



LOMBARD BANK

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28 May 2001

Company Announcement

Please find attached the Company Announcement as issued by Lombard Bank Malta plc pursuant to the Malta Stock Exchange Bye-Law 6.05.06(I).

G.A. Fairclough
Company Secretary

Associate  Group

LOMBARD BANK MALTA plc

PRELIMINARY PROFIT STATEMENT

for the six months ended

31st March, 2001

Introduction

This report is published in terms of section 6.05.06 (i) of the Malta Stock Exchange Bye-Laws. Figures in the report have been prepared in accordance with the requirements of International Accounting Standards, and the underlying accounting policies are the same as those adopted in Lombard Bank Malta p.l.c.'s (the "Bank") last published annual accounts. The Profit and Loss Account and Balance Sheet figures have been extracted from the Bank's unaudited accounts for the six months ended 31 March 2001, as approved by the Board of Directors on 28 May 2001.

Review of Performance

Lombard Bank Malta p.l.c. registered a pre-tax profit of Lm587,000 for the six months ended 31 March 2001. The result for the six-month period ended 31 March 2000 is Lm937,000.

Interest Income for the period under review increased by 24% to just over Lm4 million while Net Interest Income increased by 26% to Lm1.33 million. Despite strong competitive pressures the Bank managed to increase its Net Interest Margin from 32.6% to 33.2%. The dealing activities for the period show a net loss of Lm23,000 whereas those for the same period last year registered profits of Lm695,000. This performance is the result of a significant decline in the value of equities quoted on the Malta Stock Exchange. As already pointed out in the March 2000 Preliminary Profit Statement, last year's performance was due to exceptional conditions in the Maltese equity market which were not expected to be repeated in the second half of the 2000 financial year. Moreover, the first half of the current financial year has been dominated by a bearish sentiment in the market which has resulted in significant downward corrections in equity prices. This apart, the development being registered by the Bank stands strong in all other sectors.

As a result of the investment market performance, operating income is down by 21% to Lm1.5 million. Administrative overheads are up marginally, mainly due to increases in certain staff costs against which a number of efficiencies have been registered. Depreciation charges are down by 7%, while the release in loan provisions represents the net result of new provisions raised and recoveries made against previously classified amounts. The Central Bank of Malta has embarked on a consultation exercise which will lead to a revision in the methods of loan provisioning applied by banks in Malta. The effect, if any, of these changes may be reflected during the second half of the current financial year.

It is worth noting that, whereas the Bank's accounting policy requires equity securities to be marked to market prices, the policy on debt securities (mainly Malta Government bonds) is to value these at adjusted cost less any permanent diminution in market value. At the end of March 2001, the Bank's portfolio of debt securities carried an unrealised appreciation of approximately Lm1 million which, in terms of the above-stated policy, is not taken to profit or reserves.

Customer Deposits are up on September 2000 by 3% to Lm113 million, while Loans and Advances to Customers are also up by 14% to Lm47 million. Earnings per share for the period work out at 9.8 cents. Shareholders' funds increased by 4% to Lm9.2 million while total assets are up by 3% to just over Lm126 million. Overall the Board is satisfied that the Bank's performance continues to be driven by strong trading fundamentals, as shown by the growth in new business and enhanced revenue streams. For the second half of the current financial year the Board is optimistic that the momentum of business growth can be maintained, and other operating factors within the Bank's control can be managed to further enhance performance.

INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2001

	March-2001 Lm'000	March-2000 Lm'000
Interest receivable and similar income		
- on loans, advances and balances with Central Bank of Malta	3,024	2,382
- on debt securities	993	859
Interest payable	(2,683)	(2,184)
Net interest income	<u>1,334</u>	<u>1,057</u>
Dividend income	18	10
Fees and commissions receivable	175	179
Fees and commissions payable	(5)	(5)
Dealing profits	(23)	695
Other operating income	1	(32)
Operating income	<u>1,500</u>	<u>1,904</u>
Administrative expenses	(810)	(787)
Depreciation	(119)	(128)
Provision for bad and doubtful debts	16	(52)
Profit on ordinary activities before taxation	<u>587</u>	<u>937</u>
Tax on profit on ordinary activities	(205)	(284)
Profit on ordinary activities after taxation	<u>382</u>	<u>653</u>
Earnings per share	<u>9c8</u>	<u>20c6</u>

