LOMBARD BANK REGISTERS Lm2.2 MILLION PRE-TAX PROFIT

Lombard Bank Malta p.l.c. recorded a profit before tax of Lm2.183 million for the financial period ended 31 December, 2003, an increase of 56% over 2002. These results emerge from the audited accounts of Lombard Bank and its subsidiaries ("Lombard Bank" or the "Bank") as approved by the Board of Directors meeting in Valletta on 18 February, 2004. The 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. 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 by the Annual General Meeting of October 2003, the proposed total dividend for the period will 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.