



COMPANY ANNOUNCEMENT

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

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 2010 and resolved that these financial statements be submitted for approval at the forthcoming Annual General Meeting to be held on 28 April 2011. The Board of Directors also approved the attached Preliminary Statement of annual results which 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 (Net Dividend €0.07475) per nominal €0.25 share. This will be paid on 6 May 2011 to shareholders who are on the company's register of shareholders as at 29 March 2011.

Unquote

Graham A Fairclough
Company Secretary

10 March 2011



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 information has been extracted from the Financial Statements of Lombard Bank Malta p.l.c. for the financial year ended 31 December 2010, audited by PricewaterhouseCoopers and approved by the Board of Directors on 10 March 2011. These Financial Statements were prepared in accordance with the International Financial Reporting Standards as adopted by the EU and with the requirements of the Banking Act, 1994 and the Companies Act, 1995.

The following is a review of the performance of the Lombard Bank Group which consists of Lombard Bank Malta p.l.c., Redbox Limited (the company holding shares in its subsidiary MaltaPost p.l.c.) and Lombard Asset Managers Limited.

Review of Financial Performance and Financial Position

Lombard Bank Malta p.l.c. returned a pre-tax profit of €11.94 million for the financial year ended 31 December 2010, representing an increase of 2.8 per cent over 2009. The Lombard Bank Group result was up by 7.8 per cent to €13.94 million pre-tax.

- Group Profit after Tax of €9.04 million increased by 12.1 per cent on €8.06 million in the previous year.
- Net Interest Income of €16.07 million increased by 10.1 per cent on €14.59 million in 2009.
- Postal sales and other revenues increased by 2.1 per cent to €19.81 million on €19.39 million in 2009.
- Group Operating Income of €38.79 million increased by 6.4 per cent.
- Group Earnings per share reached 23.2 cents, over 20.8 cents in 2009.
- Loans and Advances to customers at €333.73 million rose by 1.8 per cent.
- Customer Deposits at €472.70 million increased by 5.9 per cent.
- Shareholders' Funds increased by 11.5 per cent to €71.71 million.
- Total Assets under management stood at €567.80 million, up 4.6 per cent.
- Group Post Tax Return on Equity remained stable at 12.5 per cent.
- Capital Adequacy Ratio at 31 December 2010 stood at 17.9 per cent.



Commentary

Net Interest Income increased by €1.48 million to €16.07 million as a result of a drop in interest expense on customer deposit products. Net fee and commission income of €2.23 million was up 6.7 per cent mainly as a result of new business in investment services. Postal Sales and similar revenue stood at €19.81 million.

Cost-to-Income ratio of the Bank was 36.4 per cent from 35.5 per cent (2009) which remains at a very satisfactory level. Cost containment efficiencies at Group level resulted in an improved Cost-to-Income ratio of 63.2 per cent from 64.4 per cent.

An increase of €215,000 in Impairment Allowances follows a prudent assessment of the portfolio. Impairment Allowances now stand at 1.4 per cent of the total advances portfolio.

Loans and advances to customers increased to €333.73 million from €327.80 million in 2009. During the year, the Bank remained selective in its lending activity. The loan to deposit ratio at year-end stood at 70.6 per cent.

Despite intense competition the Bank increased its total customer deposits to €472.70 million.

The Board of Directors is proposing a final Gross Dividend of €0.115 per nominal €0.25 share (2009: €0.10) for approval by the General Meeting. Once approved by the Annual General Meeting, the dividend will be paid to all shareholders who are registered members on 29 March 2011.

The results for the financial year 2010 continue to highlight the strong business fundamentals of the Lombard Bank Group. The Board and Management of the Bank are satisfied that even during a period of adverse economic conditions the Bank maintained an upward trend in performance. The Board is also satisfied that the main financial objectives were achieved and remains optimistic that the Group is well placed to continue to attain sound business growth.

10 March 2011

Income Statements
For the year ended 31 December 2010

	Group		Bank	
	2010 € 000	2009 € 000	2010 € 000	2009 € 000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	23,846	25,404	23,838	25,347
- on debt and other fixed income instruments	2,507	2,746	2,267	2,553
Interest expense	(10,287)	(13,560)	(10,326)	(13,632)
Net interest income	16,066	14,590	15,779	14,268
Fee and commission income	2,292	2,157	1,390	1,220
Fee and commission expense	(63)	(67)	(63)	(66)
Net fee and commission income	2,229	2,090	1,327	1,154
Postal sales and other revenues	19,808	19,393	342	122
Dividend income	157	122	1,326	1,941
Net trading income	583	266	364	262
Net losses on disposal of non-trading financial instruments	(23)	(53)	(23)	(53)
Other operating (expenses)/income	(35)	33	35	37
Operating income	38,785	36,441	19,150	17,731
Employee compensation and benefits	(14,322)	(13,643)	(4,180)	(4,039)
Other operating costs	(9,002)	(8,758)	(2,518)	(2,025)
Depreciation and amortisation	(1,195)	(1,065)	(277)	(227)
Provisions for liabilities and other charges	(139)	(173)	(22)	(20)
Net impairment (losses)/gains	(186)	125	(215)	190
Profit before taxation	13,941	12,927	11,938	11,610
Income tax expense	(4,901)	(4,863)	(4,222)	(4,129)
Profit for the year	9,040	8,064	7,716	7,481
Attributable to:				
Equity holders of the Bank	8,332	7,377	7,716	7,481
Non-controlling interests	708	687	-	-
	9,040	8,064	7,716	7,481
Earnings per share	23c2	20c8		

