



**Annual Report and Financial Statements
2002**

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DIRECTORS

Emmanuel P. Delia M.A., M.Litt. (Oxon.),	Chairman
Lawrence Zammit M.A. (Econ.),	Deputy Chairman
Carmel Curmi	
Arthur Galea Salomone LL.M. (Toronto) LL.D.	
Victor Grech Dimech S. Th.D.	(Resigned 26 April 2002)
Joseph M. Kenely M.Sc., A.C.M.A., F.I.A., C.P.A.A.	
Joseph Pace Ross A.C.I.B.	
Francis H. Stivala M.Sc., B.A. (Hons.) Econ.	

COMPANY SECRETARY

Mario Felice LL.D.

CHIEF EXECUTIVE OFFICER

Edward Cachia A.C.I.B.

REGISTERED OFFICE

APS House,
24, St. Anne Square
Floriana VLT 16
MALTA

CHAIRMAN'S STATEMENT

APS Bank had a very successful year amidst what some may describe as a gloomy international financial and political environment and a domestically relatively low-beat economic momentum. The Bank continued developing its manpower structure and enhancing its IT support systems. At the same time it gave start to the extension of its branch network while, all the time, focusing on its long-term objectives.

We are delighted to report a pre-tax profit of Lm907,262 derived almost in its entirety from operational activity. When compared to the same results achieved in the previous year this is a highly encouraging performance as last year's pre-tax profit, although slightly higher, was largely attributable to profit generated from exceptional activity. A re-calculation of pre-tax profits net of gains derived from this exceptional activity clearly shows that the Bank is moving in the right direction. Loans and advances net of provisions rose to Lm48 million from Lm36 million registered in the previous year whilst deposits increased by Lm23 million reaching Lm147 million.

The Board is satisfied that the targets set in the business plan are being met. Work is currently at hand for opening up two branches, in the North at Mosta and in the South at Paola. Construction commenced on the Mosta site and architects are busy drawing plans for the Paola Branch. In 2002 we placed particular emphasis on the strengthening of our back office and support services and this has produced, in general, a highly favourable acceptance level by the Bank's customers.

We shall continue striving to enhance the interaction between the Bank and its customers. For this purpose, the recruitment of qualified and experienced staff will go on while the present staff will be encouraged to further their professional qualifications.

A dedicated and motivated staff is one important factor in translating APS Bank's service mission into every day reality. The Bank has been working closely with several social groups to assist them in realising their personal and/or sectoral projects. The Bank provides technical advice, apart from the financing of enterprise, in the sectors of housing and agriculture and fisheries. It also supports youth education and has been cooperating with other national organizations to enhance Maltese culture – language, literature and sacred music. We are proud that throughout 2002, the initial initiatives in these respective areas have been consolidated.

The Board is all the time conscious that its task is to offer direction. Day to day achievements are the fruit of the output given by staff members. Therefore, I take this opportunity to thank the Bank's employees for the effort put in in 2002, in particular during the summer months when they had to give up their leave in order to implement the parallel running of the two IT systems, until a new tool was put in place. The year 2003 has greater challenges in store. I have no doubt that they will be taken up.

My appreciation also goes to my colleagues on the Board of Directors for their contribution. They share their varied experience in financial and economic matters for the further development of APS Bank.

Finally, a special 'thank you' to our shareholders who unreservedly have endorsed the various proposals presented by the Board of Directors, and injected Lm2.5 million in capital in 2002. This action is tangible proof of confidence in APS Bank and provided the means with which the Bank's operations can be extended.

Altogether, we can look confidently to meet the challenges that lie ahead.

A handwritten signature in black ink, appearing to read "E. P. Delia".

E. P. Delia
Chairman

DIRECTORS' REPORT

for the year ended 31 December 2002

Principal Activities

General Overview

APS Bank Limited is registered in Malta as a limited liability company under the Companies Act, 1995. The Bank provides a wide range of banking and financial services. The Bank is licensed to carry out the business of banking and investment services in terms of the Banking Act, 1994 and the Investment Services Act, 1994 respectively. The Bank is also licensed to act as an insurance sub-agent in terms of the Insurance Brokers and Other Intermediaries Act, 1998.

During the year under review the Bank enhanced its key structures in order to strengthen its position in the local market.

