



**LOMBARD**

## **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 2011 and resolved that these financial statements be submitted for approval at the forthcoming Annual General Meeting to be held on 24 April 2012. 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 ordinary gross dividend of €0.115 per share (net dividend of €0.07475 per share) with a nominal amount €0.25 per share. This will be paid on 27 April 2012 to shareholders who are on the company's register of shareholders as at 24 March 2012 (the "Record Date"), the last trading date being 20 March 2012.

### *Unquote*

Graham A Fairclough  
Company Secretary

15 March 2012



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## **Preliminary Statement of Annual Results**

*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 2011, audited by PricewaterhouseCoopers and approved by the Board of Directors on 15 March 2012. 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***

In 2011 the Group registered a profit after tax of €7.23 million (decline of 20%) and on a Bank level a profit after tax of €6.01 million (decline of 22%). The profit for the year represents a return on shareholders' funds of 9%.

In view of the overall sentiment Loans and Advances to Customers declined by 7% to €310.35 million while Customer Deposits remained virtually unchanged. The pressure on interest rate margins also accounts for a decline in net interest income of 11.7% to €14.18 million.

The ongoing Eurozone sovereign debt crisis further escalated in the financial year under review and is likely to prevail for some time to come. Although it appears that the EU summit and the ECB decisions of December 2011 have helped to reverse the spread of contagion and to restore to a degree consumer and business confidence, the overall risks remain considerable.

The long-term business strategy of Lombard Bank Malta p.l.c. has always focused on ensuring healthy fundamentals and this has substantially helped the Bank to remain on sound footing. Lombard Bank's Capital Adequacy ratio of 19.8% stands well above the required level of 8%. The Loan to Deposit ratio at 67% (2010: 70%) indicates a satisfactorily high level of liquidity. Understandably both elements (strong capital adequacy ratio and strong liquidity ratio) do come at a price, especially when interest rates stand as low as they are at present. This then results in reduced margins and lower profits.

In the light of the prevailing climate the Bank's prudence in its approach to lending seems to be well justified. This is also the reason for having increased provisions in respect of loans and advances.



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Lombard Bank holds no exposure to any form of non-Maltese sovereign or corporate securities and will continue to implement its policy of a prudent and cautious approach to treasury management even though such a policy may result in lower interest revenue. The Bank prefers to protect its capital at the cost of lower interest earnings.

MaltaPost contributed to the overall performance of the Group, though profit before tax decreased by 4.8% for the financial year ended 30 September 2011.

The Board of Directors is proposing a final Gross Dividend of €0.115 per nominal €0.25 share - the same level as for 2010.

The Board and the Management of the Bank consider that the Lombard Bank Group has met the prevailing substantial challenges well and this in spite of continued pressure on interest margins and an unstable financial market.

The Bank operates in this environment with strong fundamentals, a loyal customer base and dedicated staff and therefore remains well placed to face future challenges with confidence and determination.



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## Statements of Financial Position As at 31 December

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	Group		Bank	
	2011	2010	2011	2010
	€ 000	€ 000	€ 000	€ 000
<b>Assets</b>				
Balances with Central Bank of Malta, treasury bills and cash	<b>164,175</b>	109,314	<b>163,445</b>	108,774
Cheques in course of collection	<b>456</b>	750	<b>456</b>	750
Derivative financial instruments	-	-	<b>179</b>	-
Investments	<b>16,328</b>	46,332	<b>12,565</b>	41,101
Loans and advances to banks	<b>35,570</b>	44,975	<b>33,983</b>	43,477
Loans and advances to customers	<b>310,354</b>	333,731	<b>310,752</b>	334,012
Investment in subsidiaries	-	-	<b>8,502</b>	8,034
Intangible assets	<b>1,518</b>	1,295	<b>244</b>	3
Property, plant and equipment	<b>21,373</b>	14,740	<b>12,504</b>	12,299
Investment property	<b>745</b>	745	<b>745</b>	745
Assets classified as held for sale	<b>111</b>	109	<b>111</b>	109
Current tax assets	<b>760</b>	2,683	<b>220</b>	2,378
Deferred tax assets	<b>2,572</b>	1,585	<b>2,181</b>	1,084
Inventories	<b>784</b>	714	<b>246</b>	143
Trade and other receivables	<b>8,361</b>	7,503	<b>906</b>	385
Accrued income and other assets	<b>4,847</b>	3,324	<b>3,100</b>	3,247
<b>Total assets</b>	<b>567,954</b>	567,800	<b>550,139</b>	556,541



