

LOM FINANCIAL LIMITED

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2021 Half Year Financial Results

To our Shareholders:

The first half of 2021 has witnessed the world rebounding from out of a lockdown-induced deepfreeze, as countries' vaccination programs were rolled out with varying degrees of rapidity and success. This recovery in economic activity combined with huge monetary and fiscal stimulus caused stock markets around the world to enjoy a strong first half of the year. Markets have also been reassured that major central banks wish to keep interest rates lower for longer than normal despite rising inflation, in order to ensure a robust and widespread economic recovery. Over the first six months, the US market as measured by the S&P rallied 14.4%, the UK market rallied 8.9% and Europe 14.4%. China had no performance and Japan rose 4.9%

Over the next six months we feel that the key considerations for markets will centre around several main issues:

1. The extent of economic scarring in various economies from the lockdown, in terms of jobs and industries that may never see a complete recovery.
2. Whether the inflation surge we are witnessing is truly temporary and related to short term supply issues and pricing pressures will be mitigated over the coming months, or whether we are seeing the result of massive monetary and fiscal stimuli by all major central banks and governments.
3. How effective will vaccinations be against mutations of the virus and the various further waves of infections in populations as they resume normal life.

For the reasons noted above, we have modified expectations for the returns in the second half of the year, as we believe that markets will struggle to assess this changing environment and will result in the rest of this year being marked by increased volatility and rotation between investment themes.

In the first half of the year LOM added a new financial advisor in our Bahamas office, a new assistant in the Bermuda office and a new assistant trader for our trade desk in Bermuda. We have additionally hired a marketing manager, based in our Bermuda office, to oversee all of the Company's marketing efforts in our various jurisdictions.

Throughout the organization we have returned to working in the office, where permitted.

The group's broking activity remained strong in the first half, and though we are hopeful this will continue in the second half, we need to remember that broking revenues are the most unpredictable of our activities. Asset management revenues also grew at a respectable rate, as did our foreign exchange activity.

During the first half of the year the group had an extraordinary gain on an investment it made last year, which has substantially increased our net earnings. A large part of this investment was sold during the period.

For the first half of 2021, LOM's group profit rose 682% year-on-year to \$8,052,398 or \$1.55 per share fully diluted, as compared to a profit of \$1,028,685, or \$0.19 per share, for the same period in 2020. If we exclude the extraordinary gains on securities, our profit rose 70% to \$1,566,659.

Gross revenues (excluding net trading gains) rose 15% and had the following year-on-year changes:

- Management and advisory fee revenues rose 26% to \$3.36 million (39% of revenues).
- Broking fee income rose 11% to \$3.78 million (44% of revenues).
- Revenues from corporate finance activity were \$38,814.
- Foreign Exchange Income rose 68% to \$479,300 (5.6% of revenues).
- Net Interest Income fell 38% to \$271,683 (3.2% of revenues).
- Gain on securities held in inventory was \$6,485,739.

Costs for the group rose 7.5% and had the following year-on-year changes:

- Total operating expenses, ex commission, jitney and foreign exchange movement, rose 11.5%
- Employee compensation excluding commission expenses rose 6%.

On other financial measures:

- LOM's assets under administration were \$1.70 billion as of 30th June 2021, as compared to \$1.27 billion in assets at December 31st 2020.
- LOM has net equity of \$32.1 million as of 30th June 2021.
- LOM holds cash and equivalents of \$16.3 million, representing 51% of net equity.

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 first half of 2021, the Company purchased for cancellation 40,000 shares at an average price of \$3.18. As at the end of June 2021 the Company had 5,163,698 shares issued and outstanding.

Our current share price on the Bermuda Stock Exchange is \$3.75, and our current market capitalization is \$19.4 million. As of June 30th 2021, LOM's book value was \$6.22 per share.



Scott Lines, CEO