The implementation of the new core banking system was by far the major event throughout 2002. Most of the Bank's human resource element was directly or indirectly involved in the setting up and subsequent introduction of the new system, which went live on 22 July 2002. The introduction of this new IT system, coupled with the planned changes in work practices and further automation, will render the Bank's operational activity more efficient and responsive to customers' needs.

The Bank has in the meantime continued with its policy of recruitment in various managerial and other categories. It has provided its employees with various courses and encouraged and sponsored a number of them to further their studies at post-graduate level.

The other major impetus to the Bank's planned growth came from the capital injection of Lm 2.5 million. This input of fresh funds by the Bank's shareholders opens new opportunities in various areas which have so far been untapped.

The Board's ongoing policy is for the Bank's operations to grow in the most cost effective manner and, more important for it, to reach its customers in the best manner possible.

Results for the Year

The Bank recorded a profit of Lm907,262 on operating activities before tax for the year ended 31 December 2002. This is 2.7 times higher than the previous year's figure, net of other operating income that included exceptional gains realised on disposal of investment securities.

Earnings per share dropped considerably however, due to the increase in the number of issued ordinary shares linked to the capital injection of Lm2.5 million. These earnings are expected to grow in the years ahead in view of the anticipated increase in profits brought about by the application of these fresh funds.

The Directors present their report and the Bank's audited financial statements for the year ended 31 December 2002.

This report is prepared in terms of Section 177 of the Companies Act, 1995 and complies with the disclosure requirements of the Sixth Schedule of the same Act.

Review of Financial Performance

Interest Income

The increase in interest income of 9% over the previous year, reaching Lm8,689,483, was primarily due to the growth in loans and advances to customers and debt securities. The overall interest margin reached 38.5%, reflecting a further improvement in the ratio of interest bearing assets to interest bearing liabilities.

Non-Interest Income

Non-interest income, net of exceptional gains realised on disposal of investment securities, amounted to Lm745,727, 20% higher than the 2001 comparative figure. Dealing profits – Lm409,260 and Fees and Commissions Receivable – Lm250,776 represent the greater part of the non-interest income generated.

Administration Expenses and Depreciation

Administration expenses, which rose by 19%, were in line with forecasts, in view of the expenses incurred in the implementation of the new core banking system. The increase in the depreciation charge of Lm135,509, 30% above the previous year's, is mainly attributable to the Bank's continued investment in IT systems.

Provisions for Bad and Doubtful Debts

The amount of Lm53,590 represents the net position for the year. The figure is much lower than the net charge of Lm584,041 for 2001, the year in which the Bank adopted Banking Directive BD/09 in its entirety.

Balance Sheet

Total assets held by the Bank as at the end of year exceeded Lm160 million and are 15.38% higher than the figure recorded the previous year. Loans and advances to customers grew by 32% to Lm50 million, while debt securities increased by more than Lm7 million or nearly 9%. This growth was primarily financed by customer deposits which reached Lm147 million – an increase of more than Lm23 million over the previous year's figure.

Shareholders' funds increased by Lm2.87 million to Lm9.6 million during the year under review, the greater part of which - Lm2.5 million came from the shareholders' fresh injection of capital.

Corporate Governance

The Directors maintain direct communications with the Bank's shareholders and recognise their responsibility and accountability. The Bank is committed to high standards of corporate governance.

DIRECTORS' REPORT (Cont.)

Board of Directors

The business of the Bank is managed by the Board of Directors. The Board meets regularly to dispatch a formal schedule of matters reserved to it for decision. This includes the approval of annual and interim results, acquisitions and disposals, material agreements, major capital expenditure, budgets, long term plans and senior executive appointments.

The Board consists of seven Non-Executive Directors including the Chairman. No individual or group of individuals dominates the Board's decision making. The directors have wide ranging experience and all have occupied or currently occupy senior positions in the service industry, government or ecclesiastical organisations. Non-Executive Directors have a responsibility to bring independent, objective judgement to bear on Board decisions. All of the directors retire at each Annual General Meeting and may offer themselves for re-election by shareholders.

The Chief Executive Officer leads the Senior Executive Committee. While the Chief Executive Officer retains full responsibility for the authority delegated to him by the Board, the Senior Executive Committee is one of the vehicles through which he exercises that authority in respect of the Bank's business. The Senior Executive Committee meets on a regular basis to review all major business issues and decisions which are not reserved to the Board of Directors.

The Board has procedures in place for Directors to take independent professional advice if they feel it is required, at the Bank's expense. All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board procedures and all applicable rules and regulations are observed.

