



# LOMBARD

## Company Announcement

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

### *Quote*

The Board of Directors of Lombard Bank Malta p.l.c. approved the audited financial statements for the financial year ended 31 December 2017 and resolved that these statements be submitted for approval at the forthcoming Annual General Meeting to be held on 26 April 2018. The attached Preliminary Statement of annual results is being published in terms of the Listing Rules.

The Board of Directors further resolved to recommend that the Annual General Meeting approves the payment of a final gross dividend of 4 cent (net dividend of 2.6 cent) per nominal €0.25 share. This will be paid on 4 May 2018 to shareholders appearing on the Bank's Register of Shareholders as at 27 March 2018 (the 'Record Date'), the last trading date being 23 March 2018.

### *Unquote*

**Dr. Helena Said LL.D.**  
**Company Secretary**

8 March 2018

**Lombard Bank Malta p.l.c.**

Office of the Company Secretary: 67 Republic Street Valletta VLT 1117 Malta • PO Box 584 Valletta VLT 1000 Malta  
Tel: +356 25581117 • Fax: +356 25581151 • e-mail: [companysecretary@lombardmalta.com](mailto:companysecretary@lombardmalta.com) • [www.lombardmalta.com](http://www.lombardmalta.com) • SWIFT Code: LBMAMTMT  
*Lombard Bank Malta p.l.c. is listed on the Malta Stock Exchange and is licensed and regulated by the Malta Financial Services Authority as a credit institution and as an investment service provider*  
Registered Office: 67 Republic Street Valletta Malta • Company Registration Number: C 1607



# LOMBARD

## **Preliminary Profit Statement**

*This report is published in terms of the Malta Financial Services Authority Listing Rules and the Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2005.*

The financial statements of the Lombard Bank Group (“the Group”) have been extracted from the Annual Report of Lombard Bank Malta p.l.c. (“the Bank”) for the financial year ended 31 December 2017, audited by PricewaterhouseCoopers and approved by the Board of Directors on 8 March 2018. These were prepared in accordance with the provisions of the Banking Act, 1994 and the Companies Act, 1995, and International Financial Reporting Standards as adopted by the EU.

### *Review of Financial Performance and Commentary*

- Group Profit Before Tax rose by 7.7% to €8.87 million compared to €8.24 million in 2016.
- Profit Attributable to Equity Holders of the Bank was €5.13 million, or 8.5% above that in the previous year.
- Bank Cost Efficiency Ratio increased to 51.4% (Group: 79.6%) from 46.8% (Group: 73.2%) in 2016.
- Net Loans and Advances to Customers increased by 24.8% to €428.61 million from €343.49 million in 2016.
- Customer Deposits were up by 1.6% and reached €733.15 million, an increase of €11.59 million over the previous year.
- Group Post Tax Return on Equity for 2017 was 5.4%, up from 5.2%.
- Group Total Assets rose to €882.75 million (€862.73 million in 2016).
- Total Capital Ratio at 14.3% and Common Equity Tier 1 (CET1) Ratio at 14.1% were both well over minimum regulatory requirements.



## LOMBARD

Group Profit After Tax increased by 7.0% to €5.7 million. This was achieved despite persistent low interest rates and higher regulatory and compliance costs. The Group's business outlook remained positive throughout the year with new initiatives gaining momentum in a favourable domestic economic environment. As already reported in a previous announcement, the Bank's comparative 2016 result included a significant one-off gain of €1.29 million on the disposal of its membership interest in Visa Europe Limited.

Net Interest Income at €15.43 million rose by 9% both as a result of increased customer lending and also because of consistently prudent management of the Bank's treasury activity.

Net Fee and Commission Income at €4.13 million increased by 9% as a result of a higher volume in transaction banking. Postal Sales and Other Revenues rose by 40% to €37.37 million. MaltaPost continued to experience a decline in Letter Mail volumes, which was, however, significantly offset by growth in ecommerce traffic as well as positive trends recorded in a number of other services.

Group Employee Compensation and Benefits increased by 12.6% to €19.95 million from €17.72 million in 2016 while Other Operating Costs rose by 59.8% to €24.70 million, mainly reflecting costs associated with the increased revenue in Postal Sales and Other Revenues, but also as a result of higher compliance and regulation costs. Other relevant cost items relate to the Group's investment in IT and automated services introduced to provide an enhanced customer experience.

