



# LOMBARD

## PRELIMINARY PROFIT STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

### Review of Performance

This report is published in terms of Chapters 8 and 9 of the Listing Rules of The Listing Authority, Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act 2005. Figures in the report have been prepared in accordance with the requirements of International Financial Reporting Standards, and the underlying accounting policies are the same as those adopted by Lombard Bank Malta p.l.c. in its last published annual accounts. The published figures, in compliance with International Accounting Standard 34: Interim Financial Reporting, have been extracted from the Bank's unaudited accounts for the six months ended 30 June 2006, as approved by the Board of Directors on 8 August 2006.

Lombard Bank Malta p.l.c. and its subsidiary registered a record pre-tax profit of Lm1.66 million for the six months ended 30 June 2006, an improvement of 6 % on the Lm1.56 million recorded for the same period in 2005.

- Profit after tax attributable to shareholders reached Lm1.07 million, an increase of 6 % over Lm1.01 million earned during the corresponding 2005 period.
- Net interest income grew by 16 % over same period last year and contributed Lm2.43 million to total operating income.
- Operating income increased by 15 % over prior year, to reach Lm2.84 million.
- The Cost:Income ratio improved to 38.4 % from last year's 42.7 %. Administrative expenses were up by 3 % to Lm1.04 million from last year's Lm1.01 million.

### Income Statement

For the Period 1 January 2006 to 30 June 2006

	Group		Bank	
	01.01.06 to 30.06.06 Lm 000	01.01.05 to 30.06.05 Lm 000	01.01.06 to 30.06.06 Lm 000	01.01.05 to 30.06.05 Lm 000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and treasury bills	3,657	3,161	3,659	3,161
- on debt and other fixed income instruments	1,019	1,175	1,019	1,175
Interest expense	(2,248)	(2,243)	(2,248)	(2,243)
<b>Net interest income</b>	<b>2,428</b>	<b>2,093</b>	<b>2,430</b>	<b>2,093</b>
Fees and commissions receivable	238	233	235	227
Fees and commissions payable	(5)	(7)	(5)	(6)
<b>Net fees and commission income</b>	<b>233</b>	<b>226</b>	<b>230</b>	<b>221</b>
Dividend income	18	10	18	10
Net trading income	156	144	156	144
Other operating income	9	8	7	8
<b>Operating income</b>	<b>2,844</b>	<b>2,481</b>	<b>2,841</b>	<b>2,476</b>
Administrative expenses	(1,038)	(1,011)	(1,028)	(992)
Depreciation	(54)	(48)	(54)	(47)
Provision for liabilities and other charges	2	6	2	6
Net impairment (losses)/reversals	(96)	136	(96)	136
<b>Profit before taxation</b>	<b>1,658</b>	<b>1,564</b>	<b>1,665</b>	<b>1,579</b>
Taxation	(589)	(558)	(589)	(558)
<b>Profit for the period</b>	<b>1,069</b>	<b>1,006</b>	<b>1,076</b>	<b>1,021</b>
<b>Attributable to:</b>				
Equity holders of the bank	1,071	1,010	1,076	1,021
Minority interest	(2)	(4)	-	-
	1,069	1,006	1,076	1,021
<b>Earnings per share</b>	<b>12.7c</b>	<b>12.2c</b>	<b>12.7c</b>	<b>12.3c</b>