A Statement of Directors' Responsibilities in respect of Financial Statements is set out on page 10.

Board Committees

The Board has established a number of Committees with specific responsibilities, as follows:

The **Audit Committee**. The remit of the Audit Committee is to review and report to the Board on the annual financial reporting carried out by the Bank, the accounting policies of the Bank, the scope of the Bank's internal and external auditors and any material issues arising from these audits and the effectiveness of the Bank's system of financial reporting and internal financial controls.

The **Risk Management Committee**. The role of the Risk Management Committee is to assist management to identify and assess the main risks faced by the Bank in a co-ordinated manner, to assess, identify and document the Bank's risk profile and to ensure that the business agenda is geared towards critical business issues.

The **Advances Executive Committee**. The Committee is responsible for assessing credit facilities beyond certain amounts in order to maximise profitability while safeguarding the reputation and standing of the Bank.

The **Investments and Treasury Committee**. The responsibility of the Investments and Treasury Committee includes the development of new investment and treasury services, interest rate policy, liquidity and the management of the Bank's balance sheet in terms of investments.

The **Administration Executive Committee**. The role of the Administration Executive Committee is to make recommendations to the Board on significant acquisitions and monitor the administrative policies of the Bank to ensure effective support is provided throughout the Bank.

The **Information Technology Committee**. The role of the Information Technology Committee is to assess and monitor the validity of the Bank's projects and strategic requirements where these call upon information technology developments.

Principles of Business Conduct

The Bank places particular attention on security, integrity and trust. All employees are required to comply with the Bank's Code of Conduct. The Code defines the core values and principles governing how the Bank conducts its business. It covers areas such as compliance with local laws and regulations, ethical dealings with customers and third parties and the avoidance of conflicts of interest.

Internal Control

The system of internal control provides reasonable assurance for the safeguarding of assets and the maintenance of proper accounting records including the reliability of financial information.

The key elements of the system are as follows:

- A Code of Conduct distributed throughout the Bank
- Clearly defined organisation structures and limits of authority
- Bankwide policies for financial reporting, accounting, financial risk management, information security, project appraisal and corporate governance
- Annual budgets for all operating units, identifying key risks and opportunities
- Monitoring of performance against plans and budgets and reporting thereon to the Directors on a monthly basis
- An Internal Audit department which reviews key business processes and controls
- An Audit Committee which approves audit plans and deals with significant control issues raised by internal or external audit.

Directors

The Directors of the Bank are listed on page 3.

In accordance with the Memorandum and Articles of Association of the Bank all Directors retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT (Cont.)

Statement of Directors' Responsibilities

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

The Directors are responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgments and estimates;
- financial statements have been drawn up in accordance with International Financial Reporting Standards;
- the financial statements are prepared on the basis that the Bank must be presumed to be carrying on its business as a going concern; and
- account has been taken of income and charges relating to the accounting period, irrespective of the date of receipt or payment.

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 comply 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.

Disclosure in terms of the Sixth Schedule to the Companies Act, 1995

During the year ended 31 December 2002, no shares in the Bank:

- were purchased by it or acquired by it by forfeiture or surrender or otherwise;
- were acquired by another person in circumstances where the acquisition was by the Bank's nominee, or by another with the Bank's financial assistance, the Bank itself having a beneficial interest;
- were made subject to pledge or other privileges, to a hypothec or to any other charge in favour of the Bank.

Auditors

Messrs. Ernst & Young have signified their willingness to continue in office as auditors of the Bank and a resolution proposing their reappointment will be put to the Annual General Meeting.

The Directors' report was authorised for issue by the Board of Directors and was signed on its behalf by:



E.P. Delia
Chairman



L. Zammit
Deputy Chairman

27 March 2003

REPORT OF THE AUDITORS

to the members of APS BANK LIMITED

We have audited the accompanying balance sheet of APS Bank Limited as of 31 December 2002 and the related statements of income, cash flows and changes for the year then ended, which are set out on pages 14 to 34.

As described on page 10 the Bank's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates and judgements 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 purpose 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 financial position of the Bank as at 31st December 2002 and of the results of its operations, its cash flows and its changes in equity for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Companies Act, 1995 and the Banking Act, 1994.

