total other comprehensive income for the period	-	-	556	-	556	(25)	531
Total comprehensive income for the period	-	-	556	3,247	3,803	106	3,909
Transfers and other movements	-	-	288	(288)	-	-	-
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	-	-	(429)	(429)
Changes in ownership interests in subsidiaries that do not result in loss of control	-	-	18	(101)	(83)	204	121
Total transactions with owners	-	-	18	(101)	(83)	(225)	(308)
At 30 June 2023	11,341	18,530	5,501	104,558	139,930	7,971	147,901

Statements of Changes in Equity *- continued*

Bank

	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total equity € 000
At 1 January 2022	11,192	18,530	20,828	81,452	132,002
Comprehensive income					
Profit for the period	-	-	-	11,806	11,806
Other comprehensive income					
Surplus on revaluation of land and buildings, net of tax	-	-	47	-	47
Fair valuation of financial assets measured at FVOCI:					
Net movements in fair value arising during the period	-	-	(10,480)	-	(10,480)
Reclassification adjustment:					
- net amounts reclassified to profit or loss on disposal	-	-	3	-	3
Net movements attributable to changes in credit risk	-	-	(13)	-	(13)
Total other comprehensive income for the period	-	-	(10,443)	-	(10,443)
Total comprehensive income for the period	-	-	(10,443)	11,806	1,363
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends to equity holders	-	-	-	(873)	(873)
Bonus issue	149	-	-	(149)	-
Total transactions with owners	149	-	-	(1,022)	(873)
At 30 June 2022	11,341	18,530	10,385	92,236	132,492

Statements of Changes in Equity *- continued*

Bank

	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total equity € 000
At 1 January 2023	**11,341**	**18,530**	**1,918**	**100,204**	**131,993**
Comprehensive income					
Profit for the period	**-**	**-**	**-**	**4,031**	**4,031**
Other comprehensive income					
Fair valuation of financial assets measured at FVOCI:					
Net movements in fair value arising during the period	**-**	**-**	**538**	**-**	**538**
Reclassification adjustment:					
- net amounts reclassified to profit or loss on disposal			**57**	**-**	**57**
Net movements attributable to changes in credit risk	**-**	**-**	**27**	**-**	**27**
Total other comprehensive income for the period	**-**	**-**	**622**	**-**	**622**
Total comprehensive income for the period	**-**	**-**	**622**	**4,031**	**4,653**
Transfers and other movements	**-**	**-**	**286**	**(286)**	**-**
At 30 June 2023	**11,341**	**18,530**	**2,826**	**103,949**	**136,646**

The notes on pages 12 to 23 are an integral part of these interim condensed financial statements.

Cashflow Statements

	Group		Bank	
	30 June 2023 € 000	30 June 2022 € 000	**30 June 2023 € 000**	30 June 2022 € 000
Cash flows from operating activities				
Interest, fees and commission receipts	**16,890**	14,304	**16,919**	14,318
Receipts from customers relating to postal sales and other revenue	**19,770**	13,847	**129**	163
Interest, fees and commission payments	**(3,609)**	(3,090)	**(3,610)**	(3,090)
Payments to employees and suppliers	**(29,209)**	(23,849)	**(8,858)**	(8,044)
Cash flows attributable to funds collected on behalf of third parties	**529**	3,954	**-**	-
Cash flows from operating profit before changes in operating assets and liabilities	**4,371**	5,166	**4,580**	3,347
Movements in operating assets:				
Treasury bills	**31,507**	(14,013)	**31,507**	(14,013)
Balances with Central Bank of Malta	**(5,794)**	2,633	**(5,794)**	2,633
Loans and advances to banks and customers	**(7,586)**	(48,205)	**(10,086)**	(50,105)
Other receivables	**(653)**	(1,639)	**(705)**	(1,718)
Movements in operating liabilities:				
Amounts owed to banks and to customers	**870**	32,447	**1,275**	32,515
Other payables	**411**	4,706	**463**	4,786
Net cash generated from / (used in) operating activities, before tax	**23,126**	(18,905)	**21,240**	(22,555)
Net income tax paid	**618**	535	**811**	(36)
Net cash flows generated from / (used in) operating activities	**23,744**	(18,370)	**22,051**	(22,591)
Cash flows from investing activities				
Dividends received	**81**	53	**81**	1,710
Interest received from debt securities	**2,320**	1,546	**2,270**	1,490
Purchase of financial investments	**(1,000)**	(27,519)	**(1,000)**	(27,519)
Proceeds from maturity/disposal of investments	**3,963**	1,728	**3,963**	1,728
Purchase of property, plant and equipment and intangible assets	**(1,707)**	(1,645)	**(672)**	(418)
Investments in subsidiaries	**-**	-	**-**	(201)
Investments in associates	**(500)**	-	**-**	-
Net cash flows from / (used in) investing activities	**3,157**	(25,837)	**4,642**	(23,210)
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	**-**	(873)	**-**	(873)
Dividends paid to non-controlling interests	**(299)**	(424)	**-**	-
Principal element of lease payments	**(221)**	(218)	**(79)**	(61)
Net cash flows used in financing activities	**(520)**	(1,515)	**(79)**	(934)
Net increase / (decrease) in cash and cash equivalents	**26,381**	(45,722)	**26,614**	(46,735)
Cash and cash equivalents at beginning of period	**105,818**	166,260	**100,898**	161,678
Cash and cash equivalents at end of period	**132,199**	120,538	**127,512**	114,943