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

	Group		Bank	
	2011 € 000	2010 € 000	2011 € 000	2010 € 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
Property revaluation reserve	2,043	2,043	2,043	2,043
Investment revaluation reserve	(36)	566	(159)	360
Other reserves	2,556	2,397	2,556	2,397
Retained earnings	43,553	39,932	42,048	38,891
<b>Equity attributable to equity holders of the Bank</b>	<b>74,885</b>	<b>71,707</b>	<b>73,257</b>	<b>70,460</b>
<b>Non-controlling interests</b>	<b>4,774</b>	<b>4,336</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>79,659</b>	<b>76,043</b>	<b>73,257</b>	<b>70,460</b>
<b>Liabilities</b>				
Derivative financial instruments	9	-	9	-
Amounts owed to banks	6,942	149	2,985	149
Amounts owed to customers	462,322	472,697	463,761	475,085
Provisions for liabilities and other charges	2,426	2,652	676	636
Other liabilities	6,245	7,907	4,149	5,679
Accruals and deferred income	10,351	8,352	5,302	4,532
<b>Total liabilities</b>	<b>488,295</b>	<b>491,757</b>	<b>476,882</b>	<b>486,081</b>
<b>Total equity and liabilities</b>	<b>567,954</b>	<b>567,800</b>	<b>550,139</b>	<b>556,541</b>
<b>Memorandum items</b>				
Contingent liabilities	6,314	7,067	6,314	7,067
Commitments	79,470	82,246	79,470	82,246



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## Income Statements For the year ended 31 December

	Group		Bank	
	2011 € 000	2010 € 000	2011 € 000	2010 € 000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	23,464	23,846	23,452	23,838
- on debt and other fixed income instruments	1,453	2,507	1,252	2,267
Interest expense	(10,734)	(10,287)	(10,739)	(10,326)
<b>Net interest income</b>	<b>14,183</b>	16,066	<b>13,965</b>	15,779
Fee and commission income	2,068	2,292	1,113	1,390
Fee and commission expense	(76)	(63)	(74)	(63)
<b>Net fee and commission income</b>	<b>1,992</b>	2,229	<b>1,039</b>	1,327
Postal sales and other revenues	20,394	19,808	8	342
Dividend income	136	157	1,243	1,326
Net trading income	305	583	556	364
Net gains/(losses) on disposal of non-trading financial instruments	2,004	(23)	1,707	(23)
Other operating income/(expenses)	37	(35)	101	35
<b>Operating income</b>	<b>39,051</b>	38,785	<b>18,619</b>	19,150
Employee compensation and benefits	(14,475)	(14,322)	(4,457)	(4,180)
Other operating costs	(9,664)	(9,002)	(2,229)	(2,518)
Depreciation and amortisation	(1,313)	(1,195)	(398)	(277)
Provisions for liabilities and other charges	(43)	(139)	(23)	(22)
Net impairment losses	(2,231)	(186)	(2,231)	(215)
<b>Profit before taxation</b>	<b>11,325</b>	13,941	<b>9,281</b>	11,938
Income tax expense	(4,098)	(4,901)	(3,272)	(4,222)
<b>Profit for the year</b>	<b>7,227</b>	9,040	<b>6,009</b>	7,716
<b>Attributable to:</b>				
Equity holders of the Bank	6,593	8,332	6,009	7,716
Non-controlling interests	634	708	-	-
<b>Profit for the year</b>	<b>7,227</b>	9,040	<b>6,009</b>	7,716
<b>Earnings per share</b>	<b>18c3</b>	23c2		