*This copy of the audit report has been signed by
Mario P. Galea (Partner) for and on behalf of*

Ernst & Young
Certified Public Accountants and Auditors
Sliema SLM 15
Malta

27 March 2003



Financial Statements

for the year ended
31 December 2002

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

	Notes	2002 Lm	2001 Lm
Interest receivable and similar income:			
On loans and advances and on balances with the Central Bank of Malta	(2)	3,021,067	2,748,161
On debt securities	(2)	5,668,416	5,218,106
		8,689,483	7,966,267
Interest payable	(3)	(5,337,468)	(5,070,977)
Net interest income		3,352,015	2,895,290
Dividend income	(4)	46,207	27,481
Fees and commissions receivable		250,776	222,056
Dealing profits	(5)	409,260	338,665
Other operating income	(6)	39,484	851,498
Operating income		4,097,742	4,334,990
Administration expenses	(7)	(2,554,292)	(2,151,345)
Depreciation	(21)	(582,598)	(447,089)
Provisions for bad and doubtful debts	(8)	(53,590)	(584,041)
		(3,190,480)	(3,182,475)
Profit on ordinary activities before taxation	(9)	907,262	1,152,515
Taxation on profit on ordinary activities	(10)	(337,340)	(121,081)
Profit for the financial year		569,922	1,031,434
Earnings per share	(12)	5c6	17c2

The accounting policies and explanatory notes on pages 18 to 34 form an integral part of the financial statements.

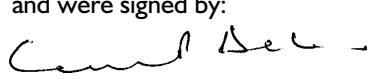
BALANCE SHEET

as at 31 December 2002

	Notes	2002 Lm	2001 Lm
ASSETS			
Cash and balances with Central Bank of Malta	(13)	1,407,229	3,497,008
Reserve deposit with Central Bank of Malta	(14)	5,925,020	4,897,220
Cheques in course of collection		486,849	548,787
Treasury bills	(15)	2,081,911	963,686
Loans and advances to banks	(16)	4,560,088	2,910,146
Loans and advances to customers	(17)	48,173,727	35,992,505
Debt securities	(19)	91,663,014	84,201,963
Equity shares	(20)	1,270,076	1,233,925
Tangible fixed assets	(21)	2,623,670	2,697,161
Current taxation		157,488	-
Deferred taxation	(22)	671,378	701,052
Prepayments and accrued income	(23)	1,879,578	1,812,318
TOTAL ASSETS		160,900,028	139,455,771
LIABILITIES			
Amounts owed to banks	(24)	221,196	4,336,805
Amounts owed to customers	(25)	147,436,582	124,218,489
Other liabilities	(26)	683,673	1,175,553
Accruals and deferred income	(27)	1,581,094	1,623,925
Subordinated liabilities	(28)	1,400,000	1,400,000
		151,322,545	132,754,772
SHAREHOLDERS' FUNDS			
Called up share capital	(29)	4,000,000	1,500,000
Share premium account	(30)	759,850	759,850
Other reserves	(31)	674,926	674,926
Revaluation reserve	(32)	210,908	287,346
Dividend reserve		147,334	117,000
Profit and loss account		3,784,465	3,361,877
		9,577,483	6,700,999
TOTAL LIABILITIES		160,900,028	139,455,771
MEMORANDUM ITEMS			
Contingent liabilities	(33)	965,893	839,626
Commitments	(34)	27,531,000	18,584,036

The accounting policies and explanatory notes on pages 18 to 34 form an integral part of the financial statements.

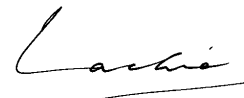
The financial statements on pages 14 to 34 were authorised for issue by the Board of Directors on 27 March 2003 and were signed by:



