



LOMBARD

PRELIMINARY PROFIT STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

General

This report is published in terms of Malta Financial Services Authority Listing Rule 9.39 and Article 4(2)(b) of the Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2005.

The Profit and Loss Account and Balance Sheet figures have been extracted from the Annual Report of Lombard Bank Malta p.l.c. for the financial year ended 31 December 2005, audited by KPMG and approved by the Board of Directors on 28 February 2006.

Review of Performance

A profit before tax of Lm3.67 million was registered for the year ended 31 December 2005 resulting in an increase of 44.2% over 2004.

Net interest income increased by 30.2 % to Lm4.78 million, indicating a market-driven interest rate policy and effective Asset/Liability management. The Bank's core operations continued to enhance the Net Interest Margin which reached 51.2%.

Administrative Expenses at Lm2.06 million reflect the Bank's awareness to contain overheads. A Cost/Income ratio of 38.2% was realised and this despite that the Bank does not benefit from economies of scale.

Customer loans and advances increased by 14%. Continued high regard to credit quality resulted in a net release of Lm0.29 million from impairment allowances.

Based on a post-tax profit of Lm2.37 million for the year Earnings per Share reached 56.6 cents. Shareholders' Funds are up by 25% to Lm16.6 million and include an increase to Property Revaluation Reserve of Lm0.81 million following a revaluation of the Bank's property as required by International Accounting Standards. Total assets stood at Lm188 million.

Return on Equity (pre-tax) increased to 24.4%.

The Board of Directors is proposing a final gross dividend of 20 cents per share for the approval of the Annual General Meeting. 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 28 February, 2006. If approved by the Annual General Meeting, the dividend will be paid to all shareholders who are registered members on the 13 March, 2006.

The performance of Lombard Bank during 2005 was again a very positive one that was made possible through the commitment of the staff, customer loyalty and shareholder support. The Board of Directors is well satisfied with this set of results which augurs well for the future of the Bank and its stakeholders.

Income Statement for the Year Ended 31 December 2005

	Note	The Group		The Bank	
		2005	2004	2005	2004
		Lm 000	Lm 000	Lm 000	Lm 000
Interest receivable and similar income					
- on loans and advances, balances with Central Bank of Malta and treasury bills	2	7,801	6,844	7,803	6,844
- on debt and other fixed income instruments	2	1,530	1,639	1,530	1,638
Interest expense	3	(4,554)	(4,814)	(4,554)	(4,815)
Net interest income		4,777	3,669	4,779	3,667
Fees and commissions receivable		444	443	434	416
Fees and commissions payable		(16)	(23)	(14)	(12)
Net fees and commission income		428	420	420	404
Dividend income	4	27	40	27	40
Net trading income	5	352	414	352	414
Net gains on disposal of non-trading financial instruments	6	12	86	11	86
Other operating income		32	16	30	16
Operating income		5,628	4,645	5,619	4,627
Administrative expenses	7	(2,056)	(1,928)	(2,021)	(1,896)
Depreciation		(93)	(78)	(94)	(76)
Provision for liabilities and other charges	28	(103)	(6)	(103)	(6)
Net impairment reversals/(losses)	8	290	(73)	290	(73)
Amortisation of goodwill	20	-	(18)	-	-
Profit before taxation	9	3,666	2,542	3,691	2,576
Taxation	10	(1,303)	(987)	(1,303)	(985)
Profit for the year		2,363	1,555	2,388	1,591
Attributable to:					
Equity holders of the bank		2,369	1,558	2,388	1,591
Minority interest		(6)	(3)	-	-
		2,363	1,555	2,388	1,591
Earnings per share	11	56c	38c	57c	38c