### Balance Sheet

At 30 June 2006

	Group		Bank	
	30.06.06 Lm 000	31.12.05 Lm 000	30.06.06 Lm 000	31.12.05 Lm 000
<b>Assets</b>				
Balances with Central Bank of Malta, Treasury Bills and cash	27,169	29,511	27,169	29,511
Cheques in course of collection	537	550	537	550
Derivative financial instruments	2	-	2	-
Investments	23,625	23,599	23,450	23,414
Loans and advances to banks	42,989	48,839	42,989	48,839
Loans and advances to customers	86,088	78,738	86,128	78,785
Shares in subsidiary companies	-	-	126	125
Property, plant and equipment	3,023	3,057	3,023	3,057
Investment property	151	151	151	151
Deferred tax asset	308	291	308	291
Other assets	256	23	252	21
Prepayments and accrued income	1,223	3,275	1,223	3,275
<b>Total Assets</b>	<b>185,371</b>	<b>188,034</b>	<b>185,358</b>	<b>188,019</b>
<b>Liabilities</b>				
Amounts owed to banks	503	65	503	65
Amounts owed to customers	161,037	165,752	161,037	165,752
Current taxation payable	627	195	627	195
Provision for liabilities and charges	239	248	239	248
Other liabilities	3,470	3,441	3,461	3,441
Accruals and deferred income	1,783	1,680	1,783	1,680
<b>Total Liabilities</b>	<b>167,659</b>	<b>171,381</b>	<b>167,650</b>	<b>171,371</b>
<b>Equity</b>				
Called up issued share capital	2,134	2,103	2,134	2,103
Share premium	5,364	4,877	5,364	4,877
Other reserve	111	111	111	111
Property revaluation reserve	932	932	932	932
Investment revaluation reserve	340	314	289	268
Retained earnings	8,799	8,283	8,878	8,357
<b>Equity attributable to shareholders of the bank</b>	<b>17,680</b>	<b>16,620</b>	<b>17,708</b>	<b>16,648</b>
Minority interests	32	33	-	-
<b>Total Equity</b>	<b>17,712</b>	<b>16,653</b>	<b>17,708</b>	<b>16,648</b>
<b>Total Liabilities and Equity</b>	<b>185,371</b>	<b>188,034</b>	<b>185,358</b>	<b>188,019</b>
<b>Memorandum Items</b>				
Contingent liabilities	3,062	3,261	3,062	3,261
Commitments	30,805	24,023	30,805	24,023

- Credit risk continued to be assessed consistent with a prudent policy resulting in a net increase of Lm96,000 to the impairment provisions.
- Treasury Operations rationalised assets under management seeking to optimise Return on Assets Employed. Customer deposits were at Lm161.04 million in June 2006 from Lm165.75 million in December 2005, while total assets stood at Lm185.37 million in June 2006 from Lm188.03 million in December 2005.
- Loans and advances to customers at Lm86.09 million were up 9 % over 31 December 2005.
- Shareholders' Funds rose by Lm1.06 million to Lm17.68 million during the period.
- Earnings Per Share rose from 12.2 cents in 2005 to 12.7 cents – when accounting for the two-for-one share split held in April 2006.

The record profit achieved during the first six months of the year is in line with expectations and underlines improved operating profits and efficient Cost to Income ratios. The selective business approach adopted by the Bank increased shareholder value and provided opportunities for further business expansion.

The Board of Directors thanks all its customers, shareholders and staff for their continued support and considers that Lombard Bank can look forward to the future with optimism.

### Cash Flow Statement

For the Period 1 January 2006 to 30 June 2006

	Group		Bank	
	01.01.06 to 30.06.06 Lm 000	01.01.05 to 30.06.05 Lm 000	01.01.06 to 30.06.06 Lm 000	01.01.05 to 30.06.05 Lm 000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	3,324	3,330	3,321	3,323
Interest and commission payments	(2,086)	(2,075)	(2,086)	(2,072)
Payments to employees and suppliers	(1,144)	(1,066)	(1,133)	(1,046)
Operating profit/(loss) before changes in operating assets and liabilities	94	189	102	205
(Increase)/decrease in operating assets:				
Treasury Bills	7,827	15,755	7,827	15,755
Deposits with Central Bank of Malta	(2,504)	3,427	(2,504)	3,427
Loans and advances to banks and customers	(7,747)	(5,937)	(7,741)	(5,962)
Other receivables	(233)	(12)	(231)	(15)
Decrease in operating liabilities:				
Amounts owed to customers	(4,715)	(407)	(4,715)	(431)
Other payables	28	1,117	29	1,131
<b>Net cash (used in)/from operations</b>	<b>(7,250)</b>	<b>14,132</b>	<b>(7,233)</b>	<b>14,110</b>
Tax paid	(184)	(168)	(184)	(168)
<b>Net cash (used in)/from operating activities</b>	<b>(7,434)</b>	<b>13,964</b>	<b>(7,417)</b>	<b>13,942</b>
<b>Cash flows from investing activities</b>				
Dividends received	18	10	18	10
Interest received from investments	996	1,161	996	1,161
Proceeds on disposal/maturity of investments	17	3,250	-	3,250
Purchase of investments	(50)	(17)	(50)	-
Purchase of property, plant and equipment	(20)	(176)	(20)	(176)
<b>Net cash flows from investing activities</b>	<b>961</b>	<b>4,228</b>	<b>944</b>	<b>4,245</b>
<b>Cash flows from financing activities</b>				
Dividends paid	(37)	(13)	(37)	(13)
Cash used in financing activities	(37)	(13)	(37)	(13)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,510)</b>	<b>18,179</b>	<b>(6,510)</b>	<b>18,174</b>
Cash and cash equivalents at beginning of period	65,516	54,172	65,516	54,172
<b>Cash and cash equivalents at end of period</b>	<b>59,006</b>	<b>72,351</b>	<b>59,006</b>	<b>72,346</b>

