



# 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 2018 and resolved that these statements be submitted for approval at the forthcoming Annual General Meeting to be held on 11 April 2019. 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 5 cent (net dividend of 3.25 cent) per nominal €0.25 share. This will be paid on 17 April 2019 to shareholders appearing on the Bank's Register of Shareholders as at 12 March 2019 (the 'Record Date'), the last trading date being 8 March 2019.

### *Unquote*

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

6 March 2019

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

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*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 2018, audited by PricewaterhouseCoopers and approved by the Board of Directors on 6 March 2019. 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 55.3% to €13.77 million compared to €8.87 million in 2017.
- Profit Attributable to Equity Holders of the Bank was €8.45 million, or 64.7% above that in the previous year.
- Bank Cost Efficiency Ratio improved to 47.4% (Group: 77.8%) from 51.4% (Group: 79.6%) in 2017.
- Net Loans & Advances to Customers increased by 19.3% to €511.12 million from €428.61 million in 2017.
- Customer Deposits rose by 7.5%, reaching €788.04 million, an increase of €54.89 million over the previous year.
- Group Post Tax Return on Equity for 2018 was 8.3%, up from 5.4%.
- Group Total Assets rose to €950.07 million (€882.75 million in 2017).
- Total Capital Ratio at 14.7% was over the minimum regulatory requirements.



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Group Profit after Tax increased by 56.7% to €8.94 million as the Group experienced positive trends in most of its business lines especially in its lending activity. Pressure from low interest rates persisted as did increased costs from higher regulatory and compliance requirements.

Net Interest Income at €17.51 million rose by 13.5% mostly as a result of increased customer lending, transaction banking and prudent treasury management.

Net Fee and Commission Income at €4.72 million increased by 14.1% as a result of a higher volume of business and as new initiatives gained traction. Postal Sales and Other Revenues rose by 5.0% despite a continuation of the decline in Letter Mail volumes, which however was offset by growth in ecommerce and other services.

Group Employee Compensation and Benefits increased by 4.1% to €20.77 million while Other Operating Costs rose by 7.2% to €26.48 million. The latter includes costs directly associated with increased Postal Sales and Other Revenues as well as higher compliance and regulation costs. The Group is heavily reliant on IT and automated services and invests substantially in respect of security, resilience and integrity of data.

The Bank's Cost Efficiency Ratio improved to 47.4% (FY 2017: 51.4%). That of the Group stood at 77.8% (FY 2017: 79.6%) reflecting the characteristics of the postal services industry where business is high volume yet low margin and human resource intensive.

As from January 1, 2018, Impairment Allowances are based on the new Expected Credit Loss methodology prescribed by the new accounting standard IFRS 9. On this basis, the charge in Expected Credit Losses amounted to €0.23 million, compared to a charge of €2.83 million in 2017. This reflects the high quality of the Bank's financial assets as well as adequate levels of collateral cover. During the year the Bank remained focused on resolving those situations where repayments by borrowing customers were in arrears by 90 days or more, referred to as "Non-Performing Exposures".

The level of customer deposits at €788.04 million was €54.89 million above the previous year. The Bank remained judicious in managing its liquidity mindful of the adverse impact of negative interest rates.

Loans & Advances to Customers increased by 19.3% to €511.12 million from €428.61 million in 2017. The Bank continued to register increased business based on its understanding of the needs of the local business community.



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Group Total Assets as at 31 December 2018 rose to €950.07 million (2017: €882.75 million), while Equity Attributable to Equity Holders of the Bank grew by an additional 12.7% to €108.31 million. Group Net Asset Value (NAV) per share stood at €2.45 (2017: €2.18). Group Earnings per Share (EPS) increased by 7.5 cents to 19.1 cents. Group Return on Assets (ROA) rose to 0.9% (2017: 0.6%) while Group Post Tax Return on Equity (ROE) was 8.3% (2017: 5.4%).

Total Capital Ratio stood at 14.7%.

Advances to Deposits Ratio stood at 64.9% compared to 58.5% 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 securities. The Bank held no exposure to foreign sovereign or corporate bonds.

These results continue to strengthen the Lombard Bank Group's position and its ability to meet the challenges posed by a rapidly changing environment. The Group is committed to remain focused on meeting the needs and expectations of the Maltese economic operators and the community at large, while also remaining prudent in its approach to risk, thus providing consistent added value to all its stakeholders.



