



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 2013 and resolved that these financial statements be submitted for approval at the forthcoming Annual General Meeting to be held on 24 April 2014. 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 4 cents per share (net dividend of 2.6 cents per share) with a nominal value of 25 cents per share. This will be paid on 30 April 2014 to shareholders who are on the Company's Register of Shareholders as at 25 March 2014 (the 'Record Date'), the last trading date being 20 March 2014.
2. Approves a bonus share issue of one (1) share for every twenty (20) shares held which will be allotted on the 28 May 2014 to shareholders on the Company's Register of Shareholders as at close of business on 27 May 2014, the last trading date being 22 May 2014. The bonus issue will be funded by a capitalisation of reserves amounting to €0.5 million.

Unquote

Dr. Helena Said LL.D
Company Secretary

14 March 2014



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14 March 2014

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 2013, audited by PricewaterhouseCoopers and approved by the Board of Directors on 14 March 2014. 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 (“the Group”), which consists of Lombard Bank Malta p.l.c. (“the Bank”), and Redbox Limited (via which shares in MaltaPost p.l.c. (“MaltaPost”) are held).

Review of Financial Performance and Commentary

- A strong Capital Adequacy Ratio of 19% (core Tier 1 ratio: 17.4%) compared to 18.5% (core Tier 1 ratio: 17.3%) at December 2012.
- Profit before tax of €7.03 million for the year ended 31 December 2013 was €2.41 million (25.5%) lower compared to €9.44 million in 2012.
- Profit after tax of €4.09 million attributable to shareholders was €1.63 million (28.4%) lower compared to €5.72 million in 2012.
- An improved cost efficiency ratio of 70.7% (Bank: 42.3%) from 72.0% (Bank: 43.9%) in 2012.
- Net loans and advances to customers were €314.77 million (€319.86 million in 2012).
- Customer accounts stood at €493.90 million, or €31.79 million (6.9%) above the prior year.
- Post tax Return on Equity for 2013 was 5.2%, compared to 7.4% in 2012.



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Preliminary Profit Statement *(continued)*

The Bank turned in a satisfactory performance for the year ended 31 December 2013 notwithstanding the challenging operating environment which prevailed.

Increased competition for customer deposits, a low-interest rate setting and subdued demand for credit all contributed towards pressure on interest rate margins. Moreover, the Bank continued to absorb the impact of an increasingly stringent regulatory regime. Against this backdrop the Bank registered a profit before tax of €6.39 million, down 25.4% over the previous year. The decline was mainly due to the application of cautious provisioning criteria that resulted in higher amounts set aside in respect of credit facilities.

Results for the Group also include a slightly lower contribution from MaltaPost which experienced a €0.11 million (5.4%) decrease in profits before tax.

Net interest income at €15.07 million was up €1.27 million (9.2%) over 2012, reflecting also judicious treasury management. Net fees and commission income remained marginally unchanged at €2.33 million.

Employee compensation and benefits at €15.43 million increased by €0.67 million (4.5%) reflecting the costs associated with maintaining a well-trained and motivated human resource complement. Other operating costs were well contained and showed a decrease of €0.20 million (1.9%) to €10.40 million. Inter-group efficiencies counterbalanced the increased cost of compliance with regulatory requirements as well as new investment in technology. The cost efficiency ratio, including the highly human resource intensive processes at MaltaPost, improved to 70.7% from 72.0%.

Total impairment allowances were increased by €4.18 million, mainly reflecting the prudential management of exposures that the Bank had to certain credit facilities that were considered to require a longer period to reach a positive conclusion. Overall, a high percentage of facilities are solidly secured.

Net loans and advances to customers at €314.77 million were €5.09 million (1.6%) lower than in 2012. The Bank continued to be closely involved in property project finance even though demand in this sector was subdued during 2013 and tighter regulatory constraints placed further pressure on the Bank's objectives.



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Preliminary Profit Statement *(continued)*

Customer accounts at €493.90 million increased by €31.79 million (6.9%) over 2012.

Given that the financial markets remain unsettled, when determining the placement of funds the Bank's main objective is capital protection. Furthermore, no exposures are held to any non-Maltese sovereign or corporate securities.