**Statements of Comprehensive Income
For the year ended 31 December 2010**

Group	2010	2009
	€ 000	€ 000
Profit for the year	9,040	8,064
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Other comprehensive income		
Fair valuation of available-for-sale financial assets:		
Net changes in fair value arising during the year, before tax	423	365
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	(2)	45
Income tax relating to components of other comprehensive income	(313)	(88)
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Other comprehensive income for the year, net of income tax	108	322
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Total comprehensive income for the year, net of income tax	9,148	8,386
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Attributable to:		
Equity holders of the Bank	8,389	7,644
Non-controlling interests	759	742
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	9,148	8,386
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Bank	2010	2009
	€ 000	€ 000
Profit for the year	7,716	7,481
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Other comprehensive income		
Fair valuation of available-for-sale financial assets:		
Net changes in fair value arising during the year, before tax	271	206
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	(2)	45
Income tax relating to components of other comprehensive income	(314)	(88)
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Other comprehensive income for the year, net of income tax	(45)	163
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Total comprehensive income for the year, net of income tax	7,671	7,644
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**Statements of Financial Position
As at 31 December 2010**

	Group		Bank	
	2010 € 000	2009 € 000	2010 € 000	2009 € 000
ASSETS				
Balances with Central Bank of Malta, treasury bills and cash	109,314	116,357	108,774	115,993
Cheques in course of collection	750	811	750	811
Investments	46,332	45,025	41,101	39,357
Loans and advances to banks	44,975	22,383	43,477	18,460
Loans and advances to customers	333,731	327,802	334,012	327,956
Investment in subsidiaries	-	-	8,034	7,634
Intangible assets	1,295	1,238	3	3
Property, plant and equipment	14,740	13,878	12,299	11,654
Investment property	745	745	745	745
Assets classified as held for sale	109	109	109	109
Current tax assets	2,683	1,171	2,378	1,731
Deferred tax assets	1,585	1,993	1,084	1,551
Inventories	714	671	143	247
Trade and other receivables	7,503	6,545	385	31
Accrued income and other assets	3,324	4,113	3,247	4,622
Total assets	567,800	542,841	556,541	530,904
EQUITY AND LIABILITIES				
Equity				
Share capital	9,023	8,903	9,023	8,903
Share premium	17,746	16,409	17,746	16,409
Property revaluation reserve	2,043	2,288	2,043	2,288
Investment revaluation reserve	566	290	360	186
Other reserves	2,397	-	2,397	-
Retained earnings	39,932	36,395	38,891	35,861
Equity attributable to equity holders of the Bank	71,707	64,285	70,460	63,647
Non-controlling interests	4,336	3,917	-	-
Total equity	76,043	68,202	70,460	63,647
Liabilities				
Amounts owed to banks	149	3,675	149	3,675
Amounts owed to customers	472,697	446,209	475,085	449,436
Provisions for liabilities and other charges	2,652	2,520	636	577
Other liabilities	7,907	12,586	5,679	8,594
Accruals and deferred income	8,352	9,649	4,532	4,975
Total liabilities	491,757	474,639	486,081	467,257
Total equity and liabilities	567,800	542,841	556,541	530,904
Memorandum items				
Contingent liabilities	7,067	10,484	7,067	10,484
Commitments	82,246	98,611	82,246	98,611



**Statements of Changes in Equity
For the year ended 31 December 2010**

Group	Attributable to equity holders of the Bank							Total equity € 000
	Share capital € 000	Share premium € 000	Property revaluation reserve € 000	Investment revaluation reserve € 000	Retained earnings € 000	Total € 000	Non-controlling interests € 000	
At 1 January 2009	8,762	15,137	2,288	23	31,518	57,728	3,401	61,129
Comprehensive income								
Profit for the year	-	-	-	-	7,377	7,377	687	8,064
Other comprehensive income								
Fair valuation of available-for-sale financial assets:								
Net changes in fair value arising during the year	-	-	-	238	-	238	55	293
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	-	29	-	29	-	29
Total other comprehensive income for the year	-	-	-	267	-	267	55	322
Total comprehensive income for the year	-	-	-	267	7,377	7,644	742	8,386
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends to equity holders	-	-	-	-	(2,278)	(2,278)	(405)	(2,683)
Rights issue of ordinary shares	141	1,272	-	-	-	1,413	-	1,413
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Change in non-controlling interests in subsidiary	-	-	-	-	(222)	(222)	179	(43)
Total transactions with owners	141	1,272	-	-	(2,500)	(1,087)	(226)	(1,313)
At 31 December 2009	8,903	16,409	2,288	290	36,395	64,285	3,917	68,202