Balance Sheet at 31 December 2005

	Note	The Group		The Bank	
		2005	2004	2005	2004
		Lm 000	Lm 000	Lm 000	Lm 000
Assets					
Balances with Central Bank of Malta, treasury bills and cash	12	29,511	40,312	29,511	40,312
Cheques in course of collection		550	334	550	334
Derivative financial instruments	13	-	16	-	16
Investments	14	23,599	26,794	23,414	26,639
Loans and advances to banks	15	48,839	41,045	48,839	41,045
Loans and advances to customers	16	78,738	69,067	78,785	69,079
Shares in subsidiary companies	17	-	-	125	154
Property, plant and equipment	18	3,057	1,899	3,057	1,898
Investment property	19	151	151	151	151
Deferred tax asset	20	291	602	291	602
Other assets		23	36	21	30
Prepayments and accrued income	21	3,275	2,737	3,275	2,737
Total assets		188,034	182,993	188,019	182,997
Liabilities					
Derivative financial instruments	13	-	15	-	15
Amounts owed to banks	22	65	102	65	102
Amounts owed to customers	23	165,752	164,578	165,752	164,636
Current taxation payable		195	59	195	58
Provisions for liabilities and charges	28	248	134	248	134
Other liabilities	24	3,441	3,023	3,431	3,002
Accruals and deferred income	25	1,680	1,720	1,680	1,720
Total liabilities		171,381	169,631	171,371	169,667
Equity					
Called up issued share capital	26	2,103	2,057	2,103	2,057
Share premium		4,877	4,537	4,877	4,537
Other reserve	27	111	111	111	111
Property revaluation reserve	27	932	126	932	126
Investment revaluation reserve	27	314	148	268	129
Retained earnings		8,283	6,321	8,357	6,370
Equity attributable to shareholders of the bank		16,620	13,300	16,648	13,330
Minority interests		33	62	-	-
Total equity		16,653	13,362	16,648	13,330
Total liabilities and equity		188,034	182,993	188,019	182,997
Memorandum items					
Contingent liabilities	28	3,261	2,999	3,261	2,999
Commitments	29	24,023	22,673	24,023	22,673

The financial statements were approved by the Board of Directors on 28 February 2006 and signed on its behalf by:

Christian Lemmerich
Chairman

Joseph Said
Chief Executive Officer

Statement of Changes in Equity for the Year Ended 31 December 2005
Group

Attributable to equity holders of the parent

	Called up	Share	Other	Property	Investment	Retained	Total	Minority	Total
	Issued Share Capital	Premium	Reserve	Revaluation Reserve	Revaluation Reserve	Earnings		Interest	Equity
	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000
At 1 January 2004	2,026	4,341	111	126	41	5,000	11,645	61	11,706
Net gains on available-for-sale assets	-	-	-	-	162	-	162	4	166
Release of net gains on disposal of available-for-sale assets	-	-	-	-	(55)	-	(55)	-	(55)
Net gains not recognised in the income statement	-	-	-	-	107	-	107	4	111
Profit for the year	-	-	-	-	-	1,558	1,558	(3)	1,555
Dividends payable	-	-	-	-	-	(237)	(237)	-	(237)
Rights issue of ordinary shares	31	196	-	-	-	-	227	-	227
At 31 December 2004	2,057	4,537	111	126	148	6,321	13,300	62	13,362
At 1 January 2005	2,057	4,537	111	126	148	6,321	13,300	62	13,362
Net gains on available-for-sale assets	-	-	-	-	175	-	175	9	184
Release of net gains on disposal of available-for-sale assets	-	-	-	-	(9)	-	(9)	-	(9)
Revaluation of property	-	-	-	1,017	-	-	1,017	-	1,017
Deferred tax on revalued property	-	-	-	(211)	-	-	(211)	-	(211)
Net gains not recognised in the income statement	-	-	-	806	166	-	972	9	981
Profit for the year	-	-	-	-	-	2,369	2,369	(6)	2,363
Disposal of subsidiary	-	-	-	-	-	(6)	(6)	(32)	(38)
Dividends payable	-	-	-	-	-	(401)	(401)	-	(401)
Rights issue of ordinary shares	46	340	-	-	-	-	386	-	386
At 31 December 2005	2,103	4,877	111	932	314	8,283	16,620	33	16,653