The Bank's Cost Efficiency Ratio was higher at 51.4% (FY 2016: 46.8%). That of the Group stood at 79.6% (FY 2016: 73.2%) reflecting the characteristics of the postal services industry where business is high volume yet low margin and human resource intensive.

Total Impairment Allowances for the Bank rose by €2.83 million in 2017, compared to an increase of €4.03 million in 2016. For individually assessed exposures the Bank continued to focus on "Non-Performing Exposures", that is, mainly those where repayments fall in arrears by 90 days or more. The Bank remained prudent in quantifying the level of Impairment Allowances.

The level of customer deposits at €733.15 million was €11.59 million above the previous year though the Bank was mindful of the cost associated with holding excess liquidity in a money market charging negative interest rates.

Loans and Advances to Customers increased by 24.8% to €428.61 million from €343.49 million in 2016, evidence of the Bank's commitment to support the economy at both a business level as well as in terms of personal finance.



# LOMBARD

Group Total Assets as at 31 December 2017 increased to €882.75 million (2016: €862.73 million), while Equity Attributable to Equity Holders of the Bank grew by a further 2.5% to €96.14 million. Group Net Asset Value (NAV) per share stood at €2.18 (2016: €2.12). Group Earnings per Share (EPS) increased by 0.9 cents to 11.6 cents. Group Return on Assets (ROA) rose to 0.65% (2016: 0.62%) while Group Post Tax Return on Equity (ROE) was 5.4% (2016: 5.2%).

Common Equity Tier 1 (CET1) Ratio of 14.1% on a CRD IV basis stood over 3 times the minimum requirement of 4.5%, while Total Capital Ratio stood at 14.3%, well over the minimum 8% requirement.

Advances to Deposits Ratio stood at 58.5% compared to 47.6% at the start of the year reflecting the Bank's strong liquidity and prudent management of its credit exposures. Excess funds continued to be placed only with reputable counterparty banks and in Malta Government Treasury Bills. The Bank held no exposure to foreign sovereign or corporate bonds.

The Group's achievement reflected in these results is evidence of its strength and ability to expand its business within a challenging environment while at the same time continuing to deliver a high quality service to customers.

The difficult operating environment is expected to persist at least in the short term. Nevertheless the Group is confident that its business model and strategies coupled with a robust operating structure make it well positioned to continue maximising opportunities leading to further increases in stakeholder value.



# LOMBARD

## Income Statements For the year ended 31 December 2017

	Group		Bank	
	2017 € 000	2016 € 000	2017 € 000	2016 € 000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	19,490	18,935	19,462	18,917
- on debt and other fixed income instruments	1,936	1,970	1,823	1,827
Interest expense	(5,992)	(6,703)	(5,997)	(6,711)
<b>Net interest income</b>	<b>15,434</b>	<b>14,202</b>	<b>15,288</b>	<b>14,033</b>
Fee and commission income	4,431	4,039	3,357	2,941
Fee and commission expense	(298)	(233)	(299)	(232)
<b>Net fee and commission income</b>	<b>4,133</b>	<b>3,806</b>	<b>3,058</b>	<b>2,709</b>
Postal sales and other revenues	37,371	26,772	172	75
Dividend income	326	361	1,880	1,740
Net trading income	619	634	699	731
Other operating income	-	1,479	177	1,645
<b>Operating income</b>	<b>57,883</b>	<b>47,254</b>	<b>21,274</b>	<b>20,933</b>
Employee compensation and benefits	(19,945)	(17,719)	(6,269)	(5,728)
Other operating costs	(24,695)	(15,456)	(4,052)	(3,511)
Depreciation and amortisation	(1,411)	(1,408)	(622)	(559)
Provisions for liabilities and other charges	(23)	(521)	(22)	(462)
Net impairment losses	(2,835)	(3,950)	(2,831)	(4,026)
<b>Operating profit</b>	<b>8,974</b>	<b>8,200</b>	<b>7,478</b>	<b>6,647</b>
Share of (loss)/profit of investment accounted for using the equity method, net of tax	(106)	35	-	-
<b>Profit before taxation</b>	<b>8,868</b>	<b>8,235</b>	<b>7,478</b>	<b>6,647</b>
Income tax expense	(3,165)	(2,905)	(2,632)	(2,395)
<b>Profit for the year</b>	<b>5,703</b>	<b>5,330</b>	<b>4,846</b>	<b>4,252</b>
<b>Attributable to:</b>				
Equity holders of the Bank	5,129	4,726	4,846	4,252
Non-controlling interests	574	604	-	-
<b>Profit for the year</b>	<b>5,703</b>	<b>5,330</b>	<b>4,846</b>	<b>4,252</b>
<b>Earnings per share</b>	<b>11c6</b>	<b>10c7</b>		



