

# Statement of Directors' Responsibilities

30 September 2000

The following statement, which should be read in conjunction with the Auditors' Report on page 15, is made to enable shareholders to distinguish between the respective responsibilities of the directors and auditors in relation to financial statements.

The Companies Act, 1995 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the profit or loss of the Bank for that year.

In preparing the financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Bank will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Bank and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, 1995 and the Banking Act, 1994. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



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# Report of the Auditors to the Members of Lombard Bank Malta p.l.c.

We have audited the financial statements set out on pages 16 to 40. As described on page 14, the financial statements are the responsibility of the Bank's directors. Our responsibility is to express an opinion on the financial statements based on our audit. We are also required to report whether we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit, whether in our opinion proper books of account have been kept by the Bank so far as appears from our examination thereof and whether the financial statements are in agreement with the books.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Bank so far as appears from our examination thereof. The financial statements are in agreement with the books.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Bank as at 30 September 2000 and of its profit, changes in equity and cash flows for the year then ended in accordance with International Accounting Standards, and have been properly prepared in accordance with the Banking Act, 1994 and the Companies Act, 1995.

This copy of the audit report has been signed by  
Noel Mizzi (Partner) for and on behalf of

**KPMG**  
Certified Public Accountants and Auditors

6 November, 2000

# Profit and Loss Account

For the year ended 30 September 2000

	Note	2000 Lm 000	1999 Lm 000
Interest receivable and similar income			
- on loans, advances and balances			
with Central Bank of Malta	3	5,555	3,905
- on debt securities	3	1,847	1,454
Interest payable	4	(5,069)	(3,560)
<b>Net interest income</b>		<b>2,333</b>	<b>1,799</b>
Dividend income	5	35	42
Fees and commissions receivable		348	296
Fees and commissions payable		(11)	(13)
Dealing profits	6	781	737
Other operating income	7	16	34
<b>Operating income</b>		<b>3,502</b>	<b>2,895</b>
Administrative expenses	8	(1,589)	(1,553)
Depreciation		(255)	(235)
Other operating charges		(40)	-
Provision for bad and doubtful debts	9	(384)	(253)
Adjustments to provision for bad and doubtful debts	10	6	24
<b>Profit on ordinary activities before taxation</b>	11	<b>1,240</b>	<b>878</b>
Tax on profit on ordinary activities	12	(435)	(303)
<b>Profit for the year</b>		<b>805</b>	<b>575</b>
Earnings per share	13	22c6	18c9

*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 21 to 40.*



# Balance Sheet

At 30 September 2000

	Note	2000 Lm 000	1999 Lm 000
<b>ASSETS</b>			
Cash and balances with Central Bank of Malta	15	829	825
Reserve deposit with Central Bank of Malta	16	5,844	4,103
Cheques in course of collection		1,169	438
Treasury bills	17	7,386	1,641
Loans and advances to banks	18	36,191	23,504
Loans and advances to customers	19	41,158	34,347
Debt securities	21	25,204	22,619
Equity shares	22	773	537
Tangible fixed assets	23	1,765	1,940
Other assets	24	1,052	613
Prepayments and accrued income	25	1,920	667
<b>Total assets</b>		<b>123,291</b>	<b>91,234</b>
<b>LIABILITIES</b>			
Amounts owed to banks	26	1,077	264
Amounts owed to customers	27	108,859	83,297
Other liabilities	28	1,812	855
Accruals and deferred income	29	2,470	1,780
Provision for taxation		260	90
		<b>114,478</b>	<b>86,286</b>
<b>SHAREHOLDERS' FUNDS</b>			
Called up issued share capital	30	1,932	1,530
Share premium	31	3,709	922
Other reserve	31	111	111
Revaluation reserve	31	126	102
Profit and loss account		2,722	2,130
Dividend reserve		213	153
		<b>8,813</b>	<b>4,948</b>
<b>Total liabilities</b>		<b>123,291</b>	<b>91,234</b>
<b>MEMORANDUM ITEMS</b>			
<b>Contingent liabilities</b>	32	<b>2,440</b>	<b>620</b>
<b>Commitments</b>	33	<b>16,230</b>	<b>16,451</b>

*The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out in pages 21 to 40. The financial statements on pages 16 to 40 were approved by the Board of Directors on 6 November 2000 and were signed on its behalf by:*

C. Lemmerich  
Chairman

N. P. Mifsud  
Director



**LOMBARD BANK**

# Statement of Changes in Equity

For the year ended 30 September 2000

	Note	Total Lm 000	Share Capital Lm 000	Share Premium Lm 000	Other Reserve Lm 000	Revaluation Reserve Lm 000	Profit and Loss Account Lm 000	Dividend Reserve Lm 000
At 1 October 1998		4,373	1,500	815	111	102	1,708	137
Ordinary shares issued in lieu of dividends		-	30	107	-	-	-	(137)
Profit for the year		575	-	-	-	-	575	-
Dividends proposed for approval by General Meeting 14		-	-	-	-	-	(153)	153
At 30 September 1999		4,948	1,530	922	111	102	2,130	153
Surplus on revaluation of freehold property	31	36	-	-	-	36	-	-
Effect of deferred tax on revaluation of freehold property		(12)	-	-	-	(12)	-	-
Ordinary shares issued in lieu of dividends	30	-	20	129	-	-	-	(149)
Dividends payable		(4)	-	-	-	-	-	(4)
Issue of shares	30	3,040	382	2,658	-	-	-	-
Profit for the year		805	-	-	-	-	805	-
Dividends proposed for approval by General Meeting 14		-	-	-	-	-	(213)	213
At 30 September 2000		8,813	1,932	3,709	111	126	2,722	213

