



## LOMBARD

14 March 2013

### Company Announcement

The following is a Company Announcement by Lombard Bank Malta p.l.c. pursuant to Malta Financial Services Authority Listing Rules Chapter 5:

#### *Quote*

The Board of Directors of Lombard Bank Malta p.l.c. has approved the audited financial statements for the financial year ended 31 December 2012 and resolved that these financial statements be submitted for approval at the forthcoming Annual General Meeting to be held on 25 April 2013. 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:

1. Approves the payment of a final ordinary gross dividend of €0.12 per share (net dividend of €0.078 per share) with a nominal amount of €0.25 per share. This will be paid on 30 April 2013 to shareholders who are on the Company's Register of Shareholders as at 25 March 2013 (the 'Record Date'), the last trading date being 20 March 2013.
2. Approves a bonus share issue of one (1) share for every ten (10) shares held which will be allotted on the 28 May 2013 to shareholders on the Company's Register of Shareholders as at close of business on 27 May 2013, the last trading date being 22 May 2013. The bonus issue will be funded by a capitalisation of reserves amounting to €902,318.

#### *Unquote*

G A Fairclough  
Company Secretary

Lombard Bank Malta p.l.c.

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Licensed to conduct Investment Services Business by the Malta Financial Services Authority • Regulated by the Malta Financial Services Authority & listed on the Malta Stock Exchange

Registered Office: 67 Republic Street Valletta Malta • Company Registration Number: C 1607



# LOMBARD

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## **Preliminary Profit Statement**

*This report is published in terms of Malta Financial Services Authority Listing Rule 5.54 and Article 4(2)(b) of the Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2005.*

The financial statements have been extracted from the Annual Report of Lombard Bank Malta p.l.c. for the financial year ended 31 December 2012, audited by PricewaterhouseCoopers and approved by the Board of Directors on 14 March 2013. 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.

The following is a review of the performance of the Lombard Bank Group which consists of Lombard Bank Malta p.l.c., and Redbox Limited (via which company shares in MaltaPost p.l.c. are held).

### *Review of Financial Performance and Commentary*

Profit before tax for the Group was €9.4 million. This result is considered to be very satisfactory when bearing in mind that the Bank continued to pursue its strategy of maintaining a strong capital base and a high level of liquidity in the context of negative economic sentiment throughout the global financial markets.

In comparison to the previous financial year, profit for the year was down by 14.9%. This decrease was mainly attributable to the effect of non-recurring transactions in 2011 (disposal of securities) and also the adverse movements in international postal tariffs.

Loans and advances to customers increased by 3% to €319.9 million. Property project finance remained a principal element of the Bank's portfolio while careful management of risk remained crucial to ensuring the long-term viability of business propositions. We consider the increase of €985,000 in Impairment Allowances to be adequate. The Loan to Deposit ratio of 69% at year-end constitutes one of the key strengths of our Balance Sheet.



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## **Preliminary Profit Statement** *(continued)*

The Bank remained mindful of its strategy to cultivate long-term and robust relationships with a wide network of customers. Deposits remained competitive with realistic rates of interest and stable at €462 million. The Bank also continues to develop international banking business relationships that had a positive effect on fee income.

Net Asset Value (NAV) per share increased to €2.15. Group Earnings per Share (EPS) decreased by 2.5 cents during 2012 to 15.8 cents. Return on Assets (ROA) was also down from 1.3% to 1.1%. The Bank's post tax Return on Equity (ROE) at 7.5% was down from 8.4%.

The Capital Adequacy Ratio at 18.5% stood above the required minimum of 8%. Our Treasury continues to employ our funds only with first class counterparties even though these may pay lower rates of interest. Furthermore we still adopt a policy of not holding any exposure to non-Maltese sovereign or corporate debt.

Taking into account the stability of the Bank's performance and a slightly more positive macro-economic outlook, the Board of Directors is recommending a Gross Dividend of €0.12 per share – an increase of c. 4% over FYE2011. Furthermore, it is proposing a bonus share issue by converting a part of Retained Earnings into paid-up share capital. It shall therefore be recommending to shareholders, at the forthcoming Annual General Meeting, the issue of one share for every ten shares held.

Joseph Said, Director and Chief Executive Officer of the Bank said: "Reflecting on the past year, the Group has remained on the path of stable and reliable growth, providing a good return to stakeholders and this notwithstanding difficult economic times. We remain cautiously optimistic that our resilience serves us in good stead to capitalise upon emerging opportunities in 2013 and beyond.

Lombard Bank will continue to place emphasis upon customer needs and preferences and fulfill them in a cost effective manner."