E. P. Delia
Chairman



L. Zammit
Deputy Chairman



E. Cachia
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2002

Note	Called-up Share Capital Lm	Share Premium Account Lm	Revaluation Reserve Lm	Other Reserves Lm	Dividend Reserve Lm	Profit and Loss Account Lm	Total Lm
FINANCIAL YEAR ENDED 31 DECEMBER 2001							
At 1 January 2001	1,500,000	759,850	1,679,898	674,926	-	2,564,443	7,179,117
Decrease in unrealised revaluation gains on equities	-	-	(641,525)	-	-	-	(641,525)
Released on disposal	-	-	(751,027)	-	-	-	(751,027)
Profit for the year after taxation	-	-	-	-	-	1,031,434	1,031,434
Dividends paid	-	-	-	-	-	(117,000)	(117,000)
Dividends, net of tax (11)	-	-	-	-	117,000	(117,000)	-
Balance at 31 December 2001	1,500,000	759,850	287,346	674,926	117,000	3,361,877	6,700,999
FINANCIAL YEAR ENDED 31 DECEMBER 2002							
At 1 January 2002	1,500,000	759,850	287,346	674,926	117,000	3,361,877	6,700,999
Increase in ordinary share capital	2,500,000	-	-	-	-	-	2,500,000
Net decrease in unrealised revaluation reserve on available- for-sale assets and equities not recognised in the profit and loss account	-	-	(76,438)	-	-	-	(76,438)
Profit for the year after taxation	-	-	-	-	-	569,922	569,922
Dividends paid	-	-	-	-	(117,000)	-	(117,000)
Dividends, net after tax (11)	-	-	-	-	147,334	(147,334)	-
Balance at 31 December 2002	4,000,000	759,850	210,908	674,926	147,334	3,784,465	9,577,483

The accounting policies and explanatory notes on pages 18 to 34 form an integral part of the financial statements.

CASH FLOW STATEMENT

for the year ended 31 December 2002

	Note	2002 Lm	2001 Lm
Cash flows from operating activities			
Interest and commission receipts		3,797,255	4,087,915
Interest and commission payments		(5,167,957)	(5,262,593)
Payments to employees and suppliers		(2,529,391)	(2,285,040)
Operating loss before changes in operating assets and liabilities		(3,900,093)	(3,459,718)
(Increase)/decrease in operating assets:			
- loans and advances		(12,234,813)	(5,417,554)
- reserve deposit with Central Bank of Malta		(1,027,800)	361,880
- purchases of non-investment securities		(327,775)	3,911,402
- sales of non-investment securities		81,400	-
- cheques in course of collection		61,938	403,546
- other assets		-	1,488
Increase/(decrease) in operating liabilities:			
- amounts owed to customers		23,218,093	14,732,936
- other liabilities		(205,497)	(132,265)
Net cash from operating activities before income tax		5,665,453	10,401,715
Income tax paid		(786,683)	(351,931)
Net cash from operating activities		4,878,770	10,049,784
Cash flows from investing activities			
Dividends received		46,207	27,481
Interest income from investment securities		6,162,594	4,155,002
Purchase of investment securities		(12,301,421)	(26,187,296)
Sales and redemption of investment securities		4,371,196	4,749,333
Purchase of tangible fixed assets		(746,349)	(374,590)
Net cash used in investing activities		(2,467,773)	(17,630,070)
Cash flows from financing activities			
Increase in share capital		2,500,000	-
Dividends paid		(117,000)	(117,000)
Repayment of subordinated liabilities		-	(510,000)
Net cash from/(used in) financing activities		2,383,000	(627,000)
Increase/(decrease) in cash and cash equivalents		4,793,997	(8,207,286)
Cash and cash equivalents at beginning of year		3,034,035	11,241,321
Cash and cash equivalents at end of year	(35)	7,828,032	3,034,035

The accounting policies and explanatory notes on pages 18 to 34 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

I. PRINCIPAL ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are summarised below:

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets, and are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and comply with the Companies Act, 1995.

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.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest income is recognised in the profit and loss account as it accrues, unless collectibility is in doubt. Interest on doubtful loans and advances is classified as interest in suspense when there is uncertainty about its collectibility and is excluded from income until it is received.

Fee income

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

Dividend income is recognised when the right to receive payment is established.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Maltese Liri at the rates of exchange ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Maltese Liri at the rates of exchange ruling at the balance sheet date. Gains and losses arising from such translation are dealt with in the profit and loss account.

Loans and advances and doubtful debts

Loans and advances are stated after deduction of specific and general provisions for doubtful debts. Specific provisions have been made in respect of all identified impaired advances. The amount of specific allowances represents the difference between the carrying amount and the estimated recoverable amount. 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.

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 the specific provision.

Investment securities

Originated loans and receivables are loans and receivables created by the Bank providing money directly to a debtor other than those created with the intention of short-term profit taking.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Bank, or held-to-maturity.

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments which are classified as “available for sale” are measured at fair value, without any deduction for transaction costs that it may incur on sale or other disposal. Unrealised gains or losses on available-for-sale securities are reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

Originated loans and receivables and held to maturity assets, are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, any gain or loss is recognised in income when the investment is derecognised or impaired, as well as through the amortisation process.

