



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 2015 and resolved that these statements be submitted for approval at the forthcoming Annual General Meeting to be held on 28 April 2016. 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 gross dividend of 4 cent (net dividend of 2.6 cent) per nominal €0.25 share. This will be paid on 6 May 2016 to shareholders appearing on the Bank's Register of Shareholders as at 29 March 2016 (the 'Record Date'), the last trading date being 23 March 2016.
2. Approves that shareholders be given the option of receiving the dividend either in cash or by the issue of new shares.

The attribution price (at which the new shares to be issued will be determined) has been established at €2.18 per nominal €0.25 share.

Unquote

Dr. Helena Said LL.D.
Company Secretary

10 March 2016



LOMBARD

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.

These financial statements have been extracted from the Annual Report of Lombard Bank Malta p.l.c. for the financial year ended 31 December 2015, audited by PricewaterhouseCoopers and approved by the Board of Directors on 10 March 2016. They 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.

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

Review of Financial Performance and Commentary

- Profit Before Tax increased by 25.6% to €7.84 million compared to €6.24 million in 2014.
- Profit Attributable to Equity Holders grew by 30.3% to €4.38 million, an increase of €1.02 million.
- Total Capital Adequacy Ratio of the Bank was 17.4% at year-end compared to 16.8% in 2014.
- Common Equity Tier 1 Ratio of the Bank stood at 16.4% compared to 15.9% in 2014.
- Bank Cost Efficiency Ratio rose to 50.1% (Group: 74.0%) from 47.0% (Group: 72.9%) in 2014.
- Net Loans and Advances to Customers amounted to €305.89 million, down marginally from €318.74 million in 2014.
- Customer Deposits grew by 13.3% or €76.57 million to €650.52 million in 2015.
- Post Tax Return on Equity for 2015 was 5.1%, compared to 4.1% in 2014.



LOMBARD

Group profit before adjusting for Net Impairment Losses was maintained at €10.92 million (2014: €10.86 million) even though 2015 was characterised by record low market interest rates. Performance was also partially influenced by subdued lending activity that was in turn affected by the new regulatory environment. The Group's postal services benefitted from increased business related to e-commerce though the decline in traditional letter volumes continued.

Net Interest Income at €13.14 million dipped by 8.2% or €1.17 million on account of lower lending rates as a result of increased competition, on the one hand, and reduced income from our Treasury activity due to lower interest rates driven by the ECB's highly accommodative monetary policy.

Transaction banking revenue remained on a positive trend, contributing positively to Net Fees and Commission Income. Postal Sales and Other Revenues increased by 8.4% to €24.56 million.

On the expenditure side, Employee Compensation and Benefits increased by 2.8% to €16.53 million while Other Operating Costs rose by 10.7% to €13.29 million, partly reflecting the higher cost of compliance and regulation. Further investment was undertaken to improve card services and enhance security in IT systems.

Notwithstanding increases in costs the Bank's Cost Efficiency Ratio was held at 50.1% (FY 2014: 47.0%), reflecting effective cost containment measures to offset fast-reducing interest income levels. Overall, the Group Cost Efficiency Ratio stood at 74.0% (FY 2014: 72.9%).

In calculating Impairment Allowances for individually assessed exposures the Bank continued with its conservative approach, with particular attention given to the assessment of "Non-Performing Exposures", that is, exposures where repayments fall in arrears by 90 days or more. The Specific Impairment charge for 2015 amounted to €2.71 million, compared to €4.11 million in 2014. It is to be noted that most of the Specific Impairment Allowance relates to the accumulated interest element of such exposures. The Collective Impairment Allowance charge for the year at €0.37 million was €0.13 million lower when compared to the previous year.

Customer deposits increased by €76.57 million to €650.52 million, which reflects the high level of customer confidence that the Bank enjoys.

Loans and Advances to Customers at €305.89 million were marginally lower than the previous year.



Total assets as at 31 December 2015 continued to grow and stood at €777.54 million (2014: €691.53 million), while Equity Attributable to Equity Holders of the Bank increased by a further 8.0% to €89.40 million. Net Asset Value (NAV) per share stood at €2.04 (2014: €1.99). Group Earnings per Share (EPS) increased by 2.3 cents to 10.0 cents. Return on Assets (ROA) remained at 0.6% while Post tax Return on Equity (ROE) was 5.1% (2014: 4.1%).

The Bank's prudent stance resulted in a Common Equity Tier 1 (CET1) Ratio of 16.4% on a CRD IV basis, more than 3.6 times the minimum requirement of 4.5%, while Total Capital Ratio stood at 17.4%, more than double the minimum 8% requirement.