The notes on pages 12 to 23 are an integral part of these interim condensed financial statements.

Notes to the Condensed Interim Financial Statements

1. *Reporting Entity*

Lombard Bank Malta p.l.c. ('the Bank') is a credit institution incorporated and domiciled in Malta with its registered address at 67, Republic Street, Valletta. The condensed consolidated interim financial statements of the Bank as at and for the six month period ended 30 June 2023 include the Bank and its subsidiaries Redbox Limited, MaltaPost p.l.c. Group, Lombard Select SICAV p.l.c. and Lombard Capital Asset Management Limited (together referred to as 'the Group').

The audited financial statements of the Group for the year ended 31 December 2022 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.

The condensed interim financial statements have been reviewed in accordance with the requirements of ISRE 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

The comparative statements of financial position have been extracted from the audited financial statements for the year ended 31 December 2022.

2. *Basis of preparation*

The condensed interim financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard 34 - 'Interim Financial Reporting'. These include the comparative statements of financial position as of 31 December 2022 and the comparative income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the six month period ended 30 June 2022. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The end of the reporting period for the condensed interim financial information of MaltaPost p.l.c. that has been utilised in the preparation of this condensed interim financial information is 31 March 2023, since the financial information prepared as of this date constitutes the most recent reviewed financial information of MaltaPost p.l.c. The Bank has considered the utilisation of the subsidiary's consolidated financial information as at 30 June 2023 as impractical for the purposes of preparation of its condensed consolidated interim financial information.

3. *Accounting policies*

The accounting policies applied in the preparation of this interim financial information are consistent with those presented within the annual consolidated financial statements of Lombard Bank Malta p.l.c. for the year ended 31 December 2022, as described in those financial statements.

Standards, interpretations and amendments to published standards effective in 2023

In 2023, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2023. 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.

3. *Accounting policies* - continued

Standards, interpretations and amendments to published standards that are not yet effective in 2023

Certain new amendments and interpretations to existing standards have been published by the date of authorisation of these interim financial statements but are not yet effective for the Group's current reporting period. The Group did not early adopt any new standards, amendments and interpretations to existing standards applicable to periods after 1 January 2023 and the Bank's management is of the opinion that there are no requirements that will have a possible significant impact on the Group's consolidated financial statements in the period of initial application.

4. *Accounting estimates and judgements*

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group's management also makes judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

In particular, the measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour, requiring a number of significant judgements. The critical accounting estimates and judgements as set out in Note 3 of the Annual Report and Financial Statements 2022 were applicable to the six-month period under review.