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the instrument. Unlisted investments are carried at cost net of provision for diminution in value where fair value cannot be reliably measured.

Trade and settlement date accounting

All “regular way” purchases and sales of financial assets are recognised on the “trade date”, i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight line basis so as to write off the cost of each asset over its estimated useful economic life. The annual rates used for this purpose are:

Computer equipment	25
Other	5 - 20

Leasehold properties are being amortised over the period of the leases.

No depreciation is provided on freehold property. In the case of freehold premises, it is the Bank’s policy to maintain properties in such condition, that their value taken as a whole, is not impaired by the passage of time. Such expenditure is charged to the profit and loss account in the year in which it is committed. As a consequence, any element of depreciation would be immaterial and no provision for depreciation has been made.

Dividends payable

Dividends payable on ordinary shares are recognised in the period in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

I. PRINCIPAL ACCOUNTING POLICIES (Cont.)

Deferred taxation

In accordance with IAS 12 Income Taxes, deferred taxation is determined under the liability method in respect of all material temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax assets are recognised only to the extent that future taxable profits will be available such that realisation of the related tax benefit is probable.

Retirement benefit costs

The Bank contributes towards the government pension in accordance with local legislation. These costs are charged to the profit and loss account as they accrue. The Bank does not contribute towards defined contribution or retirement benefit plans.

Cash and cash equivalents

Cash and cash equivalents comprise:

- (i) cash in hand and deposits repayable on call or short notice or with a contractual period to maturity of less than three months, with any bank or financial institution;
- (ii) short term highly liquid investments which are readily convertible into known amounts of cash without notice, subject to an insignificant risk of changes in value and with a contractual period of maturity of less than three months; and
- (iii) advances from banks repayable within three months from the date of the advance.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 Lm	2001 Lm
On loans and advances to banks	92,979	169,837
On loans and advances to customers	2,641,428	2,418,602
On balances with Central Bank of Malta	286,660	159,722
	3,021,067	2,748,161
On debt securities	5,949,135	5,414,306
Amortisation of premium	(280,719)	(196,200)
	5,668,416	5,218,106
	8,689,483	7,966,267

3. INTEREST PAYABLE

	2002 Lm	2001 Lm
On deposits by banks	27,419	180,001
On customer accounts	5,205,049	4,754,127
On subordinated liabilities	105,000	136,849
	5,337,468	5,070,977

4. DIVIDEND INCOME

	2002 Lm	2001 Lm
From equity shares	46,207	27,481

5. DEALING PROFITS

	2002 Lm	2001 Lm
Profit on foreign exchange activities	409,260	338,665

6. OTHER OPERATING INCOME

	2002 Lm	2001 Lm
Realised gains on disposal of investment securities	-	816,462
Other income	39,484	35,036
	39,484	851,498

7. ADMINISTRATION EXPENSES

	2002 Lm	2001 Lm
Staff costs		
Wages and salaries	1,218,917	1,017,171
Social security costs	80,017	75,708
Other administration expenses	1,255,358	1,058,466
	2,554,292	2,151,345

8. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	2002 Lm	2001 Lm
Write downs:		
Loans and advances to customers		
Increase in general provision	132,000	35,000
Increase in specific provisions	207,212	685,149
Bad debts written off	46,807	7,665
	386,019	727,814
Reversal of write downs:		
Loans and advances to customers		
Release of specific provisions	(332,429)	(143,773)
Net provisions for bad and doubtful debts	53,590	584,041

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

9. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 Lm	2001 Lm
Profit before income tax is stated after charging:		
Auditors' remuneration	6,500	6,500
Directors' emoluments		
Fees	18,900	18,900
Other emoluments	14,204	15,187

10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge for the year is composed of the following:

	2002 Lm	2001 Lm
Current taxation: Malta income taxation on taxable profit at 35%	342,812	343,912
Net deferred tax movement relating to the origination and reversal of temporary differences	(5,472)	(222,831)
	337,340	121,081

The taxation on profit on ordinary activities differs from the theoretical taxation expense that would apply on the company's profit on ordinary activities before taxation using the applicable tax rate in Malta of 35% as follows:

	2002 Lm	2001 Lm
Profit on ordinary activities before taxation	907,262	1,152,515
Theoretical taxation expense at 35%	317,542	403,380
Tax effect of:		
Taxation saving on profit on sale of investments quoted on the Malta Stock Exchange	-	(287,950)
Taxation saving on tax-exempt local dividend income	(1,484)	(1,709)
Effect of expenses not allowed for tax purposes	21,876	11,428
Other differences	(594)	(4,068)
Taxation on profit on ordinary activities	337,340	121,081