*The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out in pages 21 to 40.*



**LOMBARD BANK**

# Cash Flow Statement

For the year ended 30 September 2000

	Note	2000 Lm 000	1999 Lm 000
<b>Cash flows from operating activities</b>			
Interest and commission receipts		5,093	4,846
Interest and commission payments		(4,456)	(3,279)
Recoveries on loans previously written off		-	3
Payments to employees and suppliers		(1,526)	(1,551)
<hr/>			
Operating (loss)/profit before changes in operating assets		(889)	19
Decrease/(increase) in operating assets:			
Non-investment securities		236	(80)
Reserve deposit with Central Bank of Malta		(1,741)	(756)
Loans and advances to customers and banks		(26,311)	(5,911)
Other receivables		(1,068)	(355)
Increase/(decrease) in operating liabilities:			
Amounts owed to customers		25,561	15,910
Other payables		959	375
<hr/>			
Net cash operating activities before income tax		(3,253)	9,202
Tax paid		(380)	(418)
<hr/>			
Net cash (used in)/from operating activities		(3,633)	8,784
<hr/>			
<b>Cash flows from investing activities</b>			
Dividends received		34	42
Interest income from investment securities		1,764	1,486
Proceeds from disposal of investment securities		2,745	1,453
Purchase of investment securities		(5,361)	(3,743)
Purchase of property, plant and equipment		(44)	(406)
<hr/>			
Net cash flows used in investing activities		(862)	(1,168)
<hr/>			



# Cash Flow Statement

For the year ended 30 September 2000

	Note	2000 Lm 000	1999 Lm 000
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		3,040	-
Dividends paid		(3)	-
<b>Net cash from financing activities</b>		<b>3,037</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,458)</b>	<b>7,616</b>
Cash and cash equivalents at beginning of year	34	25,706	18,090
<b>Cash and cash equivalents at end of year</b>	<b>34</b>	<b>24,248</b>	<b>25,706</b>

*The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out in pages 21 to 40.*



# Notes to the Financial Statements

30 September 2000

## 1. Basis of Preparation

The format of the financial statements conforms with the Banking Directive on the publication of audited financial statements of credit institutions authorised under the Banking Act, 1994 issued by the Central Bank of Malta.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold properties, and in accordance with the requirements of International Accounting Standards and the Companies Act, 1995.

## 2. Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below:

### *a) Revenue Recognition*

Interest income is recognised in the profit and loss account as it accrues, except in the case of doubtful debts (see note 2(b)). Fee income is accounted for in the period when receivable, except where the fee is charged to cover the cost of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised on an appropriate basis over the relevant period.

Dividend income on equity shares is accounted for when the right to receive dividend income is established.

### *b) Loans and Advances and Doubtful Debts*

Loans and advances are stated after deduction of amounts, which, in the opinion of the directors, are required as specific and general provisions. Specific provisions have been made in respect of all identified impaired advances relating to individual banking relationships. The general provision is maintained in respect of losses which, although not yet specifically identified, are known from experience to be present and are inherent in any portfolio of bank loans and advances.

The aggregate provisions which are made during the year are charged against profit before income tax while amounts realised and recoveries of debts previously written off are added to profit. Interest on doubtful loans and advances is not credited to profit but carried forward as suspended interest. Bad debts are written off in whole or in part when the extent of the loss incurred has been confirmed and, where appropriate, are then removed from the amount included in specific provision.

### *c) Debt securities and equity shares*

Shares and securities intended for use on a continuing basis in the Bank's activities are classified as investment securities. Such shares and securities are stated at cost less provision for any permanent diminution in value. In the case of investment securities redeemable on or before a given date and not subject to abnormal risk of default, the cost is adjusted for the amortisation of premiums and discounts on a straight-line basis over the period to maturity. The amortisation of premiums or discounts is included in interest income.

Dealing shares and securities, which are quoted, are valued at market price. Changes in the market value of dealing shares and securities are included in dealing profits.





# Notes to the Financial Statements

30 September 2000

## *d) Tangible Fixed Assets and Depreciation*

Tangible fixed assets are stated at historical cost or in the case of freehold property, at revalued amounts, and are depreciated using the straight line method over their estimated useful economic lives as follows:

	<b>Years</b>
Freehold property	100
Leasehold property	over the period of the lease
Computer equipment	4
Other assets	4 - 8

Freehold properties are revalued on the basis of their existing use every five years or earlier whenever their fair value differs materially from their carrying amount. Any surpluses arising on such revaluation are credited to a revaluation reserve. Any deficiencies resulting from decreases in value are deducted from this reserve to the extent that it is sufficient to absorb them, and charged to the profit and loss account thereafter.

## *e) Taxation*

Tax on the profit for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustments of tax payable for previous years. Deferred income taxes are provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except for the initial recognition of assets or liabilities which affect neither accounting nor taxable profit.

The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability within the same legal tax unit and jurisdiction. Net deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the profit and loss account, except to the extent that it relates to items previously charged or credited directly to equity.

The amount of deferred income taxes on these differences is determined by using the rate of local income tax applicable at balance sheet date.

## *f) Employee Benefits*

The Bank contributes towards the State pension in accordance with local legislation. Related costs are expensed in the period in which they are incurred.