5. *The Group's financial position and appropriateness of the going concern assumption in the preparation of the interim financial information*

The level of economic uncertainty remained elevated during the financial period ended 30 June 2023, primarily driven by the geopolitical developments as a result of the escalation of the military conflict between Russia and Ukraine, as well as widespread supply chain disruptions, which triggered significant inflationary pressures across the world. In order to curb the spiralling effect of inflationary pressures, the European Central Bank ('ECB') and other national central banks applied monetary policy tools at their disposal by increasing interest rates to manage demand. Moreover, in March 2023, the international financial sector was hit by stress events resulting in the collapse of a number of U.S. Regional Banks, and in a government brokered deal between two major banks in Switzerland. This created further turmoil in the international markets.

The Group has no direct exposure to assets in Russia, Belarus or Ukraine and was also not directly affected by the adverse developments which affected a number of credit institutions in foreign jurisdictions.

The Group continues to monitor the developments in the international and local economy with a view to take action in an agile manner as events which warrant action unfold.

Following the Annual General Meeting held on 22 June 2023, the Bank resumed the rights issue process. The Bank shall, by virtue of the rights issue, seek to increase its capital by circa €50 million. This will, apart from further strengthening the Bank's capital base in regulatory terms, allow the Bank to significantly grow its activities, not least by satisfying the demand for credit as well as other banking services and enable the continued implementation of the Bank's strategy.

5. *The Group's financial position and appropriateness of the going concern assumption in the preparation of the interim financial information* - continued

Having taken into consideration the Group's performance and its future strategic goals and current economic climate, the Directors are of the opinion that the Group is able to continue operating as a going concern for the foreseeable future.

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied*

The Group is exposed to a number of risks, which it manages at different organisational levels, in particular credit risk, which stems from the possible non-prompt repayment or non-payment of existing and contingent obligations by the Group's counterparties, resulting in the loss of equity and profit.

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from the Bank's consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees and letters of credit.

The Group is also exposed to other credit risks arising from the Bank's investments in debt securities and other exposures arising from its investing activities.

Credit risk constitutes the Bank's largest risk in view of its significant lending and securities portfolios, which is monitored in a structured and formal manner through several mechanisms and procedures. The credit risk management and control functions are centralised.

As part of the ECL model, the Bank classifies its exposures to loans and advances to customers into homogeneous groups with similar credit risk characteristics that include instrument type and credit risk gradings.

In this respect, the Bank considers the following categories for ECL measurement:

- retail portfolio, which includes loans and advances to individual customers such as mortgages, credit cards and other consumer credit;
- construction and real estate portfolio, which includes loans and advances to customers in respect of financing construction of real estate projects for the purpose of re-sale or rental; and
- corporate portfolio, which includes loans and advances to business entities, other than construction and real estate related borrowers.

The Bank's maximum credit risk with respect to on and off-balance sheet items can be classified into the following categories:

- Financial assets recognised on-balance sheet comprising principally of balances with Central Bank of Malta, financial investments and loans and advances to banks and customers. The maximum exposure to credit risk of these financial assets equals their gross carrying amounts.
- Documentary credits and guarantee obligations incurred on behalf of third parties. The latter carry the same credit risk as loans, whilst documentary credits are collateralised by the underlying shipments of goods to which they relate, and therefore carry less risk than a loan to a customer. The maximum exposure to credit risk is the full amount that the Bank would have to pay if the guarantees are called upon or if documentary credits are exercised.
- Loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities. The maximum exposure to credit risk is the full amount of the committed facilities. However, the likely amount of loss is less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. These exposures are monitored in the same manner in respect of loans and advances.

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied* - continued

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

All figures presented in this note exclude the balances relating to the subsidiaries, as the financial instruments subject to IFRS 9 impairment requirements for such subsidiaries are deemed immaterial.

The following tables set out information about the credit quality of the Bank's financial assets measured at amortised cost and financial investments at FVOCI excluding equity investments.

