



LOMBARD

COMPANY ANNOUNCEMENT

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

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 2011 and resolved that these financial statements be submitted for approval at the forthcoming Annual General Meeting to be held on 24 April 2012. 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 ordinary gross dividend of €0.115 per share (net dividend of €0.07475 per share) with a nominal amount €0.25 per share. This will be paid on 27 April 2012 to shareholders who are on the company's register of shareholders as at 24 March 2012 (the "Record Date"), the last trading date being 20 March 2012.

Unquote

Graham A Fairclough
Company Secretary

15 March 2012



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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 statements have been extracted from the Annual Report of Lombard Bank Malta p.l.c. for the financial year ended 31 December 2011, audited by PricewaterhouseCoopers and approved by the Board of Directors on 15 March 2012. 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 which consists of Lombard Bank Malta p.l.c. and Redbox Limited (via which company shares in MaltaPost p.l.c. are held).

Review of Financial Performance and Commentary

In 2011 the Group registered a profit after tax of €7.23 million (decline of 20%) and on a Bank level a profit after tax of €6.01 million (decline of 22%). The profit for the year represents a return on shareholders' funds of 9%.

In view of the overall sentiment Loans and Advances to Customers declined by 7% to €310.35 million while Customer Deposits remained virtually unchanged. The pressure on interest rate margins also accounts for a decline in net interest income of 11.7% to €14.18 million.

The ongoing Eurozone sovereign debt crisis further escalated in the financial year under review and is likely to prevail for some time to come. Although it appears that the EU summit and the ECB decisions of December 2011 have helped to reverse the spread of contagion and to restore to a degree consumer and business confidence, the overall risks remain considerable.

The long-term business strategy of Lombard Bank Malta p.l.c. has always focused on ensuring healthy fundamentals and this has substantially helped the Bank to remain on sound footing. Lombard Bank's Capital Adequacy ratio of 19.8% stands well above the required level of 8%. The Loan to Deposit ratio at 67% (2010: 70%) indicates a satisfactorily high level of liquidity. Understandably both elements (strong capital adequacy ratio and strong liquidity ratio) do come at a price, especially when interest rates stand as low as they are at present. This then results in reduced margins and lower profits.

In the light of the prevailing climate the Bank's prudence in its approach to lending seems to be well justified. This is also the reason for having increased provisions in respect of loans and advances.



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Lombard Bank holds no exposure to any form of non-Maltese sovereign or corporate securities and will continue to implement its policy of a prudent and cautious approach to treasury management even though such a policy may result in lower interest revenue. The Bank prefers to protect its capital at the cost of lower interest earnings.

MaltaPost contributed to the overall performance of the Group, though profit before tax decreased by 4.8% for the financial year ended 30 September 2011.

The Board of Directors is proposing a final Gross Dividend of €0.115 per nominal €0.25 share - the same level as for 2010.

The Board and the Management of the Bank consider that the Lombard Bank Group has met the prevailing substantial challenges well and this in spite of continued pressure on interest margins and an unstable financial market.

The Bank operates in this environment with strong fundamentals, a loyal customer base and dedicated staff and therefore remains well placed to face future challenges with confidence and determination.



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Statements of Financial Position As at 31 December

	Group		Bank	
	2011	2010	2011	2010
	€ 000	€ 000	€ 000	€ 000
Assets				
Balances with Central Bank of Malta, treasury bills and cash	164,175	109,314	163,445	108,774
Cheques in course of collection	456	750	456	750
Derivative financial instruments	-	-	179	-
Investments	16,328	46,332	12,565	41,101
Loans and advances to banks	35,570	44,975	33,983	43,477
Loans and advances to customers	310,354	333,731	310,752	334,012
Investment in subsidiaries	-	-	8,502	8,034
Intangible assets	1,518	1,295	244	3
Property, plant and equipment	21,373	14,740	12,504	12,299
Investment property	745	745	745	745
Assets classified as held for sale	111	109	111	109
Current tax assets	760	2,683	220	2,378
Deferred tax assets	2,572	1,585	2,181	1,084
Inventories	784	714	246	143
Trade and other receivables	8,361	7,503	906	385
Accrued income and other assets	4,847	3,324	3,100	3,247
Total assets	567,954	567,800	550,139	556,541



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Statements of Financial Position (continued) As at 31 December