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## Income Statements For the year ended 31 December 2018

	Group		Bank	
	2018 € 000	2017 € 000	2018 € 000	2017 € 000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	21,470	19,490	21,430	19,462
- on debt and other fixed income instruments	1,718	1,936	1,594	1,823
Interest expense	(5,677)	(5,992)	(5,677)	(5,997)
<b>Net interest income</b>	<b>17,511</b>	<b>15,434</b>	<b>17,347</b>	<b>15,288</b>
Fee and commission income	5,051	4,431	3,889	3,357
Fee and commission expense	(335)	(298)	(336)	(299)
<b>Net fee and commission income</b>	<b>4,716</b>	<b>4,133</b>	<b>3,553</b>	<b>3,058</b>
Postal sales and other revenues	39,254	37,371	425	172
Dividend income	369	326	1,970	1,880
Net trading income	880	619	862	699
Other operating income	55	-	377	177
<b>Operating income</b>	<b>62,785</b>	<b>57,883</b>	<b>24,534</b>	<b>21,274</b>
Employee compensation and benefits	(20,765)	(19,945)	(6,368)	(6,269)
Other operating costs	(26,477)	(24,695)	(4,634)	(4,052)
Depreciation and amortisation	(1,588)	(1,411)	(625)	(622)
Provisions for liabilities and other charges	(60)	(23)	(20)	(22)
Credit impairment losses	(234)	(2,835)	(258)	(2,831)
<b>Operating profit</b>	<b>13,661</b>	<b>8,974</b>	<b>12,629</b>	<b>7,478</b>
Share of profit/(loss) of investment accounted for using the equity method, net of tax	109	(106)	-	-
<b>Profit before taxation</b>	<b>13,770</b>	<b>8,868</b>	<b>12,629</b>	<b>7,478</b>
Income tax expense	(4,831)	(3,165)	(4,448)	(2,632)
<b>Profit for the year</b>	<b>8,939</b>	<b>5,703</b>	<b>8,181</b>	<b>4,846</b>
<b>Attributable to:</b>				
Equity holders of the Bank	8,447	5,129	8,181	4,846
Non-controlling interests	492	574	-	-
<b>Profit for the year</b>	<b>8,939</b>	<b>5,703</b>	<b>8,181</b>	<b>4,846</b>
<b>Earnings per share</b>	<b>19c1</b>	<b>11c6</b>		



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## Statements of Comprehensive Income For the year ended 31 December 2018

Group	2018 € 000	2017 € 000
<b>Profit for the year</b>	<b>8,939</b>	<b>5,703</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investments designated at FVOCI (2017: available-for-sale)		
Net gain/(loss) in fair value, before tax	(1,621)	(1,591)
Net loss on financial assets reclassified to profit or loss on disposal, before tax	(59)	(81)
Net loss on investments designated at FVOCI attributable to change in credit risk	107	-
Income taxes	538	540
<i>Items that will not be reclassified to profit or loss:</i>		
Net gains on investments in equity instruments designated at FVOCI	2,846	-
Surplus arising on revaluation of land and buildings	5,564	-
Remeasurements of defined benefit obligations	(11)	(528)
Income taxes	(1,855)	304
<b>Other comprehensive income for the year, net of income tax</b>	<b>5,509</b>	<b>(1,356)</b>
<b>Total comprehensive income for the year, net of income tax</b>	<b>14,448</b>	<b>4,347</b>
<b>Attributable to:</b>		
Equity holders of the Bank	13,228	3,874
Non-controlling interests	1,220	473
<b>Total comprehensive income for the year, net of income tax</b>	<b>14,448</b>	<b>4,347</b>
<b>Bank</b>		
<b>Profit for the year</b>	<b>8,181</b>	<b>4,846</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Investments designated at FVOCI (2017: available-for-sale)		
Net gain/(loss) in fair value, before tax	(1,587)	(1,460)
Net loss on financial assets reclassified to profit or loss on disposal, before tax	(59)	(81)
Net loss on investments designated at FVOCI attributable to change in credit risk	107	-
Income taxes	538	540
<i>Items that will not be reclassified to profit or loss:</i>		
Net gains on investments in equity instruments designated at FVOCI	2,847	-
Surplus arising on revaluation of land and buildings	2,717	-
Income taxes	(1,608)	-
<b>Other comprehensive income for the year, net of income tax</b>	<b>2,955</b>	<b>(1,001)</b>
<b>Total comprehensive income for the year, net of income tax</b>	<b>11,136</b>	<b>3,845</b>



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## Statements of Financial Position As at 31 December 2018