### Statement of Changes in Equity

For the Period 1 January to 30 June 2006

Group	Attributable to equity holders of the parent								
	Called up Issued Share Capital Lm 000	Share Premium Reserve Lm 000	Other Revaluation Reserve Lm 000	Property Revaluation Reserve Lm 000	Investment Revaluation Reserve Lm 000	Retained Earnings Lm 000	Total Lm 000	Minority Interest Lm 000	Total Equity Lm 000
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	-	-	-	-	19	-	19	2	21
Profit for the period	-	-	-	-	-	1,010	1,010	(4)	1,006
Dividends payable	-	-	-	-	-	(401)	(401)	-	(401)
Rights issue of ordinary shares	46	340	-	-	-	-	386	-	386
<b>At 30 June 2005</b>	<b>2,103</b>	<b>4,877</b>	<b>111</b>	<b>126</b>	<b>167</b>	<b>6,930</b>	<b>14,314</b>	<b>60</b>	<b>14,374</b>
At 1 January 2006	2,103	4,877	111	932	314	8,283	16,620	33	16,653
Net gains on available-for-sale assets	-	-	-	-	26	-	26	1	27
Profit for the period	-	-	-	-	-	1,071	1,071	(2)	1,069
Dividends payable	-	-	-	-	-	(555)	(555)	-	(555)
Rights issue of ordinary shares	31	487	-	-	-	-	518	-	518
<b>At 30 June 2006</b>	<b>2,134</b>	<b>5,364</b>	<b>111</b>	<b>932</b>	<b>340</b>	<b>8,799</b>	<b>17,680</b>	<b>32</b>	<b>17,712</b>
<b>Bank</b>									
At 1 January 2005	2,057	4,537	111	126	129	6,370	13,330	-	13,330
Net gains on available-for-sale assets	-	-	-	-	13	-	13	-	13
Profit for the period	-	-	-	-	-	1,021	1,021	-	1,021
Dividends payable	-	-	-	-	-	(401)	(401)	-	(401)
Rights issue of ordinary shares	46	340	-	-	-	-	386	-	386
<b>At 30 June 2005</b>	<b>2,103</b>	<b>4,877</b>	<b>111</b>	<b>126</b>	<b>142</b>	<b>6,990</b>	<b>14,349</b>	<b>-</b>	<b>14,349</b>
At 1 January 2006	2,103	4,877	111	932	268	8,357	16,648	-	16,648
Net gains on available-for-sale assets	-	-	-	-	21	-	21	-	21
Profit for the period	-	-	-	-	-	1,076	1,076	-	1,076
Dividends payable	-	-	-	-	-	(555)	(555)	-	(555)
Rights issue of ordinary shares	31	487	-	-	-	-	518	-	518
<b>At 30 June 2006</b>	<b>2,134</b>	<b>5,364</b>	<b>111</b>	<b>932</b>	<b>289</b>	<b>8,878</b>	<b>17,708</b>	<b>-</b>	<b>17,708</b>