	30 June 2023			
	Stage 1 12-month ECL € 000	**Stage 2 Lifetime ECL € 000**	**Stage 3 Lifetime ECL € 000**	**Total € 000**
Loans and advances to customers at amortised cost	**552,532**	**150,335**	**28,795**	**731,662**
Loans and advances to banks at amortised cost	**29,449**	**-**	**-**	**29,449**
Accrued income and other financial assets	**139,168**	**236**	**84**	**139,488**
Debt instruments measured at FVOCI	**207,156**	**-**	**-**	**207,156**
Debt instruments measured at amortised cost	**1,000**	**-**	**-**	**1,000**
Gross carrying amount	**929,305**	**150,571**	**28,879**	**1,108,755**
Contingent liabilities	**11,088**	**-**	**-**	**11,088**
Undrawn commitments	**238,275**	**7,266**	**774**	**246,315**
Total	**1,178,668**	**157,837**	**29,653**	**1,366,158**

	31 December 2022			
	Stage 1 12-month ECL € 000	Stage 2 Lifetime ECL € 000	Stage 3 Lifetime ECL € 000	Total € 000
Loans and advances to customers at amortised cost	526,199	167,551	27,812	721,562
Loans and advances to banks at amortised cost	20,936	-	-	20,936
Accrued income and other financial assets	145,435	204	118	145,757
Debt instruments measured at FVOCI	210,862	-	-	210,862
Gross carrying amount	903,432	167,755	27,930	1,099,117
Contingent liabilities	10,886	-	-	10,886
Undrawn commitments	198,047	4,260	843	203,150
Total	1,112,365	172,015	28,773	1,313,153

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied* - continued

The following tables set out information on the allowance for expected credit losses of the Bank's financial assets measured at amortised cost and financial investments at FVOCI excluding equity investments.

	30 June 2023			
	Stage 1 12-month ECL € 000	**Stage 2 Lifetime ECL € 000**	**Stage 3 Lifetime ECL € 000**	**Total € 000**
Loans and advances to customers at amortised cost	**1,765**	**2,926**	**7,103**	**11,794**
Accrued income and other financial assets	**137**	**-**	**-**	**137**
Debt instruments measured at FVOCI	**442**	**-**	**-**	**442**
Debt instruments measured at amortised cost	**100**	**-**	**-**	**100**
Allowance for expected credit losses	**2,444**	**2,926**	**7,103**	**12,473**
Contingent liabilities	**43**	**-**	**-**	**43**
Undrawn commitments	**7**	**-**	**1**	**8**
Total	**2,494**	**2,926**	**7,104**	**12,524**

	31 December 2022			
	Stage 1 12-month ECL € 000	Stage 2 Lifetime ECL € 000	Stage 3 Lifetime ECL € 000	Total € 000
Loans and advances to customers at amortised cost	2,339	1,614	5,996	9,949
Debt instruments measured at FVOCI	526	-	-	526
Allowance for expected credit losses	2,865	1,614	5,996	10,475
Contingent liabilities	36	-	-	36
Undrawn commitments	6	-	1	7
Total	2,907	1,614	5,997	10,518

Measurement of expected credit losses

Methodology

The recognition and measurement of expected credit losses involves the use of significant judgement and estimation. The Bank's methodology in relation to the generation and adoption of economic scenarios is described in Note 2.3.4 on pages 74 to 82 of the Bank's 2022 Annual Report and Financial Statements.

Forward-looking information incorporated in the ECL model

The calculation of ECL incorporates forward-looking information. As explained in the Note 2.3.4.4 in the Bank's Annual Report and Financial Statements, the key driver is predominantly Gross Domestic Product (GDP) at constant prices. Modelling of the economic scenarios, i.e. the forecast values of GDP growth for optimistic and pessimistic scenarios, is performed on the basis of the historical values of annual GDP growth and annual forecast values for base scenario, based on the published three-year forecast of the Central Bank of Malta.

6. Summary of financial instruments to which the impairment requirements in IFRS 9 are applied - *continued*

On the international front the economic climate remains volatile. In Europe, high inflation and rising interest rates have reduced real household incomes and raised business costs, dampening consumption and investment and lowering growth expectations. The effects of higher interest rate expectations and lower growth are evident in asset price expectations, with house prices forecasts, in particular, significantly lower. Economic forecasts remain subject to a high degree of uncertainty. During 2023, risks to the economic outlook included the persistence of inflation risks relating to energy pricing and supply security. Geopolitical risks also remain significant and include the possibility of a prolonged and escalating military conflict between Russia and Ukraine, continued differences between the United States of America (‘US’) and other countries with China over a range of economic and strategic issues, and the evolution of the United Kingdom’s (‘UK’) relationship with the European Union (‘EU’). In March 2023, the international financial sector was hit by stress events resulting in the collapse of a number of U.S. Regional Banks, and in a government brokered deal between two major banks in Switzerland. This created further turmoil in the international markets.

