

LOM FINANCIAL LIMITED

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2020 Financial Results

To our Shareholders:

A year ago, few people believed that we would today still be suffering lockdowns and wrestling with the Coronavirus. Despite the gyrations in the markets caused by the pandemic, LOM continued to grow in 2020. Our AUA rose from \$1.2 billion at the start of the year to \$1.27 billion at the end of 2020.

Profits in 2020 rose sharply due both to a surge in our broking activities and due to extraordinary gains on securities that were purchased in the middle of the year. Our profits rose to \$4.83 million in 2020, a 282% rise over the result in 2019. Driving this result was a 67% increase in our broking fees and a significant gain on securities of \$2.8 million.

The Financial Market Environment

The main drivers of the markets going forward this year are threefold; how long will it take various economies to recover from the Coronavirus shutdowns; how long will nominal and real interest rates remain at zero or negative; and how will various countries deal with the legacy massive debts they have run up over the past year. Will politicians resist the siren call of taxing wealth creation? Without doubt, the combination of stimulus and zero or negative interest rates have supported and increased asset prices, and there are many calls to impose “temporary” extraordinary wealth taxes on individuals and businesses.

Equity markets around the world had a mixed result over the year as a whole. After falling sharply in March, rate cuts and government stimulus boosted share prices. National performance was, however, deeply reliant on the market’s perception of the speed and efficiency with which countries could recover from the pandemic. In the US, as measured by the S&P 500 index, the market rose 16%. The UK market as measured by the FTSE100 fell 14.3%, Europe, as measured by the Euro Stoxx 50, fell 5.2%. In Asia, the Japanese market as measured by the Nikkei 225 rose 16%, while China again surged another 27%.

These are the highlights of LOM’s financial performance during 2020.

Revenues had the following year-on-year changes:

- Management and advisory fee revenues rose 2.4% to \$5.546 million (31% of revenues).
- Broking fees rose 67 % to \$6.424 million (36% of revenues).
- Net interest earnings fell 50% to \$831,555 (4.7% of revenues).
- Foreign Exchange revenues rose 15.6% to \$579,663 (3.3% of revenues).
- Gains on securities held in inventory showed a profit \$2.801 million.
- Total revenues rose 35.7 % to \$17,607,733.

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

- Employee compensation costs rose 2.7% to \$4.305 million.

- Commission and referral fees rose 25% to \$4.447 million.
- Total operating costs rose 8.5% to \$12.78 million.

On other financial measures:

- LOM's assets under administration were \$1.27 billion as of 31st December 2020, as compared to \$1.20 billion in assets at the end of 2019.
- LOM's fully diluted net income per common share was \$0.90
- LOM is in a strong financial position with net equity of \$24.3 million.
- LOM had a net return on equity of 19.7% in 2020.
- LOM held cash and equivalents of \$8.71 million, representing 36% of shareholder equity.
- LOM's book value as at 31st December 2020 was \$4.67 per share.

The Board of Directors have decided to pay an increased dividend of \$0.02 per share on May 14th 2021 to shareholders of record on May 7th 2021.

Our current share price on the Bermuda Stock Exchange is \$3.20 which equates to 69% of LOM's book value as at 31st December 2020.

The Company still has in place a share buy-back to purchase up to 500,000 shares. Over the whole of 2020, the Company purchased for cancellation 287,930 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, and especially thank them and our IT department for the efforts they have put forth to keep our services at the highest levels during the last year.

Scott GS Lines
Chairman & CEO