The Advances-to-deposits ratio of 63.7% (2012: 69.2%) continues to emphasise the strong liquidity ratio of 87.4% (2012: 73.1%).

The Bank's Capital Adequacy Ratio stood at 19% at year-end, which was well above the required level of 8%. The Core Tier 1 capital ratio stood at 17.4%, providing a strong base to meet the capital requirements under the Basel III framework.

Net Asset Value (NAV) per share stood at €2.00. Earnings per Share (EPS) decreased by 5.1 cents to 10.7 cents. Return on Assets (ROA) was also down from 1.1% to 0.7%, reflecting the record low market rates and the Bank's prudent placement policy.

The revised Banking Rule 09 (BR09) became effective on 31 December 2013 partly in response to the Country Specific Recommendations of the European Commission with respect to Malta, which required an improvement in local banks' coverage ratios and increases in provisioning. Under the Rule, the Bank is required to transfer part of its 2013 profits to a Reserve for General Banking Risks. This appropriation from planned dividends was calculated as a percentage of credit facilities termed "non-performing loans". In line with the three-year transition period allowed by the Rule, the Bank has set aside €1.05 million in 2013 (40% of the currently required reserve). The remaining €1.57 million will be set-aside in two equal amounts over the following two years. As a consequence, lower levels of profit distribution to shareholders may have to be made in the next two years.



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Preliminary Profit Statement *(continued)*

This was another year when the Group continued to be resilient in providing reasonable returns to its shareholders despite strong headwinds. So as to meet these challenges we will continue to explore new avenues for growth compatible with our commitment to good corporate governance and judicious risk management. The Bank intends to build on its proven record as an independent credit institution whose policy and business strategy are fully geared to its customer base and to local market conditions and requirements.

The Board is recommending for the approval of the Annual General Meeting a final gross dividend of 4 cents per share (2.6 cents net of tax). This will be paid on 30 April 2014 to shareholders who are on the Bank's register of shareholders at 25 March 2014. The Board is also recommending a bonus issue of one share for every twenty shares held by shareholders on the Bank's share register as at close of business on the 27 May 2014 by a capitalisation of reserves amounting to €0.5million, increasing the share capital to €10.4million.



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Income Statements For the year ended 31 December 2013

	Group		Bank	
	2013 €000	2012 €000	2013 €000	2012 €000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	22,912	23,195	22,852	23,183
- on debt and other fixed income instruments	1,261	648	1,103	485
Interest expense	(9,106)	(10,040)	(9,118)	(9,908)
Net interest income	15,067	13,803	14,837	13,760
Fee and commission income	2,421	2,468	1,473	1,471
Fee and commission expense	(95)	(87)	(95)	(87)
Net fee and commission income	2,326	2,381	1,378	1,384
Postal sales and other revenues	20,603	20,038	9	20
Dividend income	185	159	1,488	1,466
Net trading income	281	536	291	220
Net gains on disposal of non-trading financial instruments	-	23	-	1
Other operating income	109	144	178	144
Operating income	38,571	37,084	18,181	16,995
Employee compensation and benefits	(15,431)	(14,765)	(4,632)	(4,445)
Other operating costs	(10,402)	(10,602)	(2,595)	(2,600)
Depreciation and amortisation	(1,420)	(1,335)	(464)	(417)
Provisions for liabilities and other charges	(105)	40	-	-
Net impairment losses	(4,181)	(985)	(4,103)	(971)
Profit before taxation	7,032	9,437	6,387	8,562
Income tax expense	(2,550)	(3,289)	(2,276)	(3,012)
Profit for the year	4,482	6,148	4,111	5,550
Attributable to:				
Equity holders of the Bank	4,094	5,719	4,111	5,550
Non-controlling interests	388	429	-	-
Profit for the year	4,482	6,148	4,111	5,550
Earnings per share	10c7	15c8		



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Statements of Comprehensive Income For the year ended 31 December 2013