However, during the second quarter of 2023, the Central Bank of Malta forecasted Malta's GDP to grow by 4.0% in 2023, 3.8% in 2024 and 3.7% in 2025. Compared to the previous projections, this represents an upward revision of 0.3 percentage point in 2023 and 0.2 percentage points in 2024 and 2025 respectively. Local economic activity remained strong in recent months. In particular, the hospitality sector has picked up much more strongly than expected. Significant underlying currents from the international economic environment continue to persist. A tighter monetary policy in the euro area is expected to adversely affect demand, although the interest-rate pass through to lending rates charged by local banks has been relatively low. Meanwhile, significant price pressures due to the geopolitical conflict in Eastern Europe and supply side disruptions remain although price-mitigating fiscal measures for energy price stability continue to provide support to the local economy. As a result, inflation is thus expected to remain elevated for most of the forecast horizon. To this effect, economic growth in 2023 is expected to moderate significantly from 7.1% in 2022 to 4.0% in 2023 further decelerating to 3.7% in 2025. International developments, including the potential impact of monetary policy, are expected to continue to adversely affect growth throughout the projection horizon.

Significant judgement in the estimation of ECL impairment allowances as of 30 June 2023 continues to relate to the determination of forward-looking scenarios reflecting potential future economic conditions under different scenarios and their impact on PDs and LGDs.

The ‘base’, ‘upside’ and ‘downside’ scenarios were used for all portfolios:
- The ‘Base’ Scenario captures business-as-usual macro-economic expectations, whereby the current rhythm of economic activity is maintained;
- The ‘Downside’ Scenario is based on a subdued level of economic activity hypothesised to correspond to prolonged period of an economic contraction;
- The ‘Upside’ Scenario is based on the assumption that it would be possible to marginally improve further over the already benign economic conditions considered in the ‘Base’ Scenario.

	As of 30 June 2023		
	2023	**2024**	**2025**
Gross Domestic Product, constant prices (YoY)*			
‘Base’	**4.00%**	**3.80%**	**3.70%**
Range of forecasts for alternative scenarios	**[1.1 – 6.9]%**	**[0.9-6.7]%**	**[0.8 – 6.6]%**

	As of 31 December 2022		
	2023	2024	2025
Gross Domestic Product, constant prices (YoY)*			
‘Base’	3.70%	3.60%	3.50%
Range of forecasts for alternative scenarios	[0.8 – 6.6]%	[0.7 – 6.5]%	[0.6 - 6.4]%

*YoY = year on year % change

6. Summary of financial instruments to which the impairment requirements in IFRS 9 are applied - continued

As of 30 June 2023, the weightings assigned to each economic scenario were 68% for the 'Base' Scenario, 16% for the 'Downside' scenario and 16% for the 'Upside' scenario. The weightings assigned as of 31 December 2022 were 68% for the 'Base' Scenario, 16% for the 'Downside' scenario and 16% for the 'Upside' scenario.

Economic scenarios sensitivity analysis of ECL estimates

The outcome of the Bank's credit loss allowances estimation process is sensitive to judgements and estimations made through the reflection of several forward-looking economic conditions. Management has assessed the sensitivity of the Bank's expected credit losses by assigning a 100% weighting to the baseline, downside and upside scenarios respectively. The Bank's credit loss allowances would decrease by €3.4 million if the provisions had to be calculated solely on the baseline scenario; ECLs would increase by €1.4 million if these had to be estimated using only the downside scenario and would reduce by €4.1 million if the upside scenario only were to be taken into consideration. This demonstrates the Bank's resilience in overcoming negative shocks and its ability to absorb such allowance changes, if necessary.

Post-model adjustment

Following the expiration of all general payment moratoria during 2021, a post-model mechanism was enhanced to estimate the impact of delayed emergence of default in view of government support measures which were still in force during the year ended 31 December 2021 and also the potential economic impact of Malta's grey listing by the Financial Action Task Force at the time. The overlay was in the region of €3 million.