Bank

	Called Up	Share	Other	Property	Investment	Retained	Total		
	Issued Share Capital	Premium	Reserve	Revaluation Reserve	Revaluation Reserve	Earnings			
	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000		
At 1 January 2004	2,026	4,341	111	126	36	5,016	11,656		
Net gains on available-for-sale assets	-	-	-	-	148	-	148		
Release of net gains on disposal of available-for-sale assets	-	-	-	-	(55)	-	(55)		
Net gains not recognised in the income statement	-	-	-	-	93	-	93		
Profit for the year	-	-	-	-	-	1,591	1,591		
Dividends payable	-	-	-	-	-	(237)	(237)		
Rights issue of ordinary shares	31	196	-	-	-	-	227		
At 31 December 2004	2,057	4,537	111	126	129	6,370	13,330		
At 1 January 2005	2,057	4,537	111	126	129	6,370	13,330		
Net gains on available-for-sale assets	-	-	-	-	148	-	148		
Release of net gains on disposal of available-for-sale assets	-	-	-	-	(9)	-	(9)		
Revaluation of property	-	-	-	1,017	-	-	1,017		
Deferred tax on revalued property	-	-	-	(211)	-	-	(211)		
Net gains not recognised in income statement	-	-	-	806	139	-	945		
Profit for the year	-	-	-	-	-	2,388	2,388		
Dividends payable	-	-	-	-	-	(401)	(401)		
Rights issue of ordinary shares	46	340	-	-	-	-	386		
At 31 December 2005	2,103	4,877	111	932	268	8,357	16,648		

Cash Flow Statement for the Year Ended 31 December 2005

	The Group				The Bank				Note	The Group				The Bank					
	2005		2004		2005		2004			2005		2004		2005		2004			
	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000		Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000			
Cash flows from operating activities																			
Interest and commission receipts	6,888	6,657	6,885	6,635															
Interest and commission payments	(4,626)	(5,139)	(4,625)	(5,129)															
Payments to employees and suppliers	(2,036)	(1,896)	(2,007)	(1,875)															
Operating profit/(loss) before changes in operating assets and liabilities	226	(378)	253	(369)															
(Increase)/decrease in operating assets:																			
Treasury bills	7,928	(12,831)	7,928	(12,831)															
Deposits with Central Bank of Malta	6,417	(3,716)	6,417	(3,716)															
Loans and advances to banks and customers	(9,412)	(4,212)	(9,416)	(4,235)															
Other receivables	(236)	356	(236)	356															
Increase/(decrease) in operating liabilities:																			
Amounts owed to customers	1,139	(3,026)	1,116	(3,019)															
Other payables	439	(736)	439	(736)															
Net cash from/(used in) operations	6,501	(24,543)	6,501	(24,550)															
Tax paid	(1,141)	(1,090)	(1,141)	(1,089)															
Net cash from/(used in) operating activities	5,360	(25,633)	5,360	(25,639)															
Cash flows from investing activities																			
Dividends received	27	40	27	40															
Interest received from investments	2,710	2,208	2,710	2,207															
Proceeds on maturity/disposal of investments	3,468	383	3,468	363															
Purchase of investments	-	(1,456)	-	(1,429)															
Proceeds from disposal of property, plant and equipment	-	1	-	1															
Purchase of property, plant and equipment	(237)	(445)	(237)	(445)															
Proceeds from disposal of subsidiary	31	-	31	-															
Net cash flows from investing activities	5,999	731	5,999	737															
Cash flows from financing activities																			
Dividends paid	(15)	(10)	(15)	(10)															
Cash used in financing activities	(15)	(10)	(15)	(10)															
Net increase/(decrease) in cash and cash equivalents	11,344	(24,912)	11,344	(24,912)															
Cash and cash equivalents at beginning of year	54,172	79,084	54,172	79,084															
Cash and cash equivalents at end of year	65,516	54,172	65,516	54,172															

The dividend to be approved by the Annual General Meeting will be paid to shareholders who are registered members of the company as at 13th March 2006