## *g) Foreign Currencies*

Transactions denominated in foreign currencies are converted into Maltese Lira at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated at the rates of exchange prevailing at balance sheet date. Resulting exchange differences are recognised as income or expense in the period in which they arise.

## *h) Cash and cash equivalents*

Cash and cash equivalents comprise:

- cash in hand and deposits repayable on demand or with a contractual period to maturity of less than three months, with any bank or financial institution; and
- advances from banks repayable within three months from the date of the advance.



# Notes to the Financial Statements

30 September 2000

## 3. Interest Receivable and Similar Income

	2000 Lm 000	1999 Lm 000
On loans and advances to banks	2,048	1,192
On loans and advances to customers	3,194	2,614
On balances with Central Bank of Malta	313	99
	<hr/> 5,555	<hr/> 3,905
On debt securities	1,849	1,447
Amortisation of premiums and discounts	(2)	7
	<hr/> 1,847	<hr/> 1,454
	<hr/> 7,402	<hr/> 5,359

## 4. Interest Payable

	2000 Lm 000	1999 Lm 000
On amounts owed to banks	10	37
On amounts owed to customers	5,059	3,523
	<hr/> 5,069	<hr/> 3,560

## 5. Dividend Income

	2000 Lm 000	1999 Lm 000
From equity shares	35	42



# Notes to the Financial Statements

30 September 2000

## 6. Dealing Profits

	2000 Lm 000	1999 Lm 000
Profit on foreign exchange activities	304	302
Price movements on dealing securities	249	204
Net gains on sale of securities	228	231
	<hr/>	<hr/>
	781	737

## 7. Other Operating Income

	2000 Lm 000	1999 Lm 000
Gains on disposal of investment securities	-	15
Other Income	16	19
	<hr/>	<hr/>
	16	34

## 8. Administrative Expenses

	2000 Lm 000	1999 Lm 000
Staff costs		
- wages, salaries and allowances	889	911
- social security costs	65	70
Other administrative expenses	635	572
	<hr/>	<hr/>
	1,589	1,553

The weekly average number of persons employed by the Bank during the year was as follows:

	No	No
Executive and senior managerial	9	9
Other managerial, supervisory and clerical	106	117
Others	12	12
	<hr/>	<hr/>
	127	138



LOMBARD BANK

# Notes to the Financial Statements

30 September 2000

## 9. Provision for Bad and Doubtful Debts

	2000 Lm 000	1999 Lm 000
Increase in specific provision	105	249
Increase in general provision	277	-
Bad debts written off	2	4
	<b>384</b>	<b>253</b>

## 10. Adjustments to Provision for Bad and Doubtful Debts

	2000 Lm 000	1999 Lm 000
Decrease in specific provision	6	12
Decrease in general provision	-	9
Recoveries of debts previously written off	-	3
	<b>6</b>	<b>24</b>

## 11. Profit on Ordinary Activities Before Taxation

	2000 Lm 000	1999 Lm 000
Profit before taxation is stated after charging:		
Auditors' remuneration	6	6
Directors' emoluments		
- fees	7	8
- other emoluments	7	5
	<b>14</b>	<b>13</b>



# Notes to the Financial Statements

30 September 2000

## 12. Tax on Profit on Ordinary Activities

	2000 Lm 000	1999 Lm 000
Current tax expense – income tax at 35% on the taxable income for the year	550	298
Net deferred tax movement relating to the origination and reversal of temporary differences	(115)	5
	<hr/> 435	<hr/> 303

The tax expense and the result of accounting profit multiplied by the applicable tax rate is reconciled as follows:

	2000 Lm 000	1999 Lm 000
Profit on ordinary activities before taxation	<hr/> 1,240	<hr/> 878
Tax at the applicable rate at 35%	434	307
Tax effect of non-taxable income	(7)	(7)
Tax effect of depreciation charges not deductible by way of capital allowances in determining taxable income	7	2
Tax effect of expenses that are not deductible in determining taxable income	1	1
	<hr/> 435	<hr/> 303

## 13. Earnings Per Share

Earnings per share is calculated on the profit after taxation of Lm805,000 (1999: Lm575,000) divided by 3,555,956 (1999: 3,046,500), being the weighted average number of shares in issue during the year.



# Notes to the Financial Statements

30 September 2000

## 14. Dividends

	2000 %	1999 %	2000 Lm 000	1999 Lm 000
Gross of income tax	17	15.4	328	236

	Cents per Share	Cents per Share	Lm 000	Lm 000
Net of income tax	5.5	5.01	213	153

From the current financial period the dividends proposed for approval by the General Meeting have not been recognised as a liability at the balance sheet date, but treated as a separate component of equity.

## 15. Cash and Balances with Central Bank of Malta

	2000 Lm 000	1999 Lm 000
Cash in hand	537	806
Balances with Central Bank of Malta	292	19
	<b>829</b>	<b>825</b>

## 16. Reserve Deposit with Central Bank of Malta

This consists of a reserve deposit held with the Central Bank of Malta in terms of Section 37 of the Central Bank of Malta Act, Cap 204.