During 2022 the Bank continued to perform sectorial reviews, in particular on exposures connected to the hospitality industry, which had been mostly impacted by the pandemic, to identify customers or groups of customers who were experiencing, or could likely experience, financial difficulty as a direct result of the aftermath of the COVID-19 pandemic. The results of such reviews, also in the context of the economic rebound of the industry registered during 2022, suggests a marked improvement in the business and prospects of the same borrowers and accordingly the Bank determined that the level of credit risk, emanating directly from the unprecedented economic disruptions brought about by the COVID-19 pandemic, from such debtors decreased significantly.

With respect to corporate exposures, as previously explained, during 2022 the Bank also continued to assess and individually rate on an ongoing basis those borrowers which in 2020 and 2021 were deemed to be mostly impacted by the pandemic. This assessment included the borrowers which in the previous two years accepted payment deferrals and other relief designed to address short-term liquidity issues, especially those which had extended deferrals. This assessment was carried out through individual ad-hoc credit assessments on the basis of recently obtained management information including forecasts.

In line with the results of sectorial reviews described further above, the results of the individual assessments indicated that the level of business experienced by the borrowers was close to the pre-pandemic levels of March 2020 and the economic developments prevalent in 2022 were unlikely to have any direct impact on any of the Bank's individually significant customers, which would then in turn materially impact the overall Bank's credit risk level, other than what was already considered in the forward looking information incorporated within the ECL model.

In light of the above, and following the representations of management which were also endorsed by the Bank's Audit and Risk Committee, during the year ended 31 December 2022, the Bank resolved to release the post-model overlay referred to above.

The following tables explain the changes in the loss allowance on loans and advances to customers between the beginning and end of the reporting period:

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied* - continued

	2023			
	Stage 1 12-month ECL € 000	**Stage 2 Lifetime ECL € 000**	**Stage 3 Lifetime ECL € 000**	**Total € 000**
Loans and advances to customers at amortised cost				
Loss allowance as at 1 January 2023	**2,339**	**1,614**	**5,996**	**9,949**
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	**(566)**	**566**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(4)**	**-**	**4**	**-**
Transfer from Stage 2 to Stage 1	**20**	**(20)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(1)**	**1**	**-**
Transfer from Stage 3 to Stage 1	**198**	**-**	**(198)**	**-**
Transfer from Stage 3 to Stage 2	**-**	**1**	**(1)**	**-**
Net remeasurement of ECL arising from stage transfers	**(2)**	**295**	**-**	**293**
Total remeasurement of loss allowance arising from transfers in stages	**(354)**	**841**	**(194)**	**293**
New financial assets originated	**321**	**48**	**1**	**370**
Changes to risk parameters (model inputs PDs/LGDs/EADs)	**(489)**	**727**	**1,205**	**1,443**
Financial assets derecognised	**(52)**	**(304)**	**(16)**	**(372)**
Total net income statement (credit)/charge during the period	**(574)**	**1,312**	**996**	**1,734**
Other movements				
Unwinding of discount	**-**	**-**	**111**	**111**
Loss allowance as at 30 June 2023	**1,765**	**2,926**	**7,103**	**11,794**
		2022		
Loss allowance as at 1 January 2022	5,187	3,361	17,074	25,622
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(17)	17	-	-
Transfer from Stage 1 to Stage 3	(3)	-	3	-
Transfer from Stage 2 to Stage 1	53	(53)	-	-
Transfer from Stage 2 to Stage 3	-	(5)	5	-
Transfer from Stage 3 to Stage 1	21	-	(21)	-
Transfer from Stage 3 to Stage 2	-	1	(1)	-
Net remeasurement of ECL arising from stage transfers	-	862	122	984
Total remeasurement of loss allowance arising from transfers in stages	54	822	108	984
New financial assets originated	672	45	30	747
Changes to risk parameters (model inputs PDs/LGDs/EADs) *	(3,464)	(295)	(9,748)	(13,507)
Financial assets derecognised	(118)	(144)	(64)	(326)
Total net income statement credit during the period	(2,856)	428	(9,674)	(12,102)
Other movements				
Write-offs	-	-	(44)	(44)
Unwinding of discount	-	-	331	331
Loss allowance as at 30 June 2022	2,331	3,789	7,687	13,807

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied* - continued

* The changes to risk parameters include the reversal of a post-model adjustment of €3 million within Stage 1 ECL, which was accounted for as of 31 December 2021 (as explained in Note 2.3.9 of the Bank's 2022 Annual Report and Financial Statements). The changes in ECL within Stage 2 principally arose on one exposure, in respect of which specific model inputs relating to the PD and LGD were updated. The increase in ECL on Stage 3 exposures is attributable to a number of updates effected to the underlying LGD inputs.