# LOMBARD

## Income Statements For the year ended 31 December 2012

	Group		Bank	
	2012 €000	2011 €000	2012 €000	2011 €000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	23,195	23,464	23,183	23,452
- on debt and other fixed income instruments	648	1,453	485	1,252
Interest expense	(10,040)	(10,734)	(9,908)	(10,739)
<b>Net interest income</b>	<b>13,803</b>	<b>14,183</b>	<b>13,760</b>	<b>13,965</b>
Fee and commission income	2,468	2,068	1,471	1,113
Fee and commission expense	(87)	(76)	(87)	(74)
<b>Net fee and commission income</b>	<b>2,381</b>	<b>1,992</b>	<b>1,384</b>	<b>1,039</b>
Postal sales and other revenues	20,038	20,394	20	8
Dividend income	159	136	1,466	1,243
Net trading income	536	305	220	556
Net gains on disposal of non-trading financial instruments	23	2,004	1	1,707
Other operating income	144	37	144	101
<b>Operating income</b>	<b>37,084</b>	<b>39,051</b>	<b>16,995</b>	<b>18,619</b>
Employee compensation and benefits	(14,765)	(14,475)	(4,445)	(4,457)
Other operating costs	(10,602)	(9,664)	(2,600)	(2,229)
Depreciation and amortisation	(1,335)	(1,313)	(417)	(398)
Provisions for liabilities and other charges	40	(43)	-	(23)
Net impairment losses	(985)	(2,231)	(971)	(2,231)
<b>Profit before taxation</b>	<b>9,437</b>	<b>11,325</b>	<b>8,562</b>	<b>9,281</b>
Income tax expense	(3,289)	(4,098)	(3,012)	(3,272)
<b>Profit for the year</b>	<b>6,148</b>	<b>7,227</b>	<b>5,550</b>	<b>6,009</b>
<b>Attributable to:</b>				
Equity holders of the Bank	5,719	6,593	5,550	6,009
Non-controlling interests	429	634	-	-
<b>Profit for the year</b>	<b>6,148</b>	<b>7,227</b>	<b>5,550</b>	<b>6,009</b>
<b>Earnings per share</b>	<b>15c8</b>	<b>18c3</b>		



# LOMBARD

## Statements of Comprehensive Income For the year ended 31 December 2012

<b>Group</b>	<b>2012</b>	<b>2011</b>
	<b>€ 000</b>	<b>€ 000</b>
<b>Profit for the year</b>	<b>6,148</b>	<b>7,227</b>
<b>Other comprehensive income</b>		
Fair valuation of available-for-sale financial assets:		
Net changes in fair value arising during the year, before tax	<b>(399)</b>	(21)
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	<b>(9)</b>	(900)
Income tax relating to components of other comprehensive income	<b>142</b>	284
<b>Other comprehensive loss for the year, net of income tax</b>	<b>(266)</b>	(637)
<b>Total comprehensive income for the year, net of income tax</b>	<b>5,882</b>	<b>6,590</b>
<b>Attributable to:</b>		
Equity holders of the Bank	<b>5,454</b>	5,996
Non-controlling interests	<b>428</b>	594
<b>Total comprehensive income for the year, net of income tax</b>	<b>5,882</b>	<b>6,590</b>
<b>Bank</b>		
<b>Profit for the year</b>	<b>5,550</b>	<b>6,009</b>
<b>Other comprehensive income</b>		
Fair valuation of available-for-sale financial assets:		
Net changes in fair value arising during the year, before tax	<b>(404)</b>	79
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	<b>(1)</b>	(877)
Income tax relating to components of other comprehensive income	<b>142</b>	284
<b>Other comprehensive loss for the year, net of income tax</b>	<b>(263)</b>	(514)
<b>Total comprehensive income for the year, net of income tax</b>	<b>5,287</b>	<b>5,495</b>



# LOMBARD

## Statements of Financial Position As at 31 December 2012

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	Group		Bank	
	2012	2011	2012	2011
	€000	€000	€000	€000
<b>Assets</b>				
Balances with Central Bank of Malta, treasury bills and cash	133,641	164,175	133,200	163,445
Cheques in course of collection	1,063	456	1,063	456
Derivative financial instruments	-	-	-	179
Investments	32,669	16,328	29,871	12,565
Loans and advances to banks	46,911	35,570	39,379	33,983
Loans and advances to customers	319,864	310,354	320,221	310,752
Investment in subsidiaries	-	-	9,352	8,502
Intangible assets	1,548	1,518	227	244
Property, plant and equipment	22,915	21,373	13,172	12,504
Investment property	745	745	745	745
Assets classified as held for sale	584	111	584	111
Current tax assets	1,454	760	654	220
Deferred tax assets	2,998	2,572	2,610	2,181
Inventories	810	784	175	246
Trade and other receivables	5,474	8,361	1,941	906
Accrued income and other assets	4,568	4,847	3,120	3,100
<b>Total assets</b>	<b>575,244</b>	<b>567,954</b>	<b>556,314</b>	<b>550,139</b>