	Group		Bank	
	2011 € 000	2010 € 000	2011 € 000	2010 € 000
EQUITY AND LIABILITIES				
Equity				
Share capital	9,023	9,023	9,023	9,023
Share premium	17,746	17,746	17,746	17,746
Property revaluation reserve	2,043	2,043	2,043	2,043
Investment revaluation reserve	(36)	566	(159)	360
Other reserves	2,556	2,397	2,556	2,397
Retained earnings	43,553	39,932	42,048	38,891
Equity attributable to equity holders of the Bank	74,885	71,707	73,257	70,460
Non-controlling interests	4,774	4,336	-	-
Total equity	79,659	76,043	73,257	70,460
Liabilities				
Derivative financial instruments	9	-	9	-
Amounts owed to banks	6,942	149	2,985	149
Amounts owed to customers	462,322	472,697	463,761	475,085
Provisions for liabilities and other charges	2,426	2,652	676	636
Other liabilities	6,245	7,907	4,149	5,679
Accruals and deferred income	10,351	8,352	5,302	4,532
Total liabilities	488,295	491,757	476,882	486,081
Total equity and liabilities	567,954	567,800	550,139	556,541
Memorandum items				
Contingent liabilities	6,314	7,067	6,314	7,067
Commitments	79,470	82,246	79,470	82,246



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Income Statements For the year ended 31 December

	Group		Bank	
	2011 € 000	2010 € 000	2011 € 000	2010 € 000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	23,464	23,846	23,452	23,838
- on debt and other fixed income instruments	1,453	2,507	1,252	2,267
Interest expense	(10,734)	(10,287)	(10,739)	(10,326)
Net interest income	14,183	16,066	13,965	15,779
Fee and commission income	2,068	2,292	1,113	1,390
Fee and commission expense	(76)	(63)	(74)	(63)
Net fee and commission income	1,992	2,229	1,039	1,327
Postal sales and other revenues	20,394	19,808	8	342
Dividend income	136	157	1,243	1,326
Net trading income	305	583	556	364
Net gains/(losses) on disposal of non-trading financial instruments	2,004	(23)	1,707	(23)
Other operating income/(expenses)	37	(35)	101	35
Operating income	39,051	38,785	18,619	19,150
Employee compensation and benefits	(14,475)	(14,322)	(4,457)	(4,180)
Other operating costs	(9,664)	(9,002)	(2,229)	(2,518)
Depreciation and amortisation	(1,313)	(1,195)	(398)	(277)
Provisions for liabilities and other charges	(43)	(139)	(23)	(22)
Net impairment losses	(2,231)	(186)	(2,231)	(215)
Profit before taxation	11,325	13,941	9,281	11,938
Income tax expense	(4,098)	(4,901)	(3,272)	(4,222)
Profit for the year	7,227	9,040	6,009	7,716
Attributable to:				
Equity holders of the Bank	6,593	8,332	6,009	7,716
Non-controlling interests	634	708	-	-
Profit for the year	7,227	9,040	6,009	7,716
Earnings per share	18c3	23c2		



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

Group	2011	2010
	€ 000	€ 000
Profit for the year	7,227	9,040
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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	(21)	423
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	(900)	(2)
Income tax relating to components of other comprehensive income	284	(313)
Other comprehensive income for the year, net of income tax	(637)	108
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Total comprehensive income for the year, net of income tax	6,590	9,148
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Attributable to:		
Equity holders of the Bank	5,996	8,389
Non-controlling interests	594	759
Total comprehensive income for the year, net of income tax	6,590	9,148
<hr/>		
Bank		
Profit for the year	6,009	7,716
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Other comprehensive income, net of income tax		
Fair valuation of available-for-sale financial assets:		
Net changes in fair value arising during the year, before tax	79	271
Reclassification adjustments - net amounts reclassified to profit or loss, before tax	(877)	(2)
Income tax relating to components of other comprehensive income	284	(314)
Other comprehensive income for the year, net of income tax	(514)	(45)
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Total comprehensive income for the year, net of income tax	5,495	7,671
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Statements of Changes in Equity For the year ended 31 December