**Statements of Comprehensive Income  
For the year ended 31 December**

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<b>Group</b>	<b>2011</b>	<b>2010</b>
	<b>€ 000</b>	<b>€ 000</b>
<b>Profit for the year</b>	<b>7,227</b>	<b>9,040</b>
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<b>Other comprehensive income</b>		
Fair valuation of available-for-sale financial assets:		
Net changes in fair value arising during the year, before tax	(21)	423
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	(900)	(2)
Income tax relating to components of other comprehensive income	284	(313)
<b>Other comprehensive income for the year, net of income tax</b>	<b>(637)</b>	<b>108</b>
<b>Total comprehensive income for the year, net of income tax</b>	<b>6,590</b>	<b>9,148</b>
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<b>Attributable to:</b>		
Equity holders of the Bank	5,996	8,389
Non-controlling interests	594	759
<b>Total comprehensive income for the year, net of income tax</b>	<b>6,590</b>	<b>9,148</b>
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<b>Bank</b>		
<b>Profit for the year</b>	<b>6,009</b>	<b>7,716</b>
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<b>Other comprehensive income, net of income tax</b>		
Fair valuation of available-for-sale financial assets:		
Net changes in fair value arising during the year, before tax	79	271
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	(877)	(2)
Income tax relating to components of other comprehensive income	284	(314)
<b>Other comprehensive income for the year, net of income tax</b>	<b>(514)</b>	<b>(45)</b>
<b>Total comprehensive income for the year, net of income tax</b>	<b>5,495</b>	<b>7,671</b>
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## Statements of Changes in Equity For the year ended 31 December

### Attributable to equity holders of the Bank

Group	Share capital € 000	Share premium € 000	Property revaluation reserve € 000	Investment revaluation reserve € 000	Other reserves €000	Retained earnings € 000	Total € 000	Non-controlling interests € 000	Total equity € 000
At 1 January 2010	8,903	16,409	2,288	290	-	36,395	64,285	3,917	68,202
<b>Comprehensive income</b>									
Profit for the year	-	-	-	-	-	8,332	8,332	708	9,040
<b>Other comprehensive income</b>									
Fair valuation of available-for-sale financial assets:									
Net changes in fair value arising during the year	-	-	-	278	-	-	278	51	329
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	-	(2)	-	-	(2)	-	(2)
Transfers and other movements	-	-	-	-	2,397	(2,371)	26	-	26
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to capital gains	-	-	(245)	-	-	-	(245)	-	(245)
Total other comprehensive income for the year	-	-	(245)	276	2,397	(2,371)	57	51	108
<b>Total comprehensive income for the year</b>	-	-	(245)	276	2,397	5,961	8,389	759	9,148
<b>Transactions with owners, recorded directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Dividends to equity holders	-	-	-	-	-	(2,315)	(2,315)	(405)	(2,720)
Rights issue of ordinary shares	120	1,337	-	-	-	-	1,457	-	1,457
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>									
Change in non-controlling interests in subsidiary	-	-	-	-	-	(109)	(109)	65	(44)
<b>Total transactions with owners</b>	120	1,337	-	-	-	(2,424)	(967)	(340)	(1,307)
<b>At 31 December 2010</b>	9,023	17,746	2,043	566	2,397	39,932	71,707	4,336	76,043





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

Attributable to equity holders of the Bank

Group	Share capital € 000	Share premium € 000	Property revaluation reserve € 000	Investment revaluation reserve € 000	Other reserves €000	Retained earnings € 000	Total € 000	Non-controlling interests € 000	Total equity € 000
At 1 January 2011	9,023	17,746	2,043	566	2,397	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	-	-	-	(602)	159	(154)	(597)	(40)	(637)
<b>Total comprehensive income for the year</b>	-	-	-	(602)	159	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)
<b>At 31 December 2011</b>	<b>9,023</b>	<b>17,746</b>	<b>2,043</b>	<b>(36)</b>	<b>2,556</b>	<b>43,553</b>	<b>74,885</b>	<b>4,774</b>	<b>79,659</b>



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

<b>Bank</b>	<b>Share capital € 000</b>	<b>Share premium € 000</b>	<b>Property revaluation reserve € 000</b>	<b>Investment revaluation reserve € 000</b>	<b>Other reserves € 000</b>	<b>Retained earnings € 000</b>	<b>Total € 000</b>
At 1 January 2010	8,903	16,409	2,288	186	-	35,861	63,647
<b>Comprehensive income</b>							
Profit for the year	-	-	-	-	-	7,716	7,716
<b>Other comprehensive income</b>							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the year	-	-	-	176	-	-	176
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	-	(2)	-	-	(2)
Transfers and other movements	-	-	-	-	2,397	(2,371)	26
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to capital gains	-	-	(245)	-	-	-	(245)
Total other comprehensive income for the year	-	-	(245)	174	2,397	(2,371)	(45)
<b>Total comprehensive income for the year</b>	-	-	(245)	174	2,397	5,345	7,671
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Dividends to equity holders	-	-	-	-	-	(2,315)	(2,315)
Rights issue of ordinary shares	120	1,337	-	-	-	-	1,457
<b>Total transactions with owners</b>	120	1,337	-	-	-	(2,315)	(858)
<b>At 31 December 2010</b>	9,023	17,746	2,043	360	2,397	38,891	70,460



