



2018 Financial Results

25th April 2019

To our Shareholders:

In 2018 LOM continued to grow our client base and assets, and expand our footprint. Our assets under administration (AUA) rose from \$875 million at the beginning of the year to \$954 million by the end of 2018. Since the end of the year, asset growth has continued and now stands at \$1.02 billion. We are continuing our focus on winning new clients and recruiting top level financial advisors and private bankers. We are pleased to report that our Bahamas office has seen a strong upswing in onboarding new clients and assets, and expect that trend to continue through 2019. Growth in our new Cayman office has been slower than we initially anticipated, although we remain optimistic on its long-term potential. As such, we are planning to add another Chartered Financial Analyst to our asset management team and place them, along with more staff in our Cayman office.

The LOM Group has recruited a new global human resources manager, based in our UK office. We are also in the process of adding an additional financial advisor and a settlements staff member in the Bermuda office. These new staff costs will impact earnings in the coming year. We additionally plan to make some investments in our facilities in Bermuda, and will continue to invest in technology across the group.

2018 saw our brokerage fees rise strongly. Unfortunately, our brokerage activity is somewhat beyond our control and highly volatile. As a result, we may experience a decline in the coming year in these revenues, as activity can fall off dramatically when markets become volatile or fall substantially.

I am please to report that our asset management area continues to grow and win new customers. Our performance continues to be best in class and we will be looking to increase our number of professionals in this division over the upcoming quarters.

The Financial Market Environment

Last year we predicted a more difficult year ahead and that is what happened. 2018 saw the return of volatility as the US escalated global trade tensions, US interest rates rose and concerns over the UK exit from the EU cast a cloud over business confidence, both in the UK and continental Europe. In the US, as measured by the S&P 500 index, the market struggled to show a gain of 9% in the first 9 months then experienced a rapid, almost 14% sell off in the last quarter, to end the year down 6.2%. The UK market as measured by the FTSE100 fell 9.3% as investors struggled with the various potential outcomes of the Brexit negotiations. Europe, as measured by the Euro Stoxx

the various potential outcomes of the Brexit negotiations. Europe, as measured by the Euro Stoxx 50, fell 14.3%, as negative news flow from a slowdown in European business and consumer confidence put pressure on their markets. In Asia, the Japanese market as measured by the Nikkei 225 fell 12%, while Hong Kong and China were down 3.6% and 25.3% respectively. The Chinese market was hit by the imposition of tariffs by the US, and the Chinese authorities have been struggling to reform the shadow banking system in the country whilst avoiding a credit crunch in the economy's private sector.

There were three main issues that worried the financial markets last year: the Federal Reserve on an upward rate cycle, a US-China trade war, and Brexit. Of those three, it is now apparent that the Fed has had a change of view and is on-hold as regards to further rate increases. The US and China are in advanced talks to come up with a trade deal. Once the US China trade deal is agreed and we have some sort of short-term clarity on the Brexit situation, it is likely we will see positive returns over the full year.

For LOM, these are the highlights of our financial performance during 2018.

Revenues had the following year-on-year changes:

- Management and advisory fee revenues rose 14.1% to \$4.749 million (34% of revenues).
- Broking fees rose 65 % to \$5.259 million (37% of revenues).
- Fees from corporate finance work rose 33% to \$40,762 (0.2% of revenues).
- Foreign Exchange revenues rose 15% to \$389,628 (2.6% of revenues).
- Net interest earnings rose 23% to \$1,401,954 (10% of revenues).
- Gains on securities held in inventory rose 37% to \$831,741 (5.9% of revenues).
- Total revenues rose 31.5% to \$14,161,522.

Costs for the group had the following year-on-year changes:

- Trade execution costs, or jitney fees, rose 86%, as a result of increased broking activity
- Computer and information costs rose 6.2%
- Employee expenses rose 32%
- Total operating expenses rose 30.5%

On other financial measures:

- LOM's assets under administration were \$954 million as of 31st December 2018 as compared to \$870 million in assets at the end of 2017.
- LOM's fully diluted net income per common share was \$0.35
- LOM remains in a strong financial position with net equity of \$20.3 million.
- LOM had a net return on equity of 10.3% in 2018.

- LOM held cash and equivalents of \$6.21 million, representing 31% of shareholder equity.
- LOM's book value as at 31st December 2018 was \$3.44 per share.

The Board of Directors have decided to pay a dividend of \$0.01 per share on May 6th 2019 to shareholders of record on May 1st 2019.

Our current share price on the Bermuda Stock Exchange is \$2.75 which equates to 80% of LOM's book value as at 31st December 2018.

The Board has given approval for LOM to continue to buy back shares for cancellation for a total not to exceed 500,000 shares. Over the whole of 2018, the Company purchased for cancellation 57,600 shares.

As always, I would like to express appreciation and thanks to our customers for their business and the employees at LOM for their dedication and professionalism.

A handwritten signature in blue ink, appearing to read 'Scott GS Lines'.

Scott GS Lines
Chairman & CEO.