## 17. Treasury Bills

	2000 Lm 000	1999 Lm 000
<b>Cost and market value</b>		
Malta Government Treasury Bills held for investment purposes	7,386	1,641



# Notes to the Financial Statements

30 September 2000

## 18. Loans and Advances to Banks

	2000 Lm 000	1999 Lm 000
Repayable on call and at short notice	22,584	23,504
Term loans and advances	13,607	-
	<b>36,191</b>	<b>23,504</b>
<b>Remaining maturity of term loans and advances</b>		
- five years or less but over one year	460	-
- one year or less but over three months	13,147	-
	<b>13,607</b>	<b>-</b>
<b>By currency</b>		
- Maltese Lira	126	501
- foreign	36,065	23,003
	<b>36,191</b>	<b>23,504</b>

The Bank reports large exposures to the Central Bank of Malta in accordance with the requirements of Banking Directive BD/02 on Large Exposures of Credit Institutions. At 30 September 2000 the aggregate amount of large exposures to banks was Lm36,523,000 (1999: Lm22,006,000).

## 19. Loans and Advances to Customers

	2000 Lm 000	1999 Lm 000
Repayable on call and at short notice	22,287	16,082
Term loans and advances	20,139	19,116
	<b>42,426</b>	<b>35,198</b>
Less:		
Provision for bad and doubtful debts	(1,088)	(712)
Interest in suspense	(180)	(139)
	<b>41,158</b>	<b>34,347</b>



**LOMBARD BANK**

# Notes to the Financial Statements

30 September 2000

## 19. Loans and Advances to Customers *(continued)*

	2000 Lm 000	1999 Lm 000
<b>Remaining maturity of term loans and advances</b>		
- over five years	1,259	6,433
- five years or less but over one year	3,829	8,530
- one year or less but over three months	9,256	2,700
- three months or less	5,795	1,453
	<b>20,139</b>	<b>19,116</b>
<b>Provision for bad and doubtful debts</b>		
- Specific	501	402
- General	587	310
	<b>1,088</b>	<b>712</b>
<b>By currency</b>		
- Maltese Lira	41,565	34,480
- foreign	861	718
	<b>42,426</b>	<b>35,198</b>

The aggregate amount of advances, gross of provisions, on which interest is suspended amounted to Lm681,000 (1999: Lm541,000) which is being provided for as specific provision and suspended interest.

The Bank reports large exposures to the Central Bank of Malta in accordance with the requirements of Banking Directive BD/02 on Large Exposures of credit institutions. At 30 September 2000 the aggregate amount of large exposures to customers was Lm10,745,000 (1999: Lm14,080,000).





# Notes to the Financial Statements

30 September 2000

## 20. Concentration of Loans and Advances

The following industry concentrations, gross of provisions, are considered significant:

	2000		1999	
	Lm 000	%	Lm 000	%
Energy and water	2,093	4.9	2,091	5.9
Credit and financial institutions	200	0.5	207	0.6
Transport, storage and communications	190	0.4	66	0.2
Agriculture and fisheries	136	0.3	160	0.5
Manufacturing	3,715	8.8	2,572	7.3
Building and construction	2,451	5.8	1,796	5.1
Hotel, restaurant and tourist trade	3,761	8.9	3,329	9.4
Wholesale and retail trade	6,288	14.8	5,514	15.7
Personal	8,616	20.3	6,666	18.9
Other services	4,117	9.7	2,099	6.0
All others	10,859	25.6	10,698	30.4
	<b>42,426</b>	<b>100.0</b>	<b>35,198</b>	<b>100.0</b>

## 21. Debt Securities

	2000		1999	
	Balance Sheet Lm 000	Market Value Lm 000	Balance Sheet Lm 000	Market Value Lm 000
<b>Issued by public bodies</b>				
Investment securities				
- local government	23,800	24,947	19,451	20,870
- foreign government	402	400	577	568
	<b>24,202</b>	<b>25,347</b>	<b>20,028</b>	<b>21,438</b>
<b>Issued by other issuers</b>				
Investment securities				
- foreign banks	390	374	1,671	1,641
- others foreign	102	101	610	604
- others local	194	194	-	-
	<b>686</b>	<b>669</b>	<b>2,281</b>	<b>2,245</b>

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24,888

26,016

22,309

23,683



**LOMBARD BANK**

# Notes to the Financial Statements

30 September 2000

## 21. Debt Securities (continued)

	2000		1999	
	Balance Sheet Lm 000	Market Value Lm 000	Balance Sheet Lm 000	Market Value Lm 000
brought forward from previous page	24,888	26,016	22,309	23,683
Dealing securities				
- other local	316	316	310	310
	25,204	26,332	22,619	23,993
Amounts include				
<b>By remaining maturities:</b>				
- over five years	14,465		13,902	
- five years or less but over one year	9,193		7,897	
- one year or less but over three months	1,410		820	
- three months or less	136		-	
	25,204		22,619	
<b>By currency:</b>				
- Maltese Lira	24,310		19,761	
- foreign	894		2,858	
	25,204		22,619	
Unamortised net premiums on investment securities	(116)		(5)	
Investment securities				
- listed on Malta Stock Exchange	23,994		19,451	
- foreign listed	894		2,858	
	24,888		22,309	
Dealing securities				
- listed on Malta Stock Exchange	316		310	
	25,204		22,619	



# Notes to the Financial Statements

30 September 2000

## 21. Debt Securities *(continued)*

### Movements in investment securities

	Cost Lm 000	Discounts and Premiums Lm 000	Carrying Value Lm 000
At 1 October 1999	22,306	4	22,310
Exchange adjustments	4	-	4
Acquisitions	5,361	-	5,361
Disposals	(1,964)	(1)	(1,965)
Amortisation of premiums	-	(2)	(2)
Securities matured during the year	(820)	-	(820)
At 30 September 2000	24,887	1	24,888

The Bank has pledged Lm2,000,000 (1999: Lm2,000,000) worth of Malta Government Stocks to the Central Bank of Malta as security for a facility which was not utilised at year end.

