



Chairman's Statement to the Members

I am pleased to report that during 2025 both members of the Lombard Bank Group, Lombard Bank Malta p.l.c ('the Bank') and MaltaPost p.l.c. registered an encouraging financial performance in the context of a challenging market environment. The Group's pre-tax profit amounted to €23.8 million compared with €19.4 million the previous year, an increase of 22.7%.

The Bank's total operating income continued on its upward trend, growing at a faster pace by 9.4% compared to 8.3% in 2024. As in previous years, the single largest contributing factor were the Bank's lending operations, which responded to sustained credit demand to reach €929.1 million, generating a record €33 million in the process even though average interest rates on loans were largely unchanged. Our corporate shareholdings also gave a strong boost to the bottom line in the form of dividends, which however included a one-time inflow reflecting the sale of a property by an associate company. Net fees and commissions and the Bank's money market operations were again other important sources of income.

Interest paid out on deposits meanwhile amounted to €13.7 million and rose faster than interest earned on lending such that net interest income was slightly less than in 2024. The increase in this expense item is explained by a pronounced customer preference for longer-term deposits with tenors beyond two years. This deposit category attracted a further €92.4 million, taking its share in the Bank's total deposits of €1.2 billion to 32.9% from 27.3% in 2024. These longer-term deposits carry higher interest rates and are therefore more costly for the Bank but are less volatile and so represent a more stable source of funds. From a risk perspective the Board considers that offering this option to depositors contributes to the Bank's long-term financial sustainability.

These opposing movements in receipts and payments resulted in an increase in total operating income of €3.4 million to an all-time high of €39 million.

As for expenditures, the Bank's administrative costs absorbed 52.4% of this income, a smaller proportion than in the previous year and the lowest in five years. Employee compensation and benefits were again the largest single cost item, accounting for almost half of total outlays. While the average staff complement was unchanged over the year, the retention of qualified employees in a competitive labour market inevitably gives rise to a higher expense. Regulatory compliance and the maintenance and upgrading of information systems also entailed significant costs.



The outcome of these income and expenditure movements was an 18.4% increase in profits before tax to €19.1 million. This resulted in further growth in the Bank's total equity to €215.2 million, making for a ratio of equity to total assets of 14.7%. In consideration of this positive performance, the Board is proposing to recommend a gross dividend of 3.42 cent per share.

It is important to note that the 2025 profit was realised simultaneously with continued observance of the Bank's prudent risk management culture, compliance with a growing burden of regulatory obligations and the maintenance of strong fundamentals. Evidence of the latter are the Total Capital Ratio and the Liquidity Coverage Ratio which, at 19.9% and 380.5%, respectively were both above the minimum regulatory requirements. The Leverage Ratio, another important risk indicator, meanwhile was more than four times the required minimum at 13.4%. Other aspects of the Bank's low-risk business model were the ratio of advances to deposits which, at 79.6% at year end, remained within the Bank's risk appetite, and the further progress made in the planned process of credit diversification such that retail lending, mainly home loans, now accounts for 34% of the total.

During the past year the Bank's subsidiary, MaltaPost p.l.c., also achieved an encouraging result, recording a pre-tax profit of €6.4 million compared with €4.7 million in 2024. The increased profitability largely reflects operational efficiencies and strategic investments in logistics and e-commerce services. While traditional mail volumes continued to decline, the company experienced strong growth in parcel volumes, driven primarily by a surge in e-commerce activity. Significant progress was also made in digital transformation initiatives, including the deployment of AI tools to eliminate repetitive tasks. Investment in the life and general insurance business continued apace in line with MaltaPost's commitment to expand its presence in the financial services sector. At the same time, the company invested further in green technologies, including through additions to its fleet of electric delivery vehicles. Looking ahead, MaltaPost is well positioned to deliver sustainable growth, enhanced service delivery and continued digital and operational transformation.

The Bank's results I highlighted earlier were consistent with the strategic objectives the Board had set for 2025 and marked the successful implementation of the three-year business plan which came to an end in that year. During this period the Bank continued to perform its primary function of financial intermediation, transforming customer deposits into loans in support of economic activity across an increasingly diversified range of sectors. This objective was achieved concurrently with further investments in



advanced technologies and operational systems, in our network of eleven branches – soon to become thirteen - and in human resources, while at the same time producing a growing balance sheet, which now stands at €1.5 billion, and satisfactory returns to shareholders.

In the light of this positive track record, the Strategy and Business Plan 2026 – 2029 recently approved by the Board reaffirms the validity of the Bank's business model and therefore focuses on consolidation and sustainable growth. The former is designed to leverage our time-tested prudent approach to the business of banking, strong ongoing financial performance and a trusted brand in order to ensure continuity, resilience and long-term value creation. Our growth agenda is centred on exploiting market opportunities to sustain profitability and delivering on our core strategic priorities, namely operational efficiency, enhanced customer engagement in the context of rapidly changing expectations and investing in digital capabilities so as to reinforce the Bank's competitive advantage. Details of the initiatives and projects forming part of this agenda, some of which are under way, feature in the Chief Executive Officer's Review.

You will recall that on this occasion last year I referred to announcements by the ECB and the EC of the imminent introduction of a significant easing of regulation and also to a proposal by the national regulator whereby supervision of less complex banks in the EU would be scaled according to each bank's size and risk profile, as opposed to a one-size-fits-all approach. Though we have not become aware of any developments in this regard since then, we remain hopeful that this new thinking will soon be translated into meaningful action.

On that same occasion I had also referred to the long-outstanding matter of the disposal by the National Development and Social Fund ('NDSF') of its 49.01% qualifying shareholding in the Bank, a commitment that had been made publicly in 2018. Despite our relentless efforts to bring this matter to a conclusion acceptable to both sides, I have to report that this commitment has still not been honoured. We reaffirm our belief that disposal of these shares would provide needed clarity to prospective investors and would be in the best interest of all our stakeholders. We are therefore resolved to continue pursuing this objective with the same level of commitment.

Despite these uncertainties, the Board believes that the Bank is well placed to face the future with confidence. We shall continue to promote sustainable growth, confident that the strategy I have outlined today is well suited to the changing characteristics of the financial market and the expectations of our shareholders, customers and staff. This



cautious optimism is also justified by the positive outlook for the domestic economy, even though geo-political events abroad could give rise to unexpected challenges.

In conclusion, on behalf of the Board I would like to express my appreciation to the Bank's staff and management team, ably led by the Chief Executive Officer Joseph Said, for their invaluable contribution to the achievement of the past year's results and for enhancing the reputation of the Lombard brand. I would also like to thank my fellow directors and all our stakeholders for their loyalty and support.

Michael C Bonello
Chairman

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