The following tables explain the changes in the gross carrying amounts of loans and advances to customers between the beginning and end of the reporting period:

		2023		
	Stage 1 12-month ECL € 000	**Stage 2 Lifetime ECL € 000**	**Stage 3 Lifetime ECL € 000**	**Total € 000**
Loans and advances to customers at amortised cost				
Gross carrying amount as at 1 January 2023	**526,199**	**167,551**	**27,812**	**721,562**
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	**(49,664)**	**49,664**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(2,268)**	**-**	**2,268**	**-**
Transfer from Stage 2 to Stage 1	**50,578**	**(50,578)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(96)**	**96**	**-**
Transfer from Stage 3 to Stage 1	**548**	**-**	**(548)**	**-**
Transfer from Stage 3 to Stage 2	**-**	**1**	**(1)**	**-**
Total changes in gross carrying amounts arising from transfers in stages	**(806)**	**(1,009)**	**1,815**	**-**
New financial assets originated	**41,138**	**660**	**96**	**41,894**
Changes in gross carrying amount in respect of facilities present as at 1 January 2023	**(1,156)**	**(10,212)**	**135**	**(11,233)**
Financial assets derecognised	**(12,843)**	**(6,655)**	**(1,063)**	**(20,561)**
Total net change during the period	**26,333**	**(17,216)**	**983**	**10,100**
Gross carrying amount as at 30 June 2023	**552,532**	**150,335**	**28,795**	**731,662**

6. *Summary of financial instruments to which the impairment requirements in IFRS 9 are applied* - continued

	2022			
	Stage 1 12-month ECL € 000	Stage 2 Lifetime ECL € 000	Stage 3 Lifetime ECL € 000	Total € 000
Loans and advances to customers at amortised cost				
Gross carrying amount as at 1 January 2022	504,475	112,283	51,757	668,515
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(67,784)	67,784	-	-
Transfer from Stage 1 to Stage 3	(3,042)	-	3,042	-
Transfer from Stage 2 to Stage 1	5,635	(5,635)	-	-
Transfer from Stage 2 to Stage 3	-	(1,769)	1,769	-
Transfer from Stage 3 to Stage 1	193	-	(193)	-
Transfer from Stage 3 to Stage 2	-	2,037	(2,037)	-
Total changes in gross carrying amounts arising from transfers in stages	(64,998)	62,417	2,581	-
New financial assets originated	77,245	17,365	507	95,117
Changes in gross carrying amount in respect of facilities present as at 1 January 2022	(1,481)	(13,792)	195	(15,078)
Financial assets derecognised	(22,769)	(3,723)	(3,439)	(29,931)
Write-offs	-	-	(45)	(45)
Total net change during the year	(12,003)	62,267	(201)	50,063
Gross carrying amount as at 30 June 2022	492,472	174,550	51,556	718,578

7. *Segmental information*

	Banking services		**Postal services**		**Group**	
	30 June 2023 € 000	30 June 2022 € 000	**30 June 2023 € 000**	30 June 2022 € 000	**30 June 2023 € 000**	30 June 2022 € 000
Operating income	**15,006**	12,885	**20,246**	15,723	**35,252**	28,608
Segment result - profit before taxation	**4,699**	16,588	**702**	588	**5,401**	17,176

	Banking services		**Postal services**		**Group**	
	30 June 2023 € 000	31 December 2022 € 000	**30 June 2023 € 000**	31 December 2022 € 000	**30 June 2023 € 000**	31 December 2022 € 000
Segment total assets	**1,161,472**	1,153,537	**49,718**	49,878	**1,211,190**	1,203,415

8. *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 2023 and 31 December 2022, 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 2022.