	Group		Bank	
	2018 € 000	2017 € 000	2018 € 000	2017 € 000
<b>Assets</b>				
Balances with Central Bank of Malta, treasury bills and cash	<b>128,726</b>	215,133	<b>128,143</b>	214,500
Cheques in course of collection	<b>1,422</b>	1,755	<b>1,422</b>	1,755
Investments	<b>100,070</b>	75,895	<b>96,245</b>	72,282
Loans and advances to banks	<b>140,581</b>	97,048	<b>125,819</b>	90,258
Loans and advances to customers	<b>511,124</b>	428,611	<b>511,124</b>	428,611
Investment in subsidiaries	-	-	<b>15,732</b>	15,732
Investment in associate	<b>1,684</b>	1,575	<b>1,645</b>	1,645
Intangible assets	<b>1,701</b>	1,648	<b>375</b>	480
Property, plant and equipment	<b>38,554</b>	31,753	<b>21,449</b>	17,676
Assets classified as held for sale	<b>778</b>	822	<b>778</b>	822
Current tax assets	<b>865</b>	1,557	<b>681</b>	1,557
Deferred tax assets	<b>9,221</b>	8,980	<b>8,639</b>	8,369
Inventories	<b>1,360</b>	1,164	<b>754</b>	407
Trade and other receivables	<b>5,010</b>	8,826	<b>1,812</b>	1,526
Accrued income and other assets	<b>8,973</b>	7,979	<b>4,618</b>	4,218
<b>Total assets</b>	<b>950,069</b>	882,746	<b>919,236</b>	859,838



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## Statements of Financial Position (continued) As at 31 December 2018

	Group		Bank	
	2018 € 000	2017 € 000	2018 € 000	2017 € 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	17,356	12,662	15,490	12,624
Retained earnings	61,380	53,904	59,097	51,887
<b>Equity attributable to equity holders of the Bank</b>	<b>108,310</b>	96,140	<b>104,161</b>	94,085
<b>Non-controlling interests</b>	<b>7,525</b>	6,734	-	-
<b>Total equity</b>	<b>115,835</b>	102,874	<b>104,161</b>	94,085
<b>Liabilities</b>				
Amounts owed to banks	854	5,362	854	5,362
Amounts owed to customers	788,044	733,151	790,073	736,695
Provisions for liabilities and other charges	3,135	3,177	1,107	1,064
Current tax liabilities	-	229	-	-
Deferred tax liabilities	5,264	3,914	4,236	3,136
Other liabilities	27,138	23,217	14,070	15,076
Accruals and deferred income	9,799	10,822	4,735	4,420
<b>Total liabilities</b>	<b>834,234</b>	779,872	<b>815,075</b>	765,753
<b>Total equity and liabilities</b>	<b>950,069</b>	882,746	<b>919,236</b>	859,838
<b>Memorandum items</b>				
Contingent liabilities	14,148	9,078	14,167	9,093
Commitments	202,384	247,737	202,384	247,737





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## Statements of Changes in Equity For the year ended 31 December 2018

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
<b>At 1 January 2017</b>	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>	-	-	<b>(1,064)</b>	<b>4,938</b>	<b>3,874</b>	<b>473</b>	<b>4,347</b>
<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>	-	-	<b>3</b>	<b>(1,575)</b>	<b>(1,572)</b>	<b>(249)</b>	<b>(1,821)</b>
<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>



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## Statements of Changes in Equity (continued) For the year ended 31 December 2018

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	
<b>At 31 December 2017</b>	11,044	18,530	12,662	53,904	96,140	6,734	102,874
Changes on initial application of IFRS9	-	-	36	53	89	-	89
<b>At 1 January 2018</b>	11,044	18,530	12,698	53,957	96,229	6,734	102,963
<b>Comprehensive income</b>							
Profit for the year	-	-	-	8,447	8,447	492	8,939
<b>Other comprehensive income</b>							
Fair valuation of land and buildings, net of tax	-	-	3,962	-	3,962	739	4,701
Fair valuation of financial assets designated at FVOCI:							
Net changes in fair value arising during the year	-	-	794	-	794	(11)	783
Reclassification adjustments – net amounts reclassified to profit or loss	-	-	(38)	-	(38)	-	(38)
Net change attributable to changes in credit risk	-	-	70	-	70	-	70
Remeasurements of deferred benefit obligations	-	-	(5)	-	(5)	(2)	(7)
Transfers and other movements	-	-	(125)	125	-	-	-
Total other comprehensive income for the year	-	-	4,658	125	4,783	726	5,509
<b>Total comprehensive income for the year</b>	-	-	4,658	8,572	13,230	1,218	14,448
<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)	(427)	(1,576)
<b>Total transactions with owners</b>	-	-	-	(1,149)	(1,149)	(427)	(1,576)
<b>At 31 December 2018</b>	11,044	18,530	17,356	61,380	108,310	7,525	115,835



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## Statements of Changes in Equity (continued) For the year ended 31 December 2018

