



LOMBARD BANK

Lombard Bank Malta p.l.c.

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18th February 2004

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Lombard Bank Malta p.l.c. pursuant to the MFSA Listing Rules 8.6.2 and 8.6.19.

G A Fairclough
Company Secretary



LOMBARD BANK

General

This report is published in terms of MFSA Listing Rules 8.6.2 and 8.6.19.

The Profit and Loss Account and Balance Sheet figures have been extracted from the audited accounts of Lombard Bank Malta p.l.c. and its subsidiaries ("Lombard Bank" or the "Bank"), as approved by the Board of Directors on 18 February, 2004. These accounts cover the 15 month period from 1 October, 2002 to 31 December, 2003, in line with the Bank's decision to change its financial year to a calendar year basis. Comparative results are for the 12 months ended 30 September, 2002 and the comparative figures and percentages should be construed accordingly.

Review of Performance

Lombard Bank registered a profit before tax of Lm2.183 million for the financial period ended 31 December, 2003, an increase of 56% over 2002. On an annualised basis, the Bank has improved its pre-tax performance by 24%.

Against a background of declining interest rates and competitive lending conditions, the Bank increased its Net Interest Income by 26% to Lm3.62 million. Fees and commissions contributed Lm0.47 million while profits on dealing activities amounted to Lm0.57 million. Operating Income is up by 24% to Lm4.7 million. Expenditure increased by 42% as depreciation continued to decrease. The Bank has provided for potential losses of Lm0.14 million that may arise from claims under litigation. On the other hand, the charge for impairment allowances on financial assets, mainly loans and advances, has reduced. The improvement in performance is also reflected in the post-tax profit result, which is similarly up by 55% on 2002. Earnings per share for 2003 amount to 35.2 cents, an increase of 52% over 23.1 cents in 2002.

The balance sheet increased by 16%, with total assets now reaching Lm185.6 million. This expansion was driven by a similar rate of growth in the Bank's funding base, with deposits now at Lm167.6 million. The increase in deposits was employed in short to medium term liquidity, mainly Government paper, inter-bank and money market placements; correspondingly, loans and advances remained largely unchanged at Lm57.3 million. Shareholders' funds are up by 14% to Lm11.7 million.

The Bank's results reflect the consolidated position of holdings in its two subsidiaries, namely Lombard Stockbrokers Limited (51%) and Lombard Asset Managers Limited (75%). The Board remains optimistic about the subsidiaries' potential to make a more meaningful contribution to the overall Group performance, especially as sentiment in the investment markets continues to recover.

Measured in terms of financial ratios, the Bank delivered a very encouraging performance in 2003. In spite of competitive pressures the Bank maintained a Net Interest Margin of 33.9%. At 48.8%, the Bank's Cost/Income ratio (worked out as Expenditure and Depreciation in relation to Operating Income) remains low especially when considering the challenges of economies of scale and scope faced by the Bank. The other main indicators, namely ROA and ROE, performed well at 1.2% and 18.7%, respectively. Net Asset Value per share works out at Lm2.88, which at current market prices represents a price to book multiple of 1.30 times.

A gross final dividend of 9c0 per share is being proposed for the approval of the Annual General Meeting. Since an interim dividend of 6c0 was approved at the Annual General Meeting of October 2003, the proposed total dividend for the period will be 15c0 (2002 - 10c0). As in previous years the Board will also be recommending that shareholders be given the option of receiving the dividend either in cash or by the issue of new shares. Consistent with the Bank's policy, the attribution price (at which the new shares to be issued will be determined) has been established as the trade weighted average price of the Bank's shares for the three months up to and including the 18th February, 2004. If approved by the Annual General Meeting, the dividend will be paid to all shareholders who are registered members on the 29th February, 2004.

The Board of Directors notes that in 2003 the Bank succeeded at growing its business as well as consolidating its lending portfolio amidst testing economic conditions. The main challenges for 2004 will be for the Bank to sustain its selective approach to business and to upgrade its technology so as to deliver an improved service to its customers and increasing earnings and value to its shareholders.