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

<b>Bank</b>	<b>Share capital € 000</b>	<b>Share premium € 000</b>	<b>Property revaluation reserve € 000</b>	<b>Investment revaluation reserve € 000</b>	<b>Other reserves € 000</b>	<b>Retained earnings € 000</b>	<b>Total € 000</b>
At 1 January 2011	9,023	17,746	2,043	360	2,397	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	-	-	-	(519)	159	(154)	(514)
<b>Total comprehensive income for the year</b>	-	-	-	(519)	159	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 transactions with owners</b>	-	-	-	-	-	(2,698)	(2,698)
<b>At 31 December 2011</b>	<b>9,023</b>	<b>17,746</b>	<b>2,043</b>	<b>(159)</b>	<b>2,556</b>	<b>42,048</b>	<b>73,257</b>



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

	Group		Bank	
	2011 € 000	2010 €000	2011 € 000	2010 € 000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	24,097	25,465	24,167	25,489
Receipts from customers relating to postal sales and other revenue	104,867	107,008	9	300
Interest and commission payments	(9,940)	(10,762)	(9,946)	(10,800)
Payments to employees and suppliers	(108,754)	(113,385)	(6,842)	(6,730)
<b>Cash flows from operating profit before changes in operating assets and liabilities</b>	<b>10,270</b>	<b>8,326</b>	<b>7,388</b>	<b>8,259</b>
<i>Decrease/(increase) in operating assets:</i>				
Treasury bills	(17,074)	12,608	(17,074)	12,608
Deposits with Central Bank of Malta	996	(2,039)	996	(2,039)
Loans and advances to banks and customers	21,008	(8,979)	20,891	(9,108)
Other receivables	(513)	(231)	(512)	(239)
<i>Increase/(decrease) in operating liabilities:</i>				
Amounts owed to banks and to customers	(5,942)	22,930	(10,892)	22,091
Other payables	(1,520)	(2,916)	(1,520)	(2,916)
<b>Net cash from/(used in) operations</b>	<b>7,225</b>	<b>29,699</b>	<b>(723)</b>	<b>28,656</b>
Income tax paid	(2,880)	(6,268)	(1,636)	(4,254)
<b>Net cash from/(used in) operating activities</b>	<b>4,345</b>	<b>23,431</b>	<b>(2,359)</b>	<b>24,402</b>
<b>Cash flows from investing activities</b>				
Dividends received	136	157	136	157
Interest received from investments	2,975	3,074	2,676	2,742
Proceeds on maturity/disposal of investments	31,025	5,954	29,664	6,263
Purchase of investments	-	(3,642)	-	(3,447)
Purchase of property, plant and equipment	(8,495)	(1,681)	(844)	(921)
Acquisition of non-controlling interests	(72)	(133)	-	-
Proceeds from liquidation of subsidiary	-	-	116	-
<b>Net cash flows from investing activities</b>	<b>25,569</b>	<b>3,729</b>	<b>31,748</b>	<b>4,794</b>
<b>Cash flows from financing activities</b>				
Dividends paid to equity holders of the Bank	(2,698)	(858)	(2,698)	(858)
Dividends paid to non-controlling interests	(202)	(213)	-	-
<b>Cash used in financing activities</b>	<b>(2,900)</b>	<b>(1,071)</b>	<b>(2,698)</b>	<b>(858)</b>
<b>Net increase in cash and cash equivalents</b>	<b>27,014</b>	<b>26,089</b>	<b>26,691</b>	<b>28,338</b>
Cash and cash equivalents at beginning of year	95,515	69,426	93,477	65,139
<b>Cash and cash equivalents at end of year</b>	<b>122,529</b>	<b>95,515</b>	<b>120,168</b>	<b>93,477</b>