



LOMBARD BANK

Lombard Bank Malta p.l.c.

Office of the Company Secretary: Lombard House 67 Republic Street Valletta Malta

PO Box 584 Valletta CMR 01 Malta Tel: (356) 21240442 Fax: (356) 21247442

e-mail: mail@lombardmalta.com www.lombardmalta.com

6th November 2002

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Lombard Bank Malta p.l.c. pursuant to the Malta Stock Exchange Bye-Law 6.05.06(iii).

A handwritten signature in black ink, appearing to be 'G A Fairclough', written over a horizontal line.

G A Fairclough
Company Secretary



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General

This report is published in terms of section 6.05.06 (iii) of the Malta Stock Exchange Bye-Laws.

The Profit and Loss Account and Balance Sheet figures have been extracted from the audited accounts of Lombard Bank Malta p.l.c. and its subsidiaries ("Lombard Bank" or the "Bank") for the year ended 30 September, 2002, as approved by the Board of Directors on 6 November, 2002.

Review of Performance

Lombard Bank registered a profit before tax of Lm1.41 million for the financial year ended 30 September, 2002, an increase of 26% on the Lm1.12 million for the 2001 financial year.

Net Interest Income increased by 12% to Lm2.86 million. Despite tight lending conditions and generally declining interest rates, the Bank once again managed to strengthen its net interest margin. Also other income streams registered strong improvement over 2001. Fees and commissions increased by 22%, while last year's negative dealing result of Lm74,000 was reversed to a profit of Lm0.5 million, in large part reflecting a 74% increase in gains on foreign exchange business. Operating Income is up by 28% to Lm3.81 million.

Expenditure has been maintained at the previous year's level, with reductions in various administrative overheads. Depreciation for the year is down by 14%. The audited accounts of 2001 contained the absorption of 50% of the impact of an increase in loan loss provisions brought about by the introduction of the revised Banking Directive 9. The Directive was implemented to ensure uniform provisioning policies among banks, and allowed the banks to absorb the impact of the revised policies over a period of 3 financial years ending in 2003. In line with its policy of prudent accounting, Lombard Bank has opted to absorb the balance of 50% in the current year, rather than defer any of it into 2003. Net Impairment Losses resulting from write-downs in values of loans and advances - formerly known as bad and doubtful debt provisions - represent a charge to profit of Lm650,000. They include the impact of Banking Directive 9 as well as the financial effect of International Accounting Standard (IAS) 39, which became applicable as from this financial year. In spite of the increase in these allowances, pre-tax profit is up by 26%, while post-tax profit is up by 25%, resulting in earnings per share of 23.1 cents (2001 - 18.7 cents).

Customer loans and advances are up by 13%, while investments are down 2%. Short-term liquidity, mainly in the form of Government paper, is up significantly from Lm13 million to Lm50 million. This is commensurate with a 35% increase in customer deposits, which have now reached Lm145 million. Total assets are similarly up by 32% to Lm160 million. Shareholders' funds are up 8% to Lm10.2 million.

For the first time, the Bank's results reflect the consolidated position of holdings - acquired during the 2002 financial year - in its two subsidiaries, namely Lombard Stockbrokers Limited (51%) and Lombard Asset Managers Limited (75%). While the addition of the subsidiaries on the Bank's consolidated position has so far been slight, the Board is confident of their potential to make a more meaningful contribution in the future, especially should sentiment in the investment markets be reversed.

The Board of Directors is proposing a gross dividend of 10c0 per share for approval by the Annual General Meeting, an increase of 11% over 2001's 9c0. 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) has been established as the trade weighted average price of the Bank's shares for the three months up to and including the 6 November, 2002. The dividend will be paid to all registered shareholders as at 29 November, 2002.

The Board of Directors notes with satisfaction that the Bank has managed to achieve this outstanding performance in spite of strong competitive pressures as well as the impact of prudent provisioning and accounting policies which it has upheld consistently. The Bank has established a strong operating base and market positioning which continue to provide future opportunities for profit. The Board commends the Management and all Staff for their effort and contribution in achieving this year's results.



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Profit and Loss Account for the year ended 30 September 2002

	Group	Bank	
	2002	2002	2001
	Lm 000	Lm 000	Lm 000
Interest receivable and similar income			
- on loans, advances and balances with Central Bank of Malta	5,683	5,683	5,738
- on debt securities	1,836	1,836	1,815
Interest payable	(4,654)	(4,654)	(5,006)
Net interest income	2,865	2,865	2,547
Fees and commissions receivable	431	400	352
Fees and commissions payable	(31)	(15)	(14)
Dividend income	40	40	36
Trading profits/(losses)	496	496	(74)
Other operating income	16	15	127
Operating income	3,817	3,801	2,974
Administrative expenses	(1,555)	(1,548)	(1,585)
Depreciation	(200)	(200)	(233)
Other operating charges	-	-	(6)
Net impairment losses	(650)	(650)	(30)
Amortisation of goodwill	(2)	-	-
Profit on ordinary activities before tax	1,410	1,403	1,120
Tax on profit on ordinary activities	(495)	(492)	(394)
Profit on ordinary activities after tax	915	911	726
Profit attributable to minority interests	(3)	-	-
Profit for the financial year attributable to shareholders	912	911	726
Earnings per share	23c1	23c1	18c7



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Balance Sheet as at 30 September 2002