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Profit and Loss Account for the period 1 October 2002 to 31 December 2003

	Group		Bank	
	01/10/02 to 31/12/03 Lm 000	01/10/01 to 30/09/02 Lm 000	01/10/02 to 31/12/03 Lm 000	01/10/01 to 30/09/02 Lm 000
Interest receivable and similar income				
- on loans, advances and balances with Central Bank of Malta	8,582	5,683	8,583	5,683
- on debt securities	2,110	1,836	2,110	1,836
Interest payable	(7,070)	(4,654)	(7,072)	(4,654)
Net interest income	3,622	2,865	3,621	2,865
Fees and commissions receivable	502	431	472	400
Fees and commissions payable	(36)	(31)	(18)	(15)
Dividend income	37	40	37	40
Trading profits	573	496	573	496
Net gains on disposal on non-trading financial instruments	15	-	15	-
Other operating income	24	16	23	15
Operating income	4,737	3,817	4,723	3,801
Administrative expenses	(2,243)	(1,555)	(2,211)	(1,548)
Depreciation	(94)	(200)	(93)	(200)
Provision for potential losses	(134)	-	(134)	-
Net impairment losses	(102)	(650)	(102)	(650)
Amortisation of goodwill	(2)	(2)	-	-
Profit on ordinary activities before tax	2,162	1,410	2,183	1,403
Tax on profit on ordinary activities	(773)	(495)	(773)	(492)
Profit on ordinary activities after tax	1,389	915	1,410	911
Loss/(profit) attributable to minority interests	4	(3)	-	-
Profit for the financial period attributable to shareholders	1,393	912	1,410	911
Earnings per share	34c7	23c1	35c2	23c1



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Balance Sheet as at 31 December 2003

	Group		Bank	
	31/12/03	30/09/02	31/12/03	30/09/02
	Lm 000	Lm 000	Lm 000	Lm 000
ASSETS				
Balances with Central Bank of Malta,				
Treasury Bills and cash	60,711	50,430	60,711	50,430
Cheques in course of collection	699	831	699	831
Financial assets held for trading	44	73	44	73
Investments	25,530	27,133	25,399	26,997
Loans and advances to banks	36,628	19,643	36,628	19,641
Loans and advances to customers	57,344	58,076	57,347	58,076
Shares in subsidiary companies	-	-	154	138
Intangible assets	18	20	-	-
Tangible assets	1,532	1,436	1,529	1,432
Deferred tax asset	714	703	714	703
Other assets	178	222	172	217
Prepayments and accrued income	2,238	1,981	2,238	1,981
Total assets	185,636	160,548	185,635	160,519
LIABILITIES				
Financial liabilities held for trading	85	90	85	90
Amounts owed to banks	150	229	150	229
Amounts owed to customers	167,595	145,039	167,654	145,070
Other liabilities	4,100	2,734	4,090	2,722
Accruals and deferred income	2,000	2,174	2,000	2,174
Minority interests	61	49	-	-
	173,991	150,315	173,979	150,285
SHAREHOLDERS' FUNDS				
Called up issued share capital	2,026	1,980	2,026	1,980
Share premium	4,341	4,055	4,341	4,055
Other reserve	111	111	111	111
Property revaluation reserve	126	126	126	126
Investment revaluation reserve	41	(59)	36	(57)
Profit and loss account	4,605	3,763	4,621	3,762
Dividend reserve	395	257	395	257
	11,645	10,233	11,656	10,234
Total liabilities	185,636	160,548	185,635	160,519
MEMORANDUM ITEMS				
Contingent liabilities	3,524	3,416	3,524	3,416
Commitments	17,201	21,542	17,201	21,542



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Statement of Changes in Equity For the Period Ended 31 December 2003

Group	Total	Called Up Issued Share Capital	Share Premium	Other Reserve	Property Revaluation Reserve	Investment Revaluation Reserve	Profit and Loss Account	Dividend Reserve
	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000
At 1 October 2001	9,406	1,953	3,880	111	126	-	3,108	228
Dividends payable	(228)	-	-	-	-	-	-	(228)
Rights issue of ordinary shares	202	27	175	-	-	-	-	-
Net loss on available-for-sale assets recognised in Investment Revaluation Reserve	(59)	-	-	-	-	(59)	-	-
Profit for the year	912	-	-	-	-	-	912	-
Dividends proposed, net of income tax	-	-	-	-	-	-	(257)	257
At 1 October 2002	10,233	1,980	4,055	111	126	(59)	3,763	257
Dividends payable	(413)	-	-	-	-	-	(156)	(257)
Rights issue of ordinary shares	332	46	286	-	-	-	-	-
Net profit on available-for-sale assets recognised in Investment Revaluation Reserve	100	-	-	-	-	100	-	-
Profit for the period	1,393	-	-	-	-	-	1,393	-
Dividends proposed, net of income tax	-	-	-	-	-	-	(395)	395
At 31 December 2003	11,645	2,026	4,341	111	126	41	4,605	395