Group	2013 € 000	2012 € 000
Profit for the year	4,482	6,148
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	1,033	(399)
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	(9)	(9)
Income tax relating to components of other comprehensive income	(345)	142
Other comprehensive income for the year, net of income tax	679	(266)
Total comprehensive income for the year, net of income tax	5,161	5,882
Attributable to:		
Equity holders of the Bank	4,761	5,454
Non-controlling interests	400	428
Total comprehensive income for the year, net of income tax	5,161	5,882
Bank		
Profit for the year	4,111	5,550
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	996	(404)
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	(10)	(1)
Income tax relating to components of other comprehensive income	(345)	142
Other comprehensive income for the year, net of income tax	641	(263)
Total comprehensive income for the year, net of income tax	4,752	5,287



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Statements of Financial Position As at 31 December 2013

	Group		Bank	
	2013 €000	2012 €000	2013 €000	2012 €000
Assets				
Balances with Central Bank of Malta, treasury bills and cash	134,596	133,641	134,283	133,200
Cheques in course of collection	739	1,063	739	1,063
Investments	43,554	32,669	40,491	29,871
Loans and advances to banks	73,193	46,911	68,116	39,379
Loans and advances to customers	314,773	319,864	315,405	320,221
Investment in subsidiaries	-	-	10,237	9,352
Intangible assets	1,466	1,548	214	227
Property, plant and equipment	23,229	22,915	13,304	13,172
Investment property	745	745	745	745
Assets classified as held for sale	417	584	417	584
Current tax assets	1,907	1,454	1,397	654
Deferred tax assets	4,016	2,998	3,622	2,610
Inventories	862	810	260	175
Trade and other receivables	6,085	5,474	2,045	1,941
Accrued income and other assets	4,259	4,568	3,061	3,120
Total assets	609,841	575,244	594,336	556,314



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Statements of Financial Position (continued) As at 31 December 2013

	Group		Bank	
	2013 €000	2012 €000	2013 €000	2012 €000
EQUITY AND LIABILITIES				
Equity				
Share capital	9,925	9,023	9,925	9,023
Share premium	17,746	17,746	17,746	17,746
Revaluation and other reserves	6,231	4,463	6,087	4,342
Retained earnings	45,372	46,307	44,025	44,735
Equity attributable to equity holders of the Bank	79,274	77,539	77,783	75,846
Non-controlling interests	5,127	5,027	-	-
Total equity	84,401	82,566	77,783	75,846
Liabilities				
Amounts owed to banks	2,563	3,256	2,563	3,256
Amounts owed to customers	493,901	462,116	498,724	463,276
Provisions for liabilities and other charges	2,284	2,264	642	666
Other liabilities	16,995	14,800	9,654	8,307
Accruals and deferred income	9,697	10,242	4,970	4,963
Total liabilities	525,440	492,678	516,553	480,468
Total equity and liabilities	609,841	575,244	594,336	556,314
Memorandum items				
Contingent liabilities	4,780	4,916	4,780	4,916
Commitments	64,214	81,232	64,214	81,232

The financial statements were approved and authorised for issue by the Board of Directors on 14 March 2014 and signed on its behalf by:

Michael C Bonello, *Chairman*

Joseph Said, *Chief Executive Officer*



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Statements of Changes in Equity For the year ended 31 December 2013

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
Comprehensive income							
Profit for the year	-	-	-	5,719	5,719	429	6,148
Other comprehensive income							
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)
Total comprehensive income for the year	-	-	(100)	5,554	5,454	428	5,882
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	(2,698)	(2,698)	(417)	(3,115)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Change in non-controlling interests in subsidiary	-	-	-	(102)	(102)	242	140
Total transactions with owners	-	-	-	(2,800)	(2,800)	(175)	(2,975)
At 31 December 2012	9,023	17,746	4,463	46,307	77,539	5,027	82,566



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Statements of Changes in Equity (continued) For the year ended 31 December 2013

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 2013	9,023	17,746	4,463	46,307	77,539	5,027	82,566
Comprehensive income							
Profit for the year	-	-	-	4,094	4,094	388	4,482
Other comprehensive income							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the year	-	-	673	-	673	12	685
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(6)	-	(6)	-	(6)
Transfers and other movements	-	-	1,104	(1,104)	-	-	-
Total other comprehensive income for the year	-	-	1,771	(1,104)	667	12	679
Total comprehensive income for the year	-	-	1,771	2,990	4,761	400	5,161
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Bonus shares issued	902	-	-	(902)	-	-	-
Dividends to equity holders	-	-	-	(2,815)	(2,815)	(422)	(3,237)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Change in non-controlling interests in subsidiary	-	-	(3)	(208)	(211)	122	(89)
Total transactions with owners	902	-	(3)	(3,925)	(3,026)	(300)	(3,326)
At 31 December 2013	9,925	17,746	6,231	45,372	79,274	5,127	84,401