# LOMBARD

## Statements of Financial Position (continued) As at 31 December 2012

	Group		Bank	
	2012 €000	2011 €000	2012 €000	2011 €000
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	9,023	9,023	9,023	9,023
Share premium	17,746	17,746	17,746	17,746
Revaluation and other reserves	4,463	4,563	4,342	4,440
Retained earnings	46,307	43,553	44,735	42,048
<b>Equity attributable to equity holders of the Bank</b>	<b>77,539</b>	74,885	<b>75,846</b>	73,257
<b>Non-controlling interests</b>	<b>5,027</b>	4,774	-	-
<b>Total equity</b>	<b>82,566</b>	79,659	<b>75,846</b>	73,257
<b>Liabilities</b>				
Derivative financial instruments	-	9	-	9
Amounts owed to banks	3,256	6,942	3,256	2,985
Amounts owed to customers	462,116	462,322	463,276	463,761
Provisions for liabilities and other charges	2,264	2,426	666	676
Other liabilities	14,800	6,245	8,307	4,149
Accruals and deferred income	10,242	10,351	4,963	5,302
<b>Total liabilities</b>	<b>492,678</b>	488,295	<b>480,468</b>	476,882
<b>Total equity and liabilities</b>	<b>575,244</b>	567,954	<b>556,314</b>	550,139
<b>Memorandum items</b>				
Contingent liabilities	4,916	6,314	4,916	6,314
Commitments	81,232	79,470	81,232	79,470

The financial statements were approved and authorised for issue by the Board of Directors on 14 March 2013 and signed on its behalf by:

Christian Lemmerich, *Chairman*

Joseph Said, *Chief Executive Officer*



# LOMBARD

## Statements of Changes in Equity For the year ended 31 December 2012

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	Total €000			
At 1 January 2011	9,023	17,746	5,006	39,932	71,707	4,336	76,043	
<b>Comprehensive income</b>								
Profit for the year	-	-	-	6,593	6,593	634	7,227	
<b>Other comprehensive income</b>								
Fair valuation of available-for-sale financial assets:								
Net changes in fair value arising during the year	-	-	(10)	-	(10)	(40)	(50)	
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(592)	-	(592)	-	(592)	
Transfers and other movements	-	-	159	(154)	5	-	5	
Total other comprehensive income for the year	-	-	(443)	(154)	(597)	(40)	(637)	
<b>Total comprehensive income for the year</b>	-	-	(443)	6,439	5,996	594	6,590	
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Dividends to equity holders	-	-	-	(2,698)	(2,698)	(410)	(3,108)	
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>								
Change in non-controlling interests in subsidiary	-	-	-	(120)	(120)	254	134	
<b>Total transactions with owners</b>	-	-	-	(2,818)	(2,818)	(156)	(2,974)	
At 31 December 2011	9,023	17,746	4,563	43,553	74,885	4,774	79,659	





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## Statements of Changes in Equity (continued) For the year ended 31 December 2012

Group	Attributable to equity holders of the Bank						Total equity €000
	Share capital €000	Share premium €000	Revaluation and other reserves €000	Retained earnings €000	Total €000	Non-controlling interests €000	
At 1 January 2012	9,023	17,746	4,563	43,553	74,885	4,774	79,659
<b>Comprehensive income</b>							
Profit for the year	-	-	-	5,719	5,719	429	6,148
<b>Other comprehensive income</b>							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the year	-	-	(259)	-	(259)	(1)	(260)
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(6)	-	(6)	-	(6)
Transfers and other movements	-	-	165	(165)	-	-	-
Total other comprehensive income for the year	-	-	(100)	(165)	(265)	(1)	(266)
<b>Total comprehensive income for the year</b>	-	-	(100)	5,554	5,454	428	5,882
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Dividends to equity holders	-	-	-	(2,698)	(2,698)	(417)	(3,115)
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>							
Change in non-controlling interests in subsidiary	-	-	-	(102)	(102)	242	140
<b>Total transactions with owners</b>	-	-	-	(2,800)	(2,800)	(175)	(2,975)
<b>At 31 December 2012</b>	<b>9,023</b>	<b>17,746</b>	<b>4,463</b>	<b>46,307</b>	<b>77,539</b>	<b>5,027</b>	<b>82,566</b>