The Bank reports large exposures to the Central Bank of Malta in accordance with the requirements of Banking Directive BD/02 on Large Exposures of Credit Institutions. At 30 September 2000 the aggregate amount of large exposures in respect of debt securities was Lm23,802,000 (1999: Lm19,451,000).

## 22. Equity Shares

	2000 Lm 000	1999 Lm 000
<b>Dealing securities</b>		
- listed on Malta Stock Exchange	773	537



# Notes to the Financial Statements

30 September 2000

## 23. Tangible Fixed Assets

	Land and Buildings Lm 000	Computer Equipment Lm 000	Other Lm 000	Total Lm 000
<b>Cost/Revaluation</b>				
At 1 October 1999	1,387	809	719	2,915
Reclassification	(9)	(5)	14	-
Additions	7	22	15	44
Revaluation	3	-	-	3
<b>At 30 September 2000</b>	<b>1,388</b>	<b>826</b>	<b>748</b>	<b>2,962</b>

<b>Depreciation</b>				
At 1 October 1999	81	313	581	975
Reclassification	-	(2)	2	-
Charge for the year	20	177	58	255
Revaluation	(33)	-	-	(33)
<b>At 30 September 2000</b>	<b>68</b>	<b>488</b>	<b>641</b>	<b>1,197</b>

<b>Net Book Amount</b>				
At 30 September 1999	1,306	496	138	1,940
At 30 September 2000	1,320	338	107	1,765

		<b>2000</b>	<b>1999</b>
		<b>Lm 000</b>	<b>Lm 000</b>
Net book amount of buildings occupied for own activities		<b>1,320</b>	<b>1,306</b>

### Future capital expenditure

Contracted but not provided in the financial statements	12	-
Authorised by the directors but not yet contracted	142	-
	<b>154</b>	<b>-</b>

On 30 September 2000 the Board carried out and approved a revaluation of the Bank's freehold premises on the basis of existing use. The revaluation surplus was taken to a revaluation reserve (note 31(c)). The carrying amount of land and buildings that would have been included in the financial statements had these assets been carried at cost less depreciation is Lm1,134,000 (1999: Lm1,154,000).



# Notes to the Financial Statements

30 September 2000

## 24. Other Assets

	2000 Lm 000	1999 Lm 000
Deferred taxation	188	85
Subscriptions to acquire securities	627	350
Property investment at cost	151	151
Other	86	27
	<b>1,052</b>	<b>613</b>

The property investment is held with the necessary approval from the Central Bank of Malta in terms of Section 15 (1) (f) (iii) of the Banking Act, 1994.

The deferred tax asset arises as follows:

	2000 Lm 000	1999 Lm 000
Tax effect of temporary differences relating to:		
- Excess of capital allowances over depreciation	19	(20)
- Revaluation	(67)	(55)
- Provision for bad and doubtful debts	381	249
- Price movements in dealing securities	(159)	(89)
- Capital loss on investment securities	14	-
	<b>188</b>	<b>85</b>

## 25. Prepayments and Accrued Income

	2000 Lm 000	1999 Lm 000
Accrued income	1,869	618
Prepayments	51	49
	<b>1,920</b>	<b>667</b>



# Notes to the Financial Statements

30 September 2000

## 26. Amounts Owed To Banks

	2000 Lm 000	1999 Lm 000
<b>With agreed maturity dates or periods of notice, by remaining maturity</b>		
- three months or less but not repayable on demand	1,000	-
Repayable on demand	77	264
	<b>1,077</b>	<b>264</b>
<b>Analysed by currency:</b>		
- Maltese Lira	1,047	51
- foreign	30	213
	<b>1,077</b>	<b>264</b>

## 27. Amounts Owed To Customers

	2000 Lm 000	1999 Lm 000
<b>With agreed maturity dates or periods of notice, by remaining maturity</b>		
- over five years	402	280
- five years or less but over one year	12,493	11,385
- one year or less but over three months	35,536	18,774
- three months or less but not repayable on demand	57,147	49,743
Repayable on demand	105,578	80,182
	<b>3,281</b>	<b>3,115</b>
	<b>108,859</b>	<b>83,297</b>
<b>Analysed by currency:</b>		
- Maltese Lira	71,583	59,134
- foreign	37,276	24,163
	<b>108,859</b>	<b>83,297</b>



# Notes to the Financial Statements

30 September 2000

## 28. Other Liabilities

	2000 Lm 000	1999 Lm 000
Bills payable	439	795
Other	1,373	60
	<b>1,812</b>	<b>855</b>

## 29. Accruals and Deferred Income

	2000 Lm 000	1999 Lm 000
Accrued interest	2,309	1,684
Other	161	96
	<b>2,470</b>	<b>1,780</b>

## 30. Called up Issued Share Capital

	2000		1999	
	000s	Lm 000	000s	Lm 000
<b>Authorised</b>				
Ordinary Shares of 50 cents	10,000	5,000	10,000	5,000
<b>Issued and fully paid up</b>				
Ordinary Shares of 50 cents	3,865	1,932	3,060	1,530

The increase in the issued and paid up share capital represents the nominal value of shares amounting to Lm20,403 issued in lieu of cash dividends approved at the Annual General Meeting held on 20 December 1999 and the nominal value of shares amounting to Lm381,917 allotted under a rights issue approved during an Extraordinary General Meeting of the shareholders dated 3 February 2000.