Attributable to equity holders of the Bank

Group	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

Attributable to equity holders of the Bank

Group	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 2011	9,023	17,746	2,043	566	2,397	39,932	71,707	4,336	76,043
Comprehensive income									
Profit for the year	-	-	-	-	-	6,593	6,593	634	7,227
Other comprehensive income									
Fair valuation of available-for-sale financial assets:									
Net changes in fair value arising during the year	-	-	-	(10)	-	-	(10)	(40)	(50)
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	-	(592)	-	-	(592)	-	(592)
Transfers and other movements	-	-	-	-	159	(154)	5	-	5
Total other comprehensive income for the year	-	-	-	(602)	159	(154)	(597)	(40)	(637)
Total comprehensive income for the year	-	-	-	(602)	159	6,439	5,996	594	6,590
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Dividends to equity holders	-	-	-	-	-	(2,698)	(2,698)	(410)	(3,108)
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Change in non-controlling interests in subsidiary	-	-	-	-	-	(120)	(120)	254	134
Total transactions with owners	-	-	-	-	-	(2,818)	(2,818)	(156)	(2,974)
At 31 December 2011	9,023	17,746	2,043	(36)	2,556	43,553	74,885	4,774	79,659



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

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 transactions with 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 Changes in Equity (continued)
For the year ended 31 December

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 2011	9,023	17,746	2,043	360	2,397	38,891	70,460
Comprehensive income							
Profit for the year	-	-	-	-	-	6,009	6,009
Other comprehensive income							
Fair valuation of available-for-sale financial assets:							
Net changes in fair value arising during the year	-	-	-	50	-	-	50
Reclassification adjustments - net amounts reclassified to profit or loss	-	-	-	(569)	-	-	(569)
Transfers and other movements	-	-	-	-	159	(154)	5
Total other comprehensive income for the year	-	-	-	(519)	159	(154)	(514)
Total comprehensive income for the year	-	-	-	(519)	159	5,855	5,495
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 2011	9,023	17,746	2,043	(159)	2,556	42,048	73,257



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Statements of Cash Flows For the year ended 31 December

	Group		Bank	
	2011 € 000	2010 €000	2011 € 000	2010 € 000
Cash flows from operating activities				
Interest and commission receipts	24,097	25,465	24,167	25,489
Receipts from customers relating to postal sales and other revenue	104,867	107,008	9	300
Interest and commission payments	(9,940)	(10,762)	(9,946)	(10,800)
Payments to employees and suppliers	(108,754)	(113,385)	(6,842)	(6,730)
Cash flows from operating profit before changes in operating assets and liabilities	10,270	8,326	7,388	8,259
<i>Decrease/(increase) in operating assets:</i>				
Treasury bills	(17,074)	12,608	(17,074)	12,608
Deposits with Central Bank of Malta	996	(2,039)	996	(2,039)
Loans and advances to banks and customers	21,008	(8,979)	20,891	(9,108)
Other receivables	(513)	(231)	(512)	(239)
<i>Increase/(decrease) in operating liabilities:</i>				
Amounts owed to banks and to customers	(5,942)	22,930	(10,892)	22,091
Other payables	(1,520)	(2,916)	(1,520)	(2,916)
Net cash from/(used in) operations	7,225	29,699	(723)	28,656
Income tax paid	(2,880)	(6,268)	(1,636)	(4,254)
Net cash from/(used in) operating activities	4,345	23,431	(2,359)	24,402
Cash flows from investing activities				
Dividends received	136	157	136	157
Interest received from investments	2,975	3,074	2,676	2,742
Proceeds on maturity/disposal of investments	31,025	5,954	29,664	6,263
Purchase of investments	-	(3,642)	-	(3,447)
Purchase of property, plant and equipment	(8,495)	(1,681)	(844)	(921)
Acquisition of non-controlling interests	(72)	(133)	-	-
Proceeds from liquidation of subsidiary	-	-	116	-
Net cash flows from investing activities	25,569	3,729	31,748	4,794
Cash flows from financing activities				
Dividends paid to equity holders of the Bank	(2,698)	(858)	(2,698)	(858)
Dividends paid to non-controlling interests	(202)	(213)	-	-
Cash used in financing activities	(2,900)	(1,071)	(2,698)	(858)
Net increase in cash and cash equivalents	27,014	26,089	26,691	28,338
Cash and cash equivalents at beginning of year	95,515	69,426	93,477	65,139
Cash and cash equivalents at end of year	122,529	95,515	120,168	93,477