Bank	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained Earnings € 000	Total € 000
<b>At 1 January 2017</b>	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>	-	-	<b>(810)</b>	<b>4,655</b>	<b>3,845</b>
<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 transactions with owners</b>	-	-	-	<b>(1,149)</b>	<b>(1,149)</b>
<b>At 31 December 2017</b>	<b>11,044</b>	<b>18,530</b>	<b>12,624</b>	<b>51,887</b>	<b>94,085</b>



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## Statements of Changes in Equity (continued) For the year ended 31 December 2018

Bank	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained Earnings € 000	Total € 000
<b>At 31 December 2017</b>	11,044	18,530	12,624	51,887	94,085
Changes on initial application of IFRS9	-	-	36	53	89
<b>At 1 January 2018</b>	11,044	18,530	12,660	51,940	94,174
<b>Comprehensive income</b>					
Profit for the year	-	-	-	8,181	8,181
<b>Other comprehensive income</b>					
Fair valuation of land and buildings, net of tax	-	-	2,105	-	2,105
Fair valuation of financial assets designated at FVOCI:					
Net changes in fair value arising during the year	-	-	818	-	818
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(38)	-	(38)
Net changes attributable to changes in credit risk	-	-	70	-	70
Transfers and other movements	-	-	(125)	125	-
Total other comprehensive income for the year	-	-	2,830	125	2,955
<b>Total comprehensive income for the year</b>	-	-	2,830	8,306	11,136
<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 transactions with owners</b>	-	-	-	(1,149)	(1,149)
<b>At 31 December 2018</b>	11,044	18,530	15,490	59,097	104,161



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## Statements of Cash Flows For the year ended 31 December 2018

	Group		Bank	
	2018	2017	2018	2017
	€ 000	€ 000	€ 000	€ 000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	27,546	24,052	27,871	24,238
Receipts from customers relating to postal sales and other revenue	51,778	34,484	425	172
Interest and commission payments	(5,844)	(6,238)	(5,844)	(6,243)
Payments to employees and suppliers	(51,464)	(41,509)	(11,070)	(10,189)
<b>Cash flows from operating profit before changes in operating assets and liabilities</b>	<b>22,016</b>	<b>10,789</b>	<b>11,382</b>	<b>7,978</b>
<i>(Increase)/decrease in operating assets:</i>				
Treasury bills	(16,549)	47,116	(16,549)	47,115
Deposits with Central Bank of Malta	(529)	(917)	(529)	(917)
Loans and advances to banks and customers	(84,792)	(97,713)	(83,792)	(94,820)
Other receivables	(394)	(726)	(284)	(717)
<i>Increase/(decrease) in operating liabilities:</i>				
Amounts owed to banks and to customers	54,893	11,615	53,378	11,335
Other payables	(899)	6,259	(1,007)	6,247
<b>Net cash used in operations</b>	<b>(26,254)</b>	<b>(23,577)</b>	<b>(37,401)</b>	<b>(23,779)</b>
Income tax paid	(4,628)	(4,309)	(3,860)	(3,221)
<b>Net cash flows used in operating activities</b>	<b>(30,882)</b>	<b>(27,886)</b>	<b>(41,261)</b>	<b>(27,000)</b>
<b>Cash flows from investing activities</b>				
Dividends received	369	326	1,970	326
Interest received from investments	2,011	2,196	1,845	2,038
Purchase of investments	(27,850)	(906)	(27,350)	(879)
Investment in subsidiary	-	-	-	(1,500)
Proceeds on maturity/disposal of investments	4,406	3,285	4,156	2,850
Purchase of property, plant and equipment	(2,921)	(2,943)	(1,576)	(1,396)
Acquisition of non-controlling interests	-	(429)	-	-
<b>Net cash flows (used in)/generated from investing activities</b>	<b>(23,985)</b>	<b>1,529</b>	<b>(20,955)</b>	<b>1,439</b>
<b>Cash flows from financing activities</b>				
Dividends paid to equity holders of the Bank	(1,149)	(1,149)	(1,149)	(1,149)
Dividends paid to non-controlling interests	(427)	(244)	-	-
<b>Net cash flows used in financing activities</b>	<b>(1,576)</b>	<b>(1,393)</b>	<b>(1,149)</b>	<b>(1,149)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(56,443)</b>	<b>(27,750)</b>	<b>(63,365)</b>	<b>(26,710)</b>
Cash and cash equivalents at beginning of year	268,636	296,386	263,213	289,923
<b>Cash and cash equivalents at end of year</b>	<b>212,193</b>	<b>268,636</b>	<b>199,848</b>	<b>263,213</b>