# LOMBARD

## Statements of Comprehensive Income For the year ended 31 December 2017

---

Group	2017 € 000	2016 € 000
<b>Profit for the year</b>	<b>5,703</b>	5,330
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair valuation of available-for-sale financial assets:		
Net changes in fair value arising during the year, before tax	(1,591)	1,989
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	(81)	(1,479)
Income tax relating to fair valuation of available for sale investments	540	(151)
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurements of defined benefit obligations	(528)	(74)
Deferred tax on remeasurements of defined benefit obligations	304	-
<b>Other comprehensive income for the year, net of income tax</b>	<b>(1,356)</b>	285
<b>Total comprehensive income for the year, net of income tax</b>	<b>4,347</b>	5,615
<b>Attributable to:</b>		
Equity holders of the Bank	3,874	5,010
Non-controlling interests	473	605
<b>Total comprehensive income for the year, net of income tax</b>	<b>4,347</b>	5,615
<b>Bank</b>		
<b>Profit for the year</b>	<b>4,846</b>	4,252
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair valuation of available-for-sale financial assets:		
Net changes in fair value arising during the year, before tax	(1,460)	1,911
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	(81)	(1,479)
Income tax relating to components of other comprehensive income	540	(151)
<b>Other comprehensive income for the year, net of income tax</b>	<b>(1,001)</b>	281
<b>Total comprehensive income for the year, net of income tax</b>	<b>3,845</b>	4,533



# LOMBARD

## Statements of Financial Position As at 31 December 2017

---

	Group		Bank	
	2017	2016	2017	2016
	€ 000	€ 000	€ 000	€ 000
<b>Assets</b>				
Balances with Central Bank of Malta, treasury bills and cash	<b>215,133</b>	218,148	<b>214,500</b>	217,398
Cheques in course of collection	<b>1,755</b>	1,374	<b>1,755</b>	1,374
Investments	<b>75,895</b>	80,515	<b>72,282</b>	76,358
Loans and advances to banks	<b>97,048</b>	161,728	<b>90,258</b>	155,966
Loans and advances to customers	<b>428,611</b>	343,487	<b>428,611</b>	344,456
Investment in subsidiaries	-	-	<b>15,732</b>	13,186
Investment in associate	<b>1,575</b>	1,681	<b>1,645</b>	1,645
Intangible assets	<b>1,648</b>	1,809	<b>480</b>	554
Property, plant and equipment	<b>31,753</b>	30,198	<b>17,676</b>	16,826
Assets classified as held for sale	<b>822</b>	833	<b>822</b>	833
Current tax assets	<b>1,557</b>	190	<b>1,557</b>	190
Deferred tax assets	<b>8,980</b>	8,973	<b>8,369</b>	8,634
Inventories	<b>1,164</b>	1,197	<b>407</b>	398
Trade and other receivables	<b>10,949</b>	8,136	<b>3,649</b>	3,312
Accrued income and other assets	<b>5,856</b>	4,462	<b>2,095</b>	2,555
<b>Total assets</b>	<b>882,746</b>	862,731	<b>859,838</b>	843,685