Statements of Changes in Equity (continued)
For the year ended 31 December 2010

Group	Attributable to equity holders of the Bank								
	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
Comprehensive income									
Profit for the year	-	-	-	-	-	8,332	8,332	708	9,040
Other comprehensive income									
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
Total comprehensive income for the year	-	-	(245)	276	2,397	5,961	8,389	759	9,148
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends to equity holders	-	-	-	-	-	(2,315)	(2,315)	(405)	(2,720)
Rights issue of ordinary shares	120	1,337	-	-	-	-	1,457	-	1,457
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Change in non-controlling interests in subsidiary	-	-	-	-	-	(109)	(109)	65	(44)
Total transactions with owners	120	1,337	-	-	-	(2,424)	(967)	(340)	(1,307)
At 31 December 2010	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 2010

Bank	Share capital € 000	Share premium € 000	Property revaluation reserve € 000	Investment revaluation reserve € 000	Retained earnings € 000	Total € 000
At 1 January 2009	8,762	15,137	2,288	23	30,658	56,868
Comprehensive income						
Profit for the year	-	-	-	-	7,481	7,481
Other comprehensive income						
Fair valuation of available-for-sale financial assets:						
Net changes in fair value arising during the year	-	-	-	134	-	134
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	-	29	-	29
Total other comprehensive income for the year	-	-	-	163	-	163
Total comprehensive income for the year	-	-	-	163	7,481	7,644
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends to equity holders	-	-	-	-	(2,278)	(2,278)
Rights issue of ordinary shares	141	1,272	-	-	-	1,413
Total transactions with owners	141	1,272	-	-	(2,278)	(865)
At 31 December 2009	8,903	16,409	2,288	186	35,861	63,647



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Statements of Changes in Equity (continued) For the year ended 31 December 2010

Bank	Share capital € 000	Share premium € 000	Property revaluation reserve € 000	Investment revaluation reserve € 000	Other reserves € 000	Retained earnings € 000	Total € 000
At 1 January 2010	8,903	16,409	2,288	186	-	35,861	63,647
Comprehensive income							
Profit for the year	-	-	-	-	-	7,716	7,716
Other comprehensive income							
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)
Total comprehensive income for the year	-	-	(245)	174	2,397	5,345	7,671
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	-	-	(2,315)	(2,315)
Rights issue of ordinary shares	120	1,337	-	-	-	-	1,457
Total contributions by and distributions to owners	120	1,337	-	-	-	(2,315)	(858)
At 31 December 2010	9,023	17,746	2,043	360	2,397	38,891	70,460

Statements of Cash Flows
For the year ended 31 December 2010

	Group		Bank	
	2010 € 000	2009 € 000	2010 € 000	2009 € 000
Cash flows from operating activities				
Interest and commission receipts	25,465	24,685	25,489	24,739
Receipts from customers relating to postal sales and other revenue	107,008	85,005	300	122
Interest and commission payments	(10,762)	(13,585)	(10,800)	(13,656)
Payments to employees and suppliers	(113,385)	(89,009)	(6,730)	(6,150)
Cash flows from operating profit before changes in operating assets and liabilities	8,326	7,096	8,259	5,055
<i>Decrease/(increase) in operating assets:</i>				
Treasury bills	12,608	(16,671)	12,608	(16,671)
Deposits with Central Bank of Malta	(2,039)	365	(2,039)	365
Loans and advances to banks and customers	(8,979)	(2,892)	(9,108)	(3,046)
Other receivables	(231)	1,940	(239)	1,949
<i>Increase/(decrease) in operating liabilities:</i>				
Amounts owed to banks and to customers	22,930	9,907	22,091	9,615
Other payables	(2,916)	2,123	(2,916)	2,123
Net cash from/(used in) operations	29,699	1,868	28,656	(610)
Income tax paid	(6,268)	(5,892)	(4,254)	(4,294)
Net cash from/(used in) operating activities	23,431	(4,024)	24,402	(4,904)
Cash flows from investing activities				
Dividends received	157	122	157	122
Interest received from investments	3,074	4,867	2,742	4,524
Proceeds on maturity/disposal of investments	5,954	8,632	6,263	8,625
Purchase of investments	(3,642)	(1,779)	(3,447)	(784)
Purchase of property, plant and equipment	(1,681)	(1,892)	(921)	(1,331)
Acquisition of non-controlling interests	(133)	(156)	-	-
Net cash flows from investing activities	3,729	9,794	4,794	11,156
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	(858)	(865)	(858)	(865)
Dividends paid to non-controlling interests	(213)	(249)	-	-
Cash used in financing activities	(1,071)	(1,114)	(858)	(865)
Net increase in cash and cash equivalents	26,089	4,656	28,338	5,387
Cash and cash equivalents at beginning of year	69,426	64,770	65,139	59,752
Cash and cash equivalents at end of year	95,515	69,426	93,477	65,139