Banking Rule 09 (BR09) became effective on 31 December 2013. This Rule was intended to address the Country Specific Recommendations of the European Commission with respect to Malta, which called for increases in local banks' Coverage Ratios and provisioning. BR09 obliges the Bank to transfer part of its profits to a Reserve for General Banking Risks. This appropriation is calculated as a percentage of credit facilities termed "Non-Performing Exposures". Under the three-year transitory rules, the Bank set aside €1 million in 2013 and another €0.8 million in 2014. The third and final tranche amounting to €0.8 million was transferred to the Reserve in 2015. As a consequence, dividend distributions were adjusted accordingly.

Advances to Deposits Ratio stood at 47.0% reflecting the high levels of liquidity of the Bank. Eligible Liquid Assets as defined by Banking Rule 5 stood at 76.3% of Short-Term Liabilities and thus well over the statutory minimum of 30%.

During 2015, excess funds were placed on a short-term basis with quality counterparty banks and in Malta Government Treasury Bills. The Bank held no exposure to foreign sovereign or corporate bonds.

The Board is recommending for the approval of the Annual General Meeting a final gross dividend of 4 cent per share (2.6 cents net of tax). This will be paid on 6 May 2016 to shareholders who are on the Bank's Register of shareholders at 29 March 2016. The Board of Directors further resolved to recommend that the aforesaid Annual General Meeting approve that shareholders be given the option of receiving the dividend either in cash or by the issue of new shares. The attribution price (at which the new shares to be issued will be determined) has been established at €2.18 per nominal €0.25 share.



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These encouraging results show that the Group is well positioned to continue satisfying the needs of the community while sustaining a strong balance sheet and meeting regulatory requirements. While the current deflationary environment is expected to continue in the foreseeable future, the local economy remains resilient with better growth prospects than the majority of other EU countries. Notwithstanding the challenges ahead, the Group is prepared to implement its growth strategy based on a prudent risk appetite.



Income Statements
For the year ended 31 December 2015

	Group		Bank	
	2015	2014	2015	2014
	€ 000	€ 000	€ 000	€ 000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	18,919	22,060	18,890	22,049
- on debt and other fixed income instruments	1,823	1,548	1,686	1,399
Interest expense	(7,603)	(9,302)	(7,619)	(9,334)
Net interest income	13,139	14,306	12,957	14,114
Fee and commission income	3,439	2,698	2,415	1,761
Fee and commission expense	(232)	(160)	(232)	(160)
Net fee and commission income	3,207	2,538	2,183	1,601
Postal sales and other revenues	24,562	22,662	76	124
Dividend income	240	159	1,754	1,560
Net trading income	969	845	769	760
Other operating income / (expenses)	138	(274)	465	(208)
Operating income	42,255	40,236	18,204	17,951
Employee compensation and benefits	(16,526)	(16,072)	(5,272)	(4,922)
Other operating costs	(13,290)	(12,010)	(3,366)	(2,994)
Depreciation and amortisation	(1,450)	(1,240)	(488)	(517)
Provisions for liabilities and other charges	(71)	(56)	(22)	-
Net impairment losses	(3,081)	(4,618)	(3,083)	(4,609)
Profit before taxation	7,837	6,240	5,973	4,909
Income tax expense	(2,800)	(2,333)	(2,137)	(1,850)
Profit for the year	5,037	3,907	3,836	3,059
Attributable to:				
Equity holders of the Bank	4,382	3,362	3,836	3,059
Non-controlling interests	655	545	-	-
Profit for the year	5,037	3,907	3,836	3,059
Earnings per share	10c0	7c7		



**Statements of Comprehensive Income
For the year ended 31 December 2015**

Group	2015	2014
	€ 000	€ 000
Profit for the year	5,037	3,907
Other comprehensive income		
<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	4,678	2,294
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	(21)	(56)
Income tax relating to components of other comprehensive income	(1,561)	(731)
<i>Items that will not be reclassified to profit or loss:</i>		
Surplus arising on revaluation of land and buildings	1,433	-
Deferred tax attributable to revaluation of land and buildings	(956)	(68)
Remeasurements of defined benefit obligations	(115)	(133)
Other comprehensive income for the year, net of income tax	3,458	1,306
Total comprehensive income for the year, net of income tax	8,495	5,213
Attributable to:		
Equity holders of the Bank	7,781	4,662
Non-controlling interests	714	551
Total comprehensive income for the year, net of income tax	8,495	5,213
Bank		
Profit for the year	3,836	3,059
Other comprehensive income		
<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	4,482	2,133
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	(23)	(45)
Income tax relating to components of other comprehensive income	(1,561)	(731)
<i>Items that will not be reclassified to profit or loss:</i>		
Surplus arising on revaluation of land and buildings	539	-
Deferred tax attributable to revaluation of land and buildings	(178)	(68)
Other comprehensive income for the year, net of income tax	3,259	1,289
Total comprehensive income for the year, net of income tax	7,095	4,348