# Notes to the Financial Statements

30 September 2000

## 31. Reserves

### *a) Share premium*

The increase in the share premium account represents the premium on the shares issued in lieu of cash dividends amounting to Lm129,000 approved by the Annual General Meeting on 20 December 1999, together with the premiums receivable on the rights issue amounting to Lm2,658,000.

### *b) Other Reserve*

This reserve represents the remaining unrealised exceptional gain registered by the Bank on the translation of its net foreign currency holding following the devaluation of the Maltese Lira on 25 November 1992, net of related deferred tax effects. Movements on this reserve relate to the crystallisation of the gains on conversion of foreign currency holdings to Maltese Lira. This reserve is not available for distribution.

### *c) Revaluation Reserve*

The revaluation reserve represents the surplus arising on the revaluation of the Bank's freehold property net of related deferred tax effects. The revaluation reserve is not available for distribution.

## 32. Contingent Liabilities

	2000 Lm 000	1999 Lm 000
Guarantee obligations incurred on behalf of third parties	2,440	620

## 33. Commitments

	2000 Lm 000	1999 Lm 000
Documentary credits	164	18
Forward asset purchases	28	222
Credit facilities and other commitments to lend	16,038	16,211
	16,230	16,451





# Notes to the Financial Statements

30 September 2000

## 34. Cash and Cash Equivalents

Balances of cash and cash equivalents as shown in the balance sheet are analysed below:

	2000 Lm 000	1999 Lm 000
Cash	537	806
Balances with Central Bank of Malta (excluding reserve deposit)	292	19
Loans and advances to banks	17,110	23,504
Treasury bills	7,386	1,641
Amounts owed to banks	(1,077)	(264)
	<b>24,248</b>	<b>25,706</b>
Adjustment to reflect balances with contractual maturity of more than three months	19,081	-
Per balance sheet	<b>43,329</b>	<b>25,706</b>

## 35. The Aggregate Amount of Assets and Liabilities Denominated in Foreign Currencies Translated into Maltese Liri

	2000 Lm 000	1999 Lm 000
Assets	39,003	26,051
Liabilities	37,974	24,376

## 36. Segmental Information

The Bank provides related retail and corporate banking services to resident and non-resident customers who are subject to the same risks and returns in the domestic market.

## 37. Related Parties

During the course of its operations the Bank conducts business with its major shareholder, Crédit Commercial de France Group (CCF), on an arm's length basis. Transactions entered into with CCF relate mainly to foreign currency positions and interbank placements. From these placements, the Bank earned interest income amounting to Lm116,000 (1999: Lm132,000).



# Notes to the Financial Statements

30 September 2000

## 38. Loans to and commitments on behalf of directors and officers

	2000 Loans and Advances Lm 000	2000 Commitments Lm 000	1999 Loans and Advances Lm 000	1999 Commitments Lm 000
<b>Directors</b>				
At 1 October	-	-	-	-
Additions	-	1	-	-
At 30 September	-	1	-	-
<b>Officers</b>				
At 1 October	22	52	19	41
Additions	64	-	11	11
Less repayments	(3)	-	(8)	-
At 30 September	83	52	22	52

## 39. Financial Instruments

### *Off-Balance sheet instruments*

The Bank enters into forward foreign currency exchange contracts with customers in the normal course of its business. In view of the Bank's policy to hedge these contracts immediately by buying or selling a corresponding amount of the contracted currency on the money market, the Bank is not open to any significant exchange risk. The Bank also takes a deposit margin of the nominal value from the customer thereby reducing its credit risk should the client default. In view of the fact that there were no significant contracts open at year-end, either individually or as a class, it is not considered necessary to disclose these financial instruments.

### *Currency Risk – the risk that the value of a financial instrument will fluctuate due to the changes in foreign exchange rates*

The Bank manages this risk using various techniques. In the majority of cases the Bank covers the risk by ensuring that its foreign currency denominated liabilities are matched with corresponding assets in the same currency. Maltese Lira liabilities, which are invested in foreign currency denominated assets, are usually aligned with the basket of currencies making up the Maltese Lira valuation. Any mismatches that can arise are monitored accordingly.

### *Interest rate risk – the risk that the value of a financial instrument will fluctuate due to changes in market interest rate*

This risk is managed through the matching of the interest resetting dates on assets and liabilities. The domestic environment offers relatively more stability in market rates whereas foreign rates tend to be more volatile. Any mismatches that arise are monitored accordingly.

### *Market risk – the risk that the value of a financial instrument will fluctuate as a result of a change in market prices*

The Bank manages this risk by establishing investment limits both in terms of the value that can be invested and also the securities and equities that can be invested in, always ensuring that investments are held in good quality names.



# Notes to the Financial Statements

30 September 2000

## 39. Financial Instruments *(continued)*

*Credit risk - the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss*

This is the Bank's largest risk in view of its significant lending portfolio and is monitored in several ways. Approval limits are graded starting from branch managers and leading up to the Board of Directors depending on the size and the particular risk attached to the loan. All loans are adequately secured either by property or by personal and bank guarantees and are reviewed periodically by management both in terms of the exposure to the Bank and to ensure that security is still valid.

The Bank also ensures that it has a reasonable sectoral mix of loans, mitigating the higher risk industries by charging higher interest rates. The Bank monitors its risk on balances held with other banks by establishing bank and country limits. The Bank also ensures that it deals with reputable and highly rated international credit institutions.

