



LOMBARD BANK

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LOMBARD BANK REGISTERS STRONG OPERATING PERFORMANCE, SLIGHT REDUCTION IN PRE-TAX PROFIT

Lombard Bank Malta p.l.c. registered a profit before tax of Lm1.12 million for the financial year ended 30 September, 2001, just over 9% down from the record Lm1.24 million of the 2000 financial year. The Bank's audited financial statements were approved today by its Board of Directors meeting in Valletta (extracts attached).

Underlying this result is a strong operating performance, a prudent approach to provisioning and continued success in curtailing the cost base. Net Interest Income increased by 9%, reflecting an increase of 2% in interest revenue and a drop by almost the same percentage in interest payable. Despite tight lending conditions and generally declining interest rates, the Bank strengthened its net interest margin from last year's 31.5% to 33.7%. All other income streams improved on 2000. On the other hand, last year's dealing profits of Lm781,000 were reversed, mainly due to a significant decline in the value of equity securities quoted on the Malta Stock Exchange. The bear market resulted in unfavourable price movements on dealing securities amounting to Lm367,000, which were all unrealised at the year-end. The negative dealing result was partly set off by gains on foreign exchange activities of Lm293,000. It is not expected that the extent of these corrections will be repeated in the new financial year. The investment performance accounts for the 15% drop in Operating Income.

Expenditure is down marginally on 2000. While staff costs are up by 5%, mainly due to increases in salaries and other benefits, other administrative overheads are down by 10%, denoting greater efficiency and a continued better all-round management of resources. Depreciation for the year is down by 9%. As anticipated in the March 2001 Profit Announcement, the method of loan provisioning has been revised to conform with the requirements of a new Central Bank of Malta Directive. The Directive is intended to ensure uniform provisioning policies among banks, and allows for the impact of the revised policies to be absorbed over a period of 3 financial years. Consistent with its policy of prudent accounting, Lombard Bank has opted to absorb 50% of the impact during the financial year under review. Largely in line with the decline in pre-tax profit, post-tax profit is down by just under 10%. Earnings per share work out at 18.7 cents (2000 - 22.6 cents). Customer loans and advances are up by 25%, while debt securities increased by 8%. On the other hand the slight fall in customer deposits is the net result of a 15% increase in Maltese Lira balances against a 31% drop in foreign currency deposits. The presence of offshore corporate deposits, often large and volatile in nature, broadly accounts for this drop. The movement in deposits is largely reflected in a slight contraction of 1% in total assets. Shareholders' funds are up 8% to Lm9.5 million.

The Board of Directors is proposing a gross dividend of 9c0 per share (2000 - 8c5) for approval by the Annual General Meeting. As in previous years, the Board is also recommending that shareholders be given the option of receiving the dividend either in cash or by the issue of new shares. The attribution price (at which the new shares to be issued will be determined) will be the lower of the market price as at close of trading on Thursday 8 November 2001 and the trade weighted average price of the Bank's shares for the three months up to and including that date.

Associate  Group

Lombard Bank Malta p.l.c.

Profit and Loss Account

For the Year Ended 30 September 2001

		2001	2000
	Note	Lm 000	Lm 000
Interest receivable and similar income			
- on loans, advances and balances with Central Bank of Malta	3	5,502	5,555
- on debt securities	3	2,051	1,847
Interest payable	4	(5,006)	(5,069)
Net interest income		2,547	2,333
Dividend income	5	36	35
Fees and commissions receivable		352	348
Fees and commissions payable		(14)	(11)
Dealing (losses)/profits	6	(74)	781
Other operating income	7	127	16
Operating income		2,974	3,502
Administrative expenses	8	(1,585)	(1,589)
Depreciation		(233)	(255)
Other operating charges		(6)	(40)
Provision for bad and doubtful debts	9	(287)	(384)
Adjustments to provision for bad and doubtful debts	10	257	6
Profit on ordinary activities before taxation	11	1,120	1,240
Tax on profit on ordinary activities	12	(394)	(435)
Profit for the year		726	805
Earnings per share	13	18c7	22c6

The profit and loss account is to be read in conjunction with the notes to and forming part of the financial statements set out in pages 15 to 39.



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Lombard Bank Malta p.l.c.

Balance Sheet

At 30 September 2001

		2001	2000
	Note	Lm 000	Lm 000
ASSETS			
Cash and balances with Central Bank of Malta	15	646	829
Reserve deposit with Central Bank of Malta	16	3,293	5,844
Cheques in course of collection		733	1,169
Treasury bills	17	9,174	7,386
Loans and advances to banks	18	23,782	36,191
Loans and advances to customers	19	51,284	41,158
Debt securities	21	27,198	25,204
Equity shares	22	633	773
Tangible fixed assets	23	1,625	1,765
Other assets	24	527	1,052
Prepayments and accrued income	25	2,880	1,920
Total assets		121,775	123,291
LIABILITIES			
Amounts owed to banks	26	296	1,077
Amounts owed to customers	27	107,510	108,859
Other liabilities	28	2,312	1,812
Accruals and deferred income	29	1,872	2,470
Provision for taxation		267	260
		112,257	114,478



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Lombard Bank Malta p.l.c.

Balance Sheet

At 30 September 2001

		2001	2000
	Note	Lm 000	Lm 000
SHAREHOLDERS' FUNDS			
Called up issued share capital	30	1,953	1,932
Share premium	31	3,880	3,709
Other reserve	31	111	111
Revaluation reserve	31	126	126
Profit and loss account		3,220	2,722
Dividend reserve		228	213
		<u>9,518</u>	<u>8,813</u>
Total liabilities		<u>121,775</u>	<u>123,291</u>
MEMORANDUM ITEMS			
Contingent liabilities	32	<u>3,970</u>	<u>2,440</u>
Commitments	33	<u>16,165</u>	<u>16,230</u>

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out in pages 15 to 39.

The financial statements on pages 9 to 39 were approved by the Board of Directors on 8 November 2001 and were signed on its behalf by:

C. Lemmerich
Chairman



N. P. Mifsud
Director

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