# LOMBARD

## Statements of Financial Position (continued)

As at 31 December 2017

	Group		Bank	
	2017 € 000	2016 € 000	2017 € 000	2016 € 000
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital	11,044	11,044	11,044	11,044
Share premium	18,530	18,530	18,530	18,530
Revaluation and other reserves	12,662	13,723	12,624	13,434
Retained earnings	53,904	50,541	51,887	48,381
<b>Equity attributable to equity holders of the Bank</b>	<b>96,140</b>	93,838	<b>94,085</b>	91,389
<b>Non-controlling interests</b>	<b>6,734</b>	6,510	-	-
<b>Total equity</b>	<b>102,874</b>	100,348	<b>94,085</b>	91,389
<b>Liabilities</b>				
Amounts owed to banks	5,362	9,036	5,362	9,036
Amounts owed to customers	733,151	721,559	736,695	725,383
Provisions for liabilities and other charges	3,177	2,823	1,064	1,114
Current tax liabilities	229	310	-	-
Deferred tax liabilities	3,914	4,449	3,136	3,671
Other liabilities	23,217	16,100	15,076	8,829
Accruals and deferred income	10,822	8,106	4,420	4,263
<b>Total liabilities</b>	<b>779,872</b>	762,383	<b>765,753</b>	752,296
<b>Total equity and liabilities</b>	<b>882,746</b>	862,731	<b>859,838</b>	843,685
<b>Memorandum items</b>				
Contingent liabilities	9,078	8,775	9,093	8,887
Commitments	247,737	182,919	247,737	182,919





# LOMBARD

## Statements of Changes in Equity For the year ended 31 December 2017

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 2016	10,943	17,746	13,152	47,556	89,397	6,101	95,498
<b>Comprehensive income</b>							
Profit for the year	-	-	-	4,726	4,726	604	5,330
<b>Other comprehensive income</b>							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the year	-	-	1,297	-	1,297	23	1,320
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(961)	-	(961)	-	(961)
Remeasurements of deferred benefit obligations	-	-	(52)	-	(52)	(22)	(74)
Transfers and other movements	-	-	284	(284)	-	-	-
Total other comprehensive income for the year	-	-	568	(284)	284	1	285
<b>Total comprehensive income for the year</b>	-	-	<b>568</b>	<b>4,442</b>	<b>5,010</b>	<b>605</b>	<b>5,615</b>
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Dividends to equity holders	-	-	-	(1,138)	(1,138)	(435)	(1,573)
Rights issue of ordinary shares	101	784	-	-	885	-	885
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>							
Change in non-controlling interests in subsidiary	-	-	3	(319)	(316)	239	(77)
<b>Total transactions with owners</b>	<b>101</b>	<b>784</b>	<b>3</b>	<b>(1,457)</b>	<b>(569)</b>	<b>(196)</b>	<b>(765)</b>
At 31 December 2016	<b>11,044</b>	<b>18,530</b>	<b>13,723</b>	<b>50,541</b>	<b>93,838</b>	<b>6,510</b>	<b>100,348</b>



# LOMBARD

## Statements of Changes in Equity (continued) For the year ended 31 December 2017

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 2017	11,044	18,530	13,723	50,541	93,838	6,510	100,348
<b>Comprehensive income</b>							
Profit for the year	-	-	-	5,129	5,129	574	5,703
<b>Other comprehensive income</b>							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the year	-	-	(1,044)	-	(1,044)	(37)	(1,081)
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(52)	-	(52)	-	(52)
Remeasurements of deferred benefit obligations	-	-	(159)	-	(159)	(64)	(223)
Transfers and other movements	-	-	191	(191)	-	-	-
Total other comprehensive income for the year	-	-	(1,064)	(191)	(1,255)	(101)	(1,356)
<b>Total comprehensive income for the year</b>	-	-	(1,064)	4,938	3,874	473	4,347
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Dividends to equity holders	-	-	-	(1,149)	(1,149)	(433)	(1,582)
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>							
Change in non-controlling interests in subsidiary	-	-	3	(426)	(423)	184	(239)
<b>Total transactions with owners</b>	-	-	3	(1,575)	(1,572)	(249)	(1,821)
<b>At 31 December 2017</b>	<b>11,044</b>	<b>18,530</b>	<b>12,662</b>	<b>53,904</b>	<b>96,140</b>	<b>6,734</b>	<b>102,874</b>



# LOMBARD

## Statements of Changes in Equity (continued) For the year ended 31 December 2017

Bank	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained Earnings € 000	Total € 000
At 1 January 2016	10,943	17,746	12,869	45,551	87,109
<b>Comprehensive income</b>					
Profit for the year	-	-	-	4,252	4,252
<b>Other comprehensive income</b>					
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the year	-	-	1,242	-	1,242
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(961)	-	(961)
Transfers and other movements	-	-	284	(284)	-
Total other comprehensive income for the year	-	-	565	(284)	281
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>565</b>	<b>3,968</b>	<b>4,533</b>
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Dividends to equity holders	-	-	-	(1,138)	(1,138)
Rights issue of ordinary shares	101	784	-	-	885
<b>Total transaction with owners</b>	<b>101</b>	<b>784</b>	<b>-</b>	<b>(1,138)</b>	<b>(253)</b>
At 31 December 2016	<b>11,044</b>	<b>18,530</b>	<b>13,434</b>	<b>48,381</b>	<b>91,389</b>