**Statements of Financial Position
As at 31 December 2015**

	Group		Bank	
	2015	2014	2015	2014
	€ 000	€ 000	€ 000	€ 000
Assets				
Balances with Central Bank of Malta, treasury bills and cash	115,884	84,311	115,377	83,914
Cheques in course of collection	475	1,656	475	1,656
Investments	76,246	55,077	72,465	51,795
Loans and advances to banks	229,788	185,918	225,546	182,857
Loans and advances to customers	305,891	318,742	306,572	319,420
Investment in subsidiaries	-	-	12,168	11,184
Investment in associate	1,645	-	1,645	-
Intangible assets	1,490	1,422	409	202
Property, plant and equipment	26,931	24,574	13,833	13,141
Assets classified as held for sale	1,023	1,022	1,023	1,022
Current tax assets	533	1,665	533	1,289
Deferred tax assets	3,318	4,764	3,784	4,429
Inventories	1,106	996	425	343
Trade and other receivables	8,170	5,545	2,104	1,447
Accrued income and other assets	5,043	5,835	2,790	3,132
Total assets	777,543	691,527	759,149	675,831



Statements of Financial Position (continued)
As at 31 December 2015

	Group		Bank	
	2015	2014	2015	2014
	€ 000	€ 000	€ 000	€ 000
EQUITY AND LIABILITIES				
Equity				
Share capital	10,943	10,422	10,943	10,422
Share premium	17,746	17,746	17,746	17,746
Revaluation and other reserves	13,152	8,329	12,869	8,187
Retained earnings	47,556	46,291	45,551	44,744
Equity attributable to equity holders of the Bank	89,397	82,788	87,109	81,099
Non-controlling interests	6,101	5,519	-	-
Total equity	95,498	88,307	87,109	81,099
Liabilities				
Amounts owed to banks	1,059	73	1,059	73
Amounts owed to customers	650,516	573,946	654,316	577,937
Provisions for liabilities and other charges	2,378	2,258	639	565
Current tax liabilities	346	-	-	-
Other liabilities	18,404	16,919	11,670	11,205
Accruals and deferred income	9,342	10,024	4,356	4,952
Total liabilities	682,045	603,220	672,040	594,732
Total equity and liabilities	777,543	691,527	759,149	675,831
Memorandum items				
Contingent liabilities	7,479	8,023	7,479	8,023
Commitments	106,925	72,115	106,925	72,115



**Statements of Changes in Equity
For the year ended 31 December 2015**

Attributable to equity holders of the Bank

Group	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 2014	9,925	17,746	6,231	45,372	79,274	5,127	84,401
Comprehensive income							
Profit for the year	-	-	-	3,362	3,362	545	3,907
Other comprehensive income							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the year	-	-	1,499	-	1,499	49	1,548
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(38)	-	(38)	(3)	(41)
Deferred tax relating to revaluation of property	-	-	(68)	-	(68)	-	(68)
Remeasurements of deferred benefit obligations	-	-	(106)	13	(93)	(40)	(133)
Transfers and other movements	-	-	811	(811)	-	-	-
Total other comprehensive income for the year	-	-	2,098	(798)	1,300	6	1,306
Total comprehensive income for the year	-	-	2,098	2,564	4,662	551	5,213
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Bonus shares issued	497	-	-	(497)	-	-	-
Dividends to equity holders	-	-	-	(1,032)	(1,032)	(422)	(1,454)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Change in non-controlling interests in subsidiary	-	-	-	(116)	(116)	263	147
Total transactions with owners	497	-	-	(1,645)	(1,148)	(159)	(1,307)
At 31 December 2014	10,422	17,746	8,329	46,291	82,788	5,519	88,307



Statements of Changes in Equity (continued)
For the year ended 31 December 2015

Attributable to equity holders of the Bank

Group	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 2015	10,422	17,746	8,329	46,291	82,788	5,519	88,307
Comprehensive income							
Profit for the year	-	-	-	4,382	4,382	655	5,037
Other comprehensive income							
Surplus arising on revaluation of land and buildings	-	-	1,165	-	1,165	268	1,433
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	-	-	(723)	-	(723)	(233)	(956)
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the year	-	-	3,050	-	3,050	59	3,109
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(13)	-	(13)	-	(13)
Remeasurements of deferred benefit obligations	-	-	(80)	-	(80)	(35)	(115)
Transfers and other movements	-	-	1,424	(1,424)	-	-	-
Total other comprehensive income for the year	-	-	4,823	(1,424)	3,399	59	3,458
Total comprehensive income for the year	-	-	4,823	2,958	7,781	714	8,495
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Bonus shares issued	521	-	-	(521)	-	-	-
Dividends to equity holders	-	-	-	(1,084)	(1,084)	(427)	(1,511)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Change in non-controlling interests in subsidiary	-	-	-	(88)	(88)	295	207
Total transactions with owners	521	-	-	(1,693)	(1,172)	(132)	(1,304)
At 31 December 2015	10,943	17,746	13,152	47,556	89,397	6,101	95,498