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Statements of Changes in Equity (continued) For the year ended 31 December 2013

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
Comprehensive income					
Profit for the year	-	-	-	5,550	5,550
Other comprehensive income					
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)
Total comprehensive income for the year	-	-	(98)	5,385	5,287
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends to equity holders	-	-	-	(2,698)	(2,698)
Total transactions with owners	-	-	-	(2,698)	(2,698)
At 31 December 2012	9,023	17,746	4,342	44,735	75,846



Statements of Changes in Equity (continued)
For the year ended 31 December 2013

Bank	Share capital €000	Share premium €000	Revaluation and other reserves €000	Retained earnings €000	Total €000
At 1 January 2013	9,023	17,746	4,342	44,735	75,846
Comprehensive income					
Profit for the year	-	-	-	4,111	4,111
Other comprehensive income					
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the year	-	-	646	-	646
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	(5)	-	(5)
Transfers and other movements	-	-	1,104	(1,104)	-
Total other comprehensive income for the year	-	-	1,745	(1,104)	641
Total comprehensive income for the year	-	-	1,745	3,007	4,752
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Bonus shares issued	902	-	-	(902)	-
Dividends to equity holders	-	-	-	(2,815)	(2,815)
Total transaction with owners	902	-	-	(3,717)	(2,815)
At 31 December 2013	9,925	17,746	6,087	44,025	77,783



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Statements of Cash Flows For the year ended 31 December 2013

	Group		Bank	
	2013 € 000	2012 € 000	2013 € 000	2012
Cash flows from operating activities				
Interest and commission receipts	23,977	23,694	24,073	23,697
Receipts from customers relating to postal sales and other revenue	22,030	28,004	9	20
Interest and commission payments	(9,275)	(10,486)	(9,289)	(10,354)
Payments to employees and suppliers	(26,284)	(23,832)	(7,159)	(7,051)
Cash flows from operating profit before changes in operating assets and liabilities	10,448	17,380	7,634	6,312
<i>Decrease/(increase) in operating assets:</i>				
Treasury bills	(6,201)	20,698	(6,201)	20,698
Deposits with Central Bank of Malta	315	3,014	315	3,014
Loans and advances to banks and customers	4,013	(13,438)	738	(10,398)
Other receivables	374	(1,864)	302	(1,864)
<i>(Decrease)/increase in operating liabilities:</i>				
Amounts owed to banks and to customers	31,658	(4,512)	35,322	(791)
Other payables	1,275	4,147	1,347	4,147
Net cash from operations	41,882	25,425	39,457	21,118
Income tax paid	(4,367)	(4,266)	(3,958)	(3,276)
Net cash flows from operating activities	37,515	21,159	35,499	17,842
Cash flows from investing activities				
Dividends received	186	159	186	159
Interest received from investments	2,314	2,123	2,085	1,933
Purchase of investments	(11,323)	(17,952)	(10,683)	(17,952)
Proceeds on maturity/disposal of investments	1,227	1,040	816	69
Purchase of property, plant and equipment	(1,684)	(2,653)	(586)	(1,068)
Acquisition of non-controlling interests	(270)	-	-	-
Net cash flows used in investing activities	(9,550)	(17,283)	(8,182)	(16,859)
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	(2,815)	(2,698)	(2,815)	(2,698)
Dividends paid to non-controlling interests	(236)	(275)	-	-
Net cash flows used in financing activities	(3,051)	(2,973)	(2,815)	(2,698)
Net increase/(decrease) in cash and cash equivalents	24,914	903	24,502	(1,715)
Cash and cash equivalents at beginning of year	123,432	122,529	118,453	120,168
Cash and cash equivalents at end of year	148,346	123,432	142,955	118,453