BALANCE SHEET AS AT 31 MARCH 2001

	March-2001 Lm'000	September-2000 Lm'000
Assets		
Cash and balances with Central Bank of Malta	354	829
Reserve deposit with Central Bank of Malta	5,515	5,844
Cheques in course of collection	800	1,169
Treasury bills	5,001	7,386
Loans and advances to banks	35,866	36,191
Loans and advances to customers	47,351	41,158
Debt securities	26,481	25,204
Equity shares	821	773
Tangible fixed assets	1,691	1,765
Other assets	465	1,052
Prepayments and accrued income	2,332	1,920
Total assets	126,677	123,291
Liabilities		
Amounts owed to banks	110	1,077
Amounts owed to customers	112,801	108,859
Other liabilities	1,949	1,812
Accruals and deferred income	2,159	2,470
Provision for taxation	483	260
	117,502	114,478
Shareholders' Funds		
Called up issued share capital	1,953	1,932
Share premium	3,880	3,709
Other reserve	111	111
Revaluation reserve	126	126
Profit and loss account	3,105	2,722
Dividend reserve	0	213
	9,175	8,813
Total liabilities	126,677	123,291
Memorandum Items		
Contingent liabilities	3,156	2,440
Commitments	17,112	16,230

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 OCTOBER 2000 TO 31 MARCH 2001

	Total	Share Capital	Share Premium	Other Reserve	Revaluation Reserve	Profit and Loss Account	Dividend Reserve
At 30 September 1999	4,948	1,530	921	111	102	2,131	153
Ordinary shares issued in lieu of dividends	-	20	130	-	-	-	(150)
Issue of shares	3,040	382	2,658	-	-	-	-
Profit attributable to shareholders	653	-	-	-	-	653	-
Dividends paid in cash	(2)	-	-	-	-	-	(2)
At 31 March 2000	8,639	1,932	3,709	111	102	2,784	1

At 30 September 2000	8,815	1,932	3,709	111	126	2,723	214
Ordinary shares issued in lieu of dividends	-	21	171	-	-	-	(192)
Issue of shares	-	-	-	-	-	-	-
Profit attributable to shareholders	382	-	-	-	-	382	-
Dividends paid in cash	(22)	-	-	-	-	-	(22)

At 31 March 2001	9,175	1,953	3,880	111	126	3,105	-
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CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2001

	March 2001 Lm ' 000	March 2000 Lm ' 000
Cash flows from operating activities		
Interest and commission receipts	2,785	2,820
Interest and commission payments	(2,925)	(2,457)
Payments to employees and suppliers	(862)	(726)
Operating profit before changes in operating assets	(1,002)	(363)
Decrease / (increase) in operating assets:		
Non-investment securities	(48)	(229)
Reserve deposit with Central Bank of Malta	328	(802)
Loans and advances to customers	(6,200)	(4,470)
Loans and advances to banks	4,109	(4,805)
Other receivables	1,030	183
Increase / (decrease) in operating liabilities:		
Amounts owed to customers	3,943	11,192
Other payables	140	1,365
Net cash operating activities before income tax	2,300	2,071
Tax paid	(58)	(14)
Net cash (used in) / from operating activities	2,242	2,057
Cash flows from investing activities		
Dividends received	28	10
Interest income from investment securities	975	738
Proceeds from disposal of investment securities	136	1,928
Purchase of investment securities	(1,412)	(1,567)
Purchase of property, plant and equipment	(51)	(14)
Net cash (used in) / from investing activities	(324)	1,095
Cash flows from financing activities		
Dividends paid	(22)	(2)
Proceeds from issue of share capital	-	3,040
Net cash (used in) / from financing activities	(22)	3,038
Net increase / (decrease) in cash & cash equivalents	1,896	6,190
Cash and cash equivalents at 1 October	24,248	25,705
Cash and cash equivalents at 31 March	26,144	31,895