Statements of Changes in Equity (continued)
For the year ended 31 December 2015

Bank	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total € 000
At 1 January 2014	9,925	17,746	6,087	44,025	77,783
Comprehensive income					
Profit for the year	-	-	-	3,059	3,059
Other comprehensive income					
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the year	-	-	1,386	-	1,386
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(29)	-	(29)
Deferred tax relating to revaluation of property	-	-	(68)	-	(68)
Transfers and other movements	-	-	811	(811)	-
Total other comprehensive income for the year	-	-	2,100	(811)	1,289
Total comprehensive income for the year	-	-	2,100	2,248	4,348
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Bonus shares issued	497	-	-	(497)	-
Dividends to equity holders	-	-	-	(1,032)	(1,032)
Total transaction with owners	497	-	-	(1,529)	(1,032)
At 31 December 2014	10,422	17,746	8,187	44,744	81,099



Statements of Changes in Equity (continued)
For the year ended 31 December 2015

Bank	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total € 000
At 1 January 2015	10,422	17,746	8,187	44,744	81,099
Comprehensive income					
Profit for the year	-	-	-	3,836	3,836
Other comprehensive income					
Surplus arising on revaluation of land and buildings	-	-	539	-	539
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	-	-	(179)	-	(179)
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the year	-	-	2,913	-	2,913
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(15)	-	(15)
Transfers and other movements	-	-	1,424	(1,424)	-
Total other comprehensive income for the year	-	-	4,682	(1,424)	3,258
Total comprehensive income for the year	-	-	4,682	2,412	7,094
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Bonus shares issued	521	-	-	(521)	-
Dividends to equity holders	-	-	-	(1,084)	(1,084)
Total transaction with owners	521	-	-	(1,605)	(1,084)
At 31 December 2015	10,943	17,746	12,869	45,551	87,109



Statements of Cash Flows
For the year ended 31 December 2015

	Group		Bank	
	2015 € 000	2014 € 000	2015 € 000	2014 € 000
Cash flows from operating activities				
Interest and commission receipts	22,651	23,834	23,670	23,866
Receipts from customers relating to postal sales and other revenue	25,645	22,316	76	123
Interest and commission payments	(8,472)	(9,855)	(8,487)	(9,887)
Payments to employees and suppliers	(29,934)	(29,977)	(8,583)	(7,693)
Cash flows from operating profit before changes in operating assets and liabilities	9,890	6,318	6,676	6,409
<i>Decrease/(increase) in operating assets:</i>				
Treasury bills	(28)	21,835	(28)	21,835
Deposits with Central Bank of Malta	(686)	(1,073)	(686)	(1,073)
Loans and advances to banks and customers	8,205	(8,682)	8,108	(8,582)
Other receivables	368	(271)	440	(261)
<i>(Decrease)/increase in operating liabilities:</i>				
Amounts owed to banks and to customers	76,570	80,045	76,379	79,213
Other payables	537	1,562	465	1,552
Net cash from operations	94,856	99,734	91,354	99,093
Income tax paid	(2,392)	(3,637)	(1,944)	(2,894)
Net cash flows from operating activities	92,464	96,097	89,410	96,199
Cash flows from investing activities				
Dividends received	240	159	240	159
Interest received from investments	2,274	2,359	2,097	2,147
Purchase of investments	(19,353)	(11,982)	(19,050)	(11,344)
Proceeds from maturity/disposal of investments	2,687	2,414	2,687	1,836
Purchase of property, plant and equipment	(3,174)	(2,210)	(849)	(344)
Proceeds from disposal of property, plant and equipment	-	4	-	4
Acquisition of non-controlling interests	-	(44)	-	-
Net cash flows used in investing activities	(17,326)	(9,300)	(14,875)	(7,542)



Statements of Cash Flows (continued)
For the year ended 31 December 2015

	Group		Bank	
	2015 € 000	2014 €000	2015 € 000	2014 € 000
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	(1,084)	(1,032)	(1,084)	(1,032)
Dividends paid to non-controlling interests	(218)	(217)	-	-
Net cash flows used in financing activities	(1,302)	(1,249)	(1,084)	(1,032)
Net increase/(decrease) in cash and cash equivalents	73,836	85,548	73,451	87,625
Cash and cash equivalents at beginning of year	233,894	148,346	230,580	142,955
Cash and cash equivalents at end of year	307,730	233,894	304,031	230,580