9. *Financial investments*

Financial investments include the following:

	Group		Bank	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
	€ 000	€ 000	**€ 000**	€ 000
Debt instruments measured at FVOCI				
Government debt securities				
- local and listed on the Malta Stock exchange	**161,052**	161,305	**159,743**	159,957
- foreign government and listed on other exchanges	**7,472**	8,420	**7,472**	8,420
- supranational and listed on other exchanges	**7,770**	7,791	**7,770**	7,791
	176,294	177,516	**174,985**	176,168
Other debt securities				
- local and listed on the Malta Stock Exchange	**15,793**	16,488	**14,657**	15,307
- foreign and listed on other exchanges	**17,514**	19,387	**17,514**	19,387
	33,307	35,875	**32,171**	34,694
Debt instruments measured at amortised cost				
Local and listed on the Malta Stock exchange	**1,000**	-	**1,000**	-
Less: Expected credit loss allowances	**(100)**	-	**(100)**	-
	900	-	**900**	-
Equity instruments	**7,681**	7,424	**7,681**	7,424

10. Dividends

	Bank	
	30 June 2023	30 June 2022
Dividends (net) declared and paid by the Bank (€ 000)	-	873
€ cent per share – gross	-	0.03
€ cent per share – net	-	0.02

The Annual General Meeting of shareholders held on 22 June 2023 approved a bonus share issue of one (1) for every forty-five (45) shares held. The Bank has capitalised €252,025 from its Retained Earnings Account for the purpose of issuing 2,016,197 fully paid ordinary shares of a nominal value of €0.125 per share on 20 July 2023. Such capitalisation and share issue are not reflected within these condensed interim financial statements, but have been recognised subsequent to 30 June 2023.

No dividend in respect of the financial year ended 31 December 2022 was proposed by the Board of Directors.

11. Related party transactions

During the financial period from 1 January to 30 June 2023, the Group did not enter into any related party transactions which had a material effect on the financial results and financial position of the Group.

1. *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 of the Bank 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 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.

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	€ 000	€ 000	€ 000	€ 000
Bank				
At 30 June 2023				
Equity instruments	**-**	**-**	**7,681**	**7,681**
Debt securities	**7,615**	**7,615**	**201,450**	**201,550**
Other assets	**2,385**	**2,385**	**960,827**	**960,827**
	10,000	**10,000**	**1,169,958**	**1,170,058**
At 31 December 2022				
Equity instruments	-	-	7,424	7,424
Debt securities	8,048	8,048	203,823	203,823
Other assets	1,674	1,674	949,651	949,651
	9,722	9,722	1,160,898	1,160,898

The Bank does not encumber any collateral received. As at 30 June 2023, the Bank did not have any outstanding liabilities associated with encumbered assets and collateral received.

The Bank undertakes the following types of encumbrance:

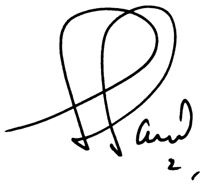
- Pledging of a deposit with the Central Bank of Malta in favour of the Depositor Compensation Scheme.
- Pledging of Malta Government Stocks held in terms of Directive No. 8 (Chapter 204 of the Central Bank of Malta Act) as security for a facility not currently utilised.

Lombard Bank Malta p.l.c.
Statement pursuant to Capital Markets Rules issued by MFSA

I confirm that to the best of my knowledge:

- The interim condensed financial statements, prepared in accordance with IAS 34 give a true and fair view of the financial position of the Group and the Bank as at 30 June 2023, as well as 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 Director's Report includes a fair review of the information required in terms of Capital Markets Rules.



Joseph Said, *Chief Executive Officer*

Independent auditor's report

To the Board of Directors of Lombard Bank Malta p.l.c.

Report on review of condensed interim financial information

Introduction

We have reviewed the accompanying condensed stand-alone and consolidated interim statements of financial position of Lombard Bank Malta p.l.c. as of 30 June 2023 and the related condensed stand-alone and consolidated interim income statements and statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this condensed stand-alone and consolidated interim financial information in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 'Interim Financial Reporting'). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

Fabio Axisa
Principal

For and on behalf of
PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

29 August 2023