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Statement of Changes in Equity For the Period Ended 31 December 2003

Bank	Total	Called Up Issued Share Capital	Share Premium	Other Reserve	Property Revaluation Reserve	Investment Revaluation Reserve	Profit and Loss Account	Dividend Reserve
	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000
At 1 October 2001	9,406	1,953	3,880	111	126	-	3,108	228
Dividends payable	(228)	-	-	-	-	-	-	(228)
Rights issue of ordinary shares	202	27	175	-	-	-	-	-
Net loss on available-for-sale assets not recognised in the profit and loss account	(57)	-	-	-	-	(57)	-	-
Profit for the year	911	-	-	-	-	-	911	-
Dividends, net of income tax	-	-	-	-	-	-	(257)	257
At 1 October 2002	10,234	1,980	4,055	111	126	(57)	3,762	257
Dividends payable	(413)	-	-	-	-	-	(156)	(257)
Rights issue of ordinary shares	332	46	286	-	-	-	-	-
Net profit on available-for-sale assets recognised in Investment Revaluation Reserve	93	-	-	-	-	93	-	-
Profit for the period	1,410	-	-	-	-	-	1,410	-
Dividends proposed, net of income tax	-	-	-	-	-	-	(395)	395
At 31 December 2003	11,656	2,026	4,341	111	126	36	4,621	395



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Cash Flow Statement for the Period 1 October 2002 to 31 December 2003

	Group		Bank	
	01/10/02 to 31/12/03 Lm 000	01/10/01 to 30/09/02 Lm 000	01/10/02 to 31/12/03 Lm 000	01/10/01 to 30/09/02 Lm 000
Cash Flows from Operating Activities				
Interest and commission receipts	9,286	7,041	9,239	7,009
Interest and commission payments	(7,396)	(4,348)	(7,378)	(4,348)
Payments to employees and suppliers	(2,135)	(1,034)	(2,091)	(1,010)
Operating (Loss)/Profit before Changes in Operating Assets and Liabilities	(245)	1,659	(230)	1,651
Decrease/(Increase) in operating assets:				
Treasury bills	16	(1,687)	16	(1,687)
Deposits with Central Bank of Malta	(1,721)	(1,817)	(1,721)	(1,817)
Loans and advances to banks and customers	(1,510)	(9,983)	(1,519)	(9,982)
Other receivables	177	(141)	177	(139)
Increase in operating liabilities:				
Amounts owed to customers	22,553	37,529	22,585	37,560
Other payables	1,156	262	1,156	265
Net Cash Generated from Operations	20,426	25,822	20,464	25,851
Tax paid	(759)	(874)	(756)	(874)
Net Cash Flows from Operating Activities	19,667	24,948	19,708	24,977
Cash Flows from Investing Activities				
Dividends received	37	40	37	40
Interest received from investments	2,384	1,825	2,384	1,825
Proceeds on maturity/disposal of investments	2,046	2,299	2,034	2,299
Purchase of investments	(383)	(1,577)	(383)	(1,577)
Proceeds on disposal of property, plant and equipment	3	13	3	13
Purchase of property, plant and equipment	(191)	(22)	(190)	(21)
Purchase of shares issued by subsidiary company	-	-	(15)	(13)
Payment to acquire subsidiary company	-	(125)	-	(125)
Net Cash Flows from Investing Activities	3,896	2,453	3,870	2,441
Cash Flows from Financing Activities				
Dividends paid	(81)	(26)	(81)	(26)
Minority interest in newly formed subsidiary	15	12	-	-
Net Cash Used in Financing Activities	(66)	(14)	(81)	(26)
Net Increase in Cash and Cash Equivalents	23,497	27,387	23,497	27,392
Cash and cash equivalents of acquired subsidiary	-	5	-	-
Cash and cash equivalents at beginning of period/year	55,587	28,195	55,587	28,195
Cash and Cash Equivalents at End of Period/Year	79,084	55,587	79,084	55,587