# LOMBARD

## Statements of Changes in Equity (continued) For the year ended 31 December 2017

Bank	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained Earnings € 000	Total € 000
At 1 January 2017	11,044	18,530	13,434	48,381	91,389
<b>Comprehensive income</b>					
Profit for the year	-	-	-	4,846	4,846
<b>Other comprehensive income</b>					
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the year	-	-	(949)	-	(949)
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(52)	-	(52)
Transfers and other movements	-	-	191	(191)	-
Total other comprehensive income for the year	-	-	(810)	(191)	(1,001)
<b>Total comprehensive income for the year</b>	-	-	(810)	4,655	3,845
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Dividends to equity holders	-	-	-	(1,149)	(1,149)
<b>Total transaction with owners</b>	-	-	-	(1,149)	(1,149)
At 31 December 2017	11,044	18,530	12,624	51,887	94,085



# LOMBARD

## Statements of Cash Flows For the year ended 31 December 2017

	Group		Bank	
	2017 € 000	2016 € 000	2017 € 000	2016 € 000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	24,052	23,337	24,238	22,514
Receipts from customers relating to postal sales and other revenue	34,484	30,068	172	75
Interest and commission payments	(6,238)	(7,072)	(6,243)	(7,079)
Payments to employees and suppliers	(41,509)	(34,879)	(10,189)	(9,219)
<b>Cash flows from operating profit before changes in operating assets and liabilities</b>	<b>10,789</b>	<b>11,454</b>	<b>7,978</b>	<b>6,291</b>
<i>Decrease/(increase) in operating assets:</i>				
Treasury bills	47,116	(36,150)	47,115	(36,150)
Deposits with Central Bank of Malta	(917)	(1,422)	(917)	(1,422)
Loans and advances to banks and customers	(97,713)	(41,753)	(94,820)	(42,041)
Other receivables	(726)	(2,026)	(717)	(1,993)
<i>Increase/(decrease) in operating liabilities:</i>				
Amounts owed to banks and to customers	11,615	71,043	11,335	71,066
Other payables	6,259	(2,807)	6,247	(2,840)
<b>Net cash used in operations</b>	<b>(23,577)</b>	<b>(1,661)</b>	<b>(23,779)</b>	<b>(7,089)</b>
Income tax paid	(4,309)	(3,956)	(3,221)	(3,021)
<b>Net cash flows used in operating activities</b>	<b>(27,886)</b>	<b>(5,617)</b>	<b>(27,000)</b>	<b>(10,110)</b>
<b>Cash flows from investing activities</b>				
Dividends received	326	361	326	362
Interest received from investments	2,196	2,157	2,038	1,972
Purchase of investments	(906)	(5,873)	(879)	(5,341)
Investment in subsidiary	-	-	(1,500)	-
Proceeds on maturity/disposal of investments	3,285	2,995	2,850	2,765
Purchase of property, plant and equipment	(2,943)	(4,604)	(1,396)	(3,504)
Acquisition of non-controlling interests	(429)	(283)	-	-
<b>Net cash flows generated from/(used in) investing activities</b>	<b>1,529</b>	<b>(5,247)</b>	<b>1,439</b>	<b>(3,746)</b>
<b>Cash flows from financing activities</b>				
Dividends paid to equity holders of the Bank	(1,149)	(252)	(1,149)	(252)
Dividends paid to non-controlling interests	(244)	(228)	-	-
<b>Net cash flows used in financing activities</b>	<b>(1,393)</b>	<b>(480)</b>	<b>(1,149)</b>	<b>(252)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(27,750)</b>	<b>(11,344)</b>	<b>(26,710)</b>	<b>(14,108)</b>
Cash and cash equivalents at beginning of year	296,386	307,730	289,923	304,031
<b>Cash and cash equivalents at end of year</b>	<b>268,636</b>	<b>296,386</b>	<b>263,213</b>	<b>289,923</b>