*Liquidity risk - the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments*

The Bank manages this risk by ensuring that its assets and liabilities are matched in terms of maturities, thereby allowing it to raise funds to meet its commitments. Most of the Bank's foreign investments are in listed companies thereby increasing their liquidity, whilst the investment in locally listed securities is less liquid in view of the size of the local market.

*Fair values - the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction*

At 30 September 2000 and 30 September 1999, the carrying amounts of cash balances, loans and advances to banks and customers, investments, other assets, amounts owed to banks and customers and other liabilities approximated their fair values. Cash balances, loans to banks, amounts owed to banks, other assets and liabilities are highly liquid short-term assets and liabilities. Adequate provisions are in place to ensure that loans and advances to customers correctly reflect their fair value. Dealing securities are stated at their market value, whilst the market values of investment securities which are accounted for at cost, are also disclosed.

## 40. Comparative Figures

Certain amounts have been reclassified to conform with the current year's presentation.



LOMBARD BANK

# Five Year Summary

## Profit and Loss Account

	2000 Lm 000	1999 Lm 000	1998 Lm 000	1997 Lm 000	1996 Lm 000
Interest receivable and other income	7,402	5,359	4,807	5,566	4,014
Interest payable	(5,069)	(3,560)	(3,121)	(4,004)	(2,804)
<b>Net interest income</b>	<b>2,333</b>	<b>1,799</b>	<b>1,686</b>	<b>1,562</b>	<b>1,210</b>
Other operating income	1,169	1,096	755	642	584
Other operating charges	(1,884)	(1,788)	(1,591)	(1,391)	(1,156)
Net charge for bad and doubtful debts	(378)	(229)	(44)	(82)	(85)
<b>Profit before taxation</b>	<b>1,240</b>	<b>878</b>	<b>806</b>	<b>731</b>	<b>553</b>
Taxation	(435)	(303)	(375)	(234)	(160)
<b>Profit for the year</b>	<b>805</b>	<b>575</b>	<b>431</b>	<b>497</b>	<b>393</b>
<b>Earnings per share</b>					
Before special tax	22c6	18c9	17c4	16c6	13c1
After special tax	-	-	14c4	-	-



# Five Year Summary

## Balance Sheet

	2000 Lm 000	1999 Lm 000	1998 Lm 000	1997 Lm 000	1996 Lm 000
<b>ASSETS</b>					
Cash and balances with					
Central Bank of Malta	829	825	1,580	745	443
Reserve deposit with Central					
Bank of Malta	5,844	4,103	3,347	3,315	4,681
Cheques in course of collection	1,169	438	437	339	382
Treasury bills	7,386	1,641	-	292	633
Loans and advances to banks	36,191	23,504	24,051	23,426	37,064
Loans and advances to customers	41,158	34,347	28,668	23,701	20,849
Debt securities	25,204	22,619	20,228	18,996	12,297
Equity shares	773	537	457	971	619
Tangible fixed assets	1,765	1,940	1,769	1,322	1,023
Other assets	1,052	613	264	268	232
Prepayments and accrued income	1,920	667	666	616	693
<b>Total assets</b>	<b>123,291</b>	<b>91,234</b>	<b>81,467</b>	<b>73,991</b>	<b>78,916</b>
<b>LIABILITIES</b>					
Amounts owed to banks	1,077	264	7,541	171	103
Amounts owed to customers	108,859	83,297	67,387	67,872	72,548
Other liabilities	1,812	855	480	387	995
Accruals and deferred income	2,470	1,780	1,476	1,311	1,379
Provision for taxation	260	90	210	171	163
Share capital	1,932	1,530	1,500	1,500	1,500
Share premium	3,709	922	815	815	815
Other reserve	111	111	111	111	111
Revaluation reserve	126	102	102	102	102
Profit and Loss Account	2,722	2,130	1,708	1,414	1,053
Dividend reserve	213	153	137	137	147
<b>Total liabilities</b>	<b>123,291</b>	<b>91,234</b>	<b>81,467</b>	<b>73,991</b>	<b>78,916</b>
<b>MEMORANDUM ITEMS</b>					
Contingent liabilities	2,440	620	992	847	797
Commitments	16,230	16,451	8,392	6,790	5,015



# Five Year Summary Cash Flow Statement

	2000 Lm 000	1999 Lm 000	1998 Lm 000	1997 Lm 000	1996 Lm 000
<b>Net cash (used in)/from operating activities</b>	<b>(1,835)</b>	10,312	(4,270)	(6,794)	2,567
<b>Investing activities</b>					
- purchase of investment securities	(5,361)	(3,743)	(6,310)	(9,193)	(3,940)
- sale of investment securities	1,925	1,201	4,587	2,365	631
- investment securities matured during the year	820	252	523	430	108
- purchase of tangible fixed assets	(44)	(406)	(595)	(406)	(314)
- sale of tangible fixed assets	-	-	-	-	1
<b>Net Cash used in investing activities</b>	<b>(2,660)</b>	(2,696)	(1,795)	(6,804)	(3,514)
<b>Financing activities</b>					
- proceeds from issue of share capital	3,040	-	-	-	-
- dividends paid	(3)	-	(137)	(147)	(132)
<b>Net Cash from/(used in) financing activities</b>	<b>3,037</b>	-	(137)	(147)	(132)
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(1,458)</b>	7,616	(6,202)	(13,745)	(1,079)