# LOMBARD

## Statements of Changes in Equity (continued) For the year ended 31 December 2012

<b>Bank</b>	<b>Share capital €000</b>	<b>Share premium €000</b>	<b>Revaluation and other reserves €000</b>	<b>Retained earnings €000</b>	<b>Total €000</b>
At 1 January 2011	9,023	17,746	4,800	38,891	70,460
<b>Comprehensive income</b>					
Profit for the year	-	-	-	6,009	6,009
<b>Other comprehensive income</b>					
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the year	-	-	50	-	50
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(569)	-	(569)
Transfers and other movements	-	-	159	(154)	5
Total other comprehensive income for the year	-	-	(360)	(154)	(514)
<b>Total comprehensive income for the year</b>	-	-	(360)	5,855	5,495
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Dividends to equity holders	-	-	-	(2,698)	(2,698)
<b>Total transaction with owners</b>	-	-	-	(2,698)	(2,698)
At 31 December 2011	9,023	17,746	4,440	42,048	73,257



# LOMBARD

## Statements of Changes in Equity (continued) For the year ended 31 December 2012

Bank	Share capital €000	Share premium €000	Revaluation and other reserves €000	Retained earnings €000	Total €000
At 1 January 2012	9,023	17,746	4,440	42,048	73,257
<b>Comprehensive income</b>					
Profit for the year	-	-	-	5,550	5,550
<b>Other comprehensive income</b>					
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the year	-	-	(262)	-	(262)
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(1)	-	(1)
Transfers and other movements	-	-	165	(165)	-
Total other comprehensive income for the year	-	-	(98)	(165)	(263)
<b>Total comprehensive income for the year</b>	-	-	(98)	5,385	5,287
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Dividends to equity holders	-	-	-	(2,698)	(2,698)
<b>Total transactions with owners</b>	-	-	-	(2,698)	(2,698)
<b>At 31 December 2012</b>	<b>9,023</b>	<b>17,746</b>	<b>4,342</b>	<b>44,735</b>	<b>75,846</b>



# LOMBARD

## Statements of Cash Flows For the year ended 31 December 2012

	Group		Bank	
	2012 €000	2011 €000	2012 €000	2011 €000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	23,694	24,097	23,697	24,167
Receipts from customers relating to postal sales and other revenue	28,004	104,867	20	9
Interest and commission payments	(10,486)	(9,940)	(10,354)	(9,946)
Payments to employees and suppliers	(23,832)	(108,754)	(7,051)	(6,842)
<b>Cash flows from operating profit before changes in operating assets and liabilities</b>	<b>17,380</b>	<b>10,270</b>	<b>6,312</b>	<b>7,388</b>
<i>Decrease/(increase) in operating assets:</i>				
Treasury bills	20,698	(17,074)	20,698	(17,074)
Deposits with Central Bank of Malta	3,014	996	3,014	996
Loans and advances to banks and customers	(13,438)	21,008	(10,398)	20,891
Other receivables	(1,864)	(513)	(1,864)	(512)
<i>(Decrease)/Increase in operating liabilities:</i>				
Amounts owed to banks and to customers	(4,512)	(5,942)	(791)	(10,892)
Other payables	4,147	(1,520)	4,147	(1,520)
<b>Net cash from/(used in) operations</b>	<b>25,425</b>	<b>7,225</b>	<b>21,118</b>	<b>(723)</b>
Income tax paid	(4,266)	(2,880)	(3,276)	(1,636)
<b>Net cash flows from/(used in) operating activities</b>	<b>21,159</b>	<b>4,345</b>	<b>17,842</b>	<b>(2,359)</b>
<b>Cash flows from investing activities</b>				
Dividends received	159	136	159	136
Interest received from investments	2,123	2,975	1,933	2,676
Proceeds on maturity/disposal of investments	1,040	31,025	69	29,664
Purchase of investments	(17,952)	-	(17,952)	-
Purchase of property, plant and equipment	(2,653)	(8,495)	(1,068)	(844)
Acquisition of non-controlling interests	-	(72)	-	-
Proceeds from liquidation of subsidiary	-	-	-	116
<b>Net cash flows (used in)/from investing activities</b>	<b>(17,283)</b>	<b>25,569</b>	<b>(16,859)</b>	<b>31,748</b>
<b>Cash flows from financing activities</b>				
Dividends paid to equity holders of the Bank	(2,698)	(2,698)	(2,698)	(2,698)
Dividends paid to non-controlling interests	(275)	(202)	-	-
<b>Net cash flows used in financing activities</b>	<b>(2,973)</b>	<b>(2,900)</b>	<b>(2,698)</b>	<b>(2,698)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>903</b>	<b>27,014</b>	<b>(1,715)</b>	<b>26,691</b>
Cash and cash equivalents at beginning of year	122,529	95,515	120,168	93,477
<b>Cash and cash equivalents at end of year</b>	<b>123,432</b>	<b>122,529</b>	<b>118,453</b>	<b>120,168</b>