	Group 2002 Lm 000	Bank 2002 Lm 000	2001 Lm 000
ASSETS			
Balances with Central Bank of Malta, Treasury Bills and cash	50,430	50,430	13,113
Cheques in course of collection	831	831	733
Financial assets held for trading	73	73	-
Investments	27,133	26,997	27,831
Loans and advances to banks	19,643	19,641	23,782
Loans and advances to customers	58,076	58,076	51,284
Shares in subsidiary companies	-	138	-
Intangible assets	20	-	-
Tangible assets	1,436	1,432	1,625
Deferred tax asset	703	703	351
Other assets	222	217	176
Prepayments and accrued income	1,981	1,981	2,880
Total assets	160,548	160,519	121,775
LIABILITIES			
Financial liabilities held for trading	90	90	-
Amounts owed to banks	229	229	296
Amounts owed to customers	145,039	145,070	107,510
Other liabilities	2,734	2,722	2,579
Accruals and deferred income	2,174	2,174	1,872
Minority interests	49	-	-
	150,315	150,285	112,257
SHAREHOLDERS' FUNDS			
Called up issued share capital	1,980	1,980	1,953
Share premium	4,055	4,055	3,880
Other reserve	111	111	111
Property revaluation reserve	126	126	126
Investment revaluation reserve	(59)	(57)	-
Profit and loss account	3,763	3,762	3,220
Dividend reserve	257	257	228
	10,233	10,234	9,518
Total liabilities	160,548	160,519	121,775
MEMORANDUM ITEMS			
Contingent liabilities	3,416	3,416	3,970
Commitments	21,542	21,542	16,165

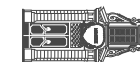
Statement of Changes in Equity

For the Year Ended 30 September 2002

Group

	Total	Called Up Issued Share Capital	Share Premium	Other Reserve	Property Revaluation Reserve	Investment Revaluation Reserve	Profit and Loss Account	Dividend Reserve
	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000
At 1 October 2001	9,518	1,953	3,880	111	126	-	3,220	228
Impact of adopting IAS 39 (note 36)	(112)	-	-	-	-	-	(112)	-
At 1 October 2002 as restated	9,406	1,953	3,880	111	126	-	3,108	228
Ordinary shares issued in lieu of dividends	-	27	175	-	-	-	-	(202)
Dividends paid	(26)	-	-	-	-	-	-	(26)
Net loss on available-for-sale assets not recognised in the profit and loss account	(59)	-	-	-	-	(59)	-	-
Profit for the year	912	-	-	-	-	-	912	-
Dividends, net of income tax	-	-	-	-	-	-	(257)	257
	10,233	1,980	4,055	111	126	(59)	3,763	257

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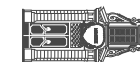
Statement of Changes in Equity

For the Year Ended 30 September 2002

Bank

	Total	Called Up Issued Share Capital	Share Premium	Other Reserve	Property Revaluation Reserve	Investment Revaluation Reserve	Profit and Loss Account	Dividend Reserve
	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000	Lm 000
At 1 October 2000	8,813	1,932	3,709	111	126	-	2,722	213
Ordinary shares issued in lieu of dividends	-	21	171	-	-	-	-	(192)
Dividends paid	(21)	-	-	-	-	-	-	(21)
Profit for the year	726	-	-	-	-	-	726	-
Dividends, net of income tax	-	-	-	-	-	-	(228)	228
At 1 October 2001	9,518	1,953	3,880	111	126	-	3,220	228
Impact of adopting IAS 39 (note 36)	(112)	-	-	-	-	-	(112)	-
At 1 October 2002 as restated	9,406	1,953	3,880	111	126	-	3,108	228
Ordinary shares issued in lieu of dividends	-	27	175	-	-	-	-	(202)
Dividends paid	(26)	-	-	-	-	-	-	(26)
Net loss on available-for-sale assets not recognised in the profit and loss account	(57)	-	-	-	-	(57)	-	-
Profit for the year	911	-	-	-	-	-	911	-
Dividends, net of income tax	-	-	-	-	-	-	(257)	257
	10,234	1,980	4,055	111	126	(57)	3,762	257

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Cash Flow Statement for the Year Ended 30 September 2002

	Group 2002 Lm 000	Bank	
		2002 Lm 000	2001 Lm 000
Cash flows from operating activities			
Interest and commission receipts	7,041	7,009	5,365
Interest and commission payments	(4,348)	(4,348)	(5,546)
Payments to employees and suppliers	(1,034)	(1,010)	(1,670)
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Operating profit/(loss) before changes in operating assets/liabilities	1,659	1,651	(1,851)
 (Increase)/decrease in operating assets:			
Non-investment securities	-	-	(220)
Treasury bills	(1,687)	(1,687)	-
Reserve deposits with Central Bank of Malta	(1,817)	(1,817)	2,551
Loans and advances to banks and customers	(9,983)	(9,982)	5,066
Other receivables	(141)	(139)	(128)
 Increase/(decrease) in operating liabilities:			
Amounts owed to customers	37,529	37,560	(1,348)
Other payables	262	265	495
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Net cash from operating activities before income tax	25,822	25,851	4,565
Tax paid	(874)	(874)	(549)
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Net cash from operating activities	24,948	24,977	4,016
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Cash flows from investing activities			
Dividends received	40	40	36
Interest received from investments	1,825	1,825	1,905
Proceeds on maturity/disposal of investments	2,299	2,299	3,922
Proceeds on disposal of tangible fixed assets	13	13	3
Purchase of investments	(1,577)	(1,577)	(5,819)
Purchase of property, plant and equipment	(22)	(21)	(95)
Purchase of shares in newly formed subsidiary company	-	(13)	-
Payment to acquire subsidiary company	(125)	(125)	-
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Net cash flows from/(used in) investing activities	2,453	2,441	(48)