# Five Year Summary Accounting Ratios

	2000 %	1999 %	1998 %	1997 %	1996 %
Net interest income and other operating income to total assets	2.8	3.2	3.0	3.0	2.3
Operating expenses to total assets	1.8	2.2	2.0	2.0	1.6
Profit before tax to total assets	1.0	1.0	1.0	1.0	0.7
Profit before tax to equity	14.1	17.7	19.0	18.5	15.4
Profit after tax to equity	9.1	11.6	10.2	11.1	11.1
	<b>2000</b>	1999	1998	1997	1996
Shares in issue of 50c each (thousands)	<b>3,865</b>	3,060	3,000	3,000	3,000
Net assets per share (cents)	<b>228</b>	162	141	130	118
Earnings per share (cents)					
- after special tax	-	-	13.7	-	-
- before special tax	<b>22.6</b>	18.9	16.7	16.6	13.1
Dividend per share (cents)					
- gross	<b>8.5</b>	7.7	7.0	7.0	7.0
- net	<b>5.5</b>	5.0	4.6	4.9	4.9
Dividend cover	<b>3.8</b>	3.8	3.1	2.7	2.7



# Solvency Ratio

30 September 2000

	Note	Balance Sheet Value Lm 000	Weighted Amount Lm 000
<b>On-balance sheet assets</b>			
Cash and balances with Central Bank of Malta	(a)	829	-
Reserve deposit with Central Bank of Malta		5,844	-
Cheques in course of collection		1,169	234
Malta Government treasury bills		7,386	-
Loans and advances to banks		36,191	7,238
Loans and advances to customers	(b)	42,426	24,241
Debt securities		25,204	773
Equity shares		773	692
Tangible fixed assets		1,765	1,765
Other assets		1,052	1,052
Prepayments and accrued income		1,920	960
		<b>124,559</b>	<b>36,955</b>
<b>Off-balance sheet assets</b>			
Contingent liabilities and commitments	(c)	2,631	-
<b>Total adjusted assets and off-balance sheet items</b>			<b>36,955</b>
<b>Own Funds</b>			
Original own funds	(d)	8,474	
Additional own funds	(e)	713	
<b>Gross own funds</b>		<b>9,187</b>	
Deductions	(f)	-	
<b>Total own funds</b>		<b>9,187</b>	
<b>Solvency ratio</b>	(g)		<b>24.86%</b>





# Solvency Ratio

30 September 2000

## Notes

- (a) For on-balance sheet assets four basic scales of risk weighting are applied based primarily on the credit rating of the counterparty (0%, 20%, 50% and 100%).
- (b) Loans and advances to customers are grossed up with general provision for bad and doubtful debts.
- (c) For off-balance sheet items a system of credit conversion factors is used. The resultant credit equivalent is weighted according to the category of the counterparty.
- (d) Original own funds comprise called up issued share capital, reserves and the share premium account and exclude tangible fixed assets revaluation reserve and dividend reserve.
- (e) Additional own funds comprise the general provision for bad and doubtful debts and tangible fixed assets revaluation reserve.
- (f) Deductions from gross own funds comprise holdings in other financial institutions, which exceed 10% of the Bank's total gross own funds.
- (g) The solvency ratio is a measure of the Bank's capital adequacy and is the ratio of own funds to total risk-weighted assets and off-balance sheet items in terms of the Solvency Ratio Directive BD/04 issued by the Central Bank of Malta.



LOMBARD BANK

# Financial Highlights in Major Currencies

30 September 2000

	EURO € 000's	USD \$ 000's	GBP £ 000's
<b>For the year</b>			
Net interest income	5,858	5,157	3,524
Profit before income tax	3,113	2,741	1,873
Profit after income tax	2,022	1,780	1,216
<b>At the year end</b>			
Shareholders' funds	22,130	19,482	13,311
Loans and advances to customers	103,353	90,985	62,166
Amounts owed to customers	273,355	240,643	164,420
Total assets	309,596	272,547	186,219
<b>Per share</b>			
Earnings	0.57	0.50	0.34
Net asset value	5.73	5.04	3.44

*At currency rates of exchange ruling on 30 September 2000:*

EURO 2.5111 = Lm1

US Dollars 2.2106 = Lm1

Pounds Sterling 1.5104 = Lm1



**LOMBARD BANK**

# Other Relevant Company Information

## Directors' interests in the share capital of the Bank at 30 September 2000.

N P Mifsud	100,000
M Zammit	3,993
J R Darmanin	1,804

## Registered shareholders with 5% or more of the share capital at 30 September 2000.

	%
CCF Holding (Suisse) SA	21.74
Handelsfinanz – CCF Bank	5.27
First Gemini plc	5.10
Wignacourt Funds SICAV plc	5.09
La Valette Funds SICAV plc	5.00

## Number of shareholders at 30 September 2000.

The total number of registered shareholders is 1,341 of the same class.

## Number of shareholders at 30 September 2000 analysed by range.

Range	Total Shareholders	Shares
1-500	329	72,470
501-1000	505	316,716
1001-5000	462	772,735
5001-10000	20	139,215
10000 and over	25	2,563,479
<b>Total</b>	<b>1,341</b>	<b>3,864,615</b>

## Company Secretary

G A Fairclough F.C.I.B.  
Lombard Bank Malta p.l.c.  
Lombard House  
67 Republic Street  
Valletta VLT 05  
Malta



**LOMBARD BANK**