11. DIVIDENDS

	2002 Lm	2001 Lm	2002 %	2001 %
Proposed final gross of income tax	226,668	180,000	5.7	12
	2002 Lm	2001 Lm	2002 Cents per share	2001 Cents per share
Proposed final net of income tax	147,334	117,000	0.9	1.9

12. EARNINGS PER SHARE

The earnings per share of 5c6 (2001 - 17c2) have been calculated on the profit for the year attributable to shareholders of Lm569,922 (2001 - Lm1,031,434) divided by 10,166,667 (2001 - 6,000,000), being the weighted average number of shares in issue during the year.

13. CASH AND BALANCES WITH CENTRAL BANK OF MALTA

	2002 Lm	2001 Lm
Cash in hand	890,991	828,959
Balances with Central Bank of Malta	516,238	2,668,049
	1,407,229	3,497,008

14. 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.

15. TREASURY BILLS

	2002 Lm	2001 Lm
Treasury bills of the Government of Malta	2,081,911	963,686

The treasury bills are all held for investment purposes. The market value of the treasury bills does not differ significantly from their carrying value.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

16. LOANS AND ADVANCES TO BANKS

	2002 Lm	2001 Lm
Repayable on call and at short notice	4,560,088	2,910,146
By currency		
- Maltese Liri	511,373	1,515,222
- Foreign	4,048,715	1,394,924
	4,560,088	2,910,146

17. LOANS AND ADVANCES TO CUSTOMERS

	2002 Lm	2001 Lm
Repayable on call and at short notice	13,819,146	10,858,804
Term loans and advances	36,191,650	26,858,260
	50,010,796	37,717,064
Less provisions for bad and doubtful debts	(1,559,408)	(1,552,625)
Less interest in suspense	(277,661)	(171,934)
	48,173,727	35,992,505
Remaining maturity of term loans and advances		
- Over 5 years	10,774,412	5,330,633
- 5 years or less but over 1 year	19,889,525	10,325,198
- 1 year or less but over 3 months	3,533,278	7,823,634
- 3 months or less	1,994,435	3,378,795
	36,191,650	26,858,260
Provisions for bad and doubtful debts		
- Specific	992,408	1,117,625
- General	567,000	435,000
	1,559,408	1,552,625
By currency		
- Maltese Liri	49,458,331	36,738,778
- Foreign	552,465	978,286
	50,010,796	37,717,064

The aggregate amount of advances on which interest is reserved is Lm1,640,925 (2001 – Lm1,989,387) gross of provisions against which Lm783,695 (2001 – Lm910,863) is being provided for as provisions and suspended interest after taking into account the extendible value of security backing such loans and advances.

18. CONCENTRATION OF LOANS AND ADVANCES

	2002 Lm	2001 Lm
The following industry concentrations, gross of provisions, are considered significant:		
Energy and water	1,604,000	1,679,000
Transport, storage and communications	3,673,000	3,176,000
Bank and other financial institutions	-	117,000
Agriculture and fisheries	751,000	594,000
Manufacturing	1,645,000	1,134,000
Building and construction	3,055,000	1,046,000
Hotel, restaurant and tourist trade	2,552,000	2,710,000
Wholesale and retail trade	7,477,000	6,396,000
Personal	19,920,000	14,289,000
Other services	3,309,000	2,288,000
All other	6,024,796	4,288,064
	50,010,796	37,717,064

19. DEBT SECURITIES

	2002 Lm	2001 Lm
Loans and receivables		
Issued by public bodies:		
Investment securities		
- Local government securities	43,953,544	44,102,929
Issued by other issuers:		
Investment securities		
- Local banks	500,000	248,565
- Local others	2,023,900	1,873,335
- Foreign others	219,649	610,059
	2,743,549	2,731,959
Total	46,697,093	46,834,888
Held-to-maturity		
Issued by public bodies:		
Investment securities		
- Local government	28,632,382	29,212,716
- Foreign government	100,407	115,020
	28,732,789	29,327,736
Issued by other issuers:		
Investment securities		
- Local banks	999,756	1,001,208
- Foreign banks	1,573,276	2,571,783
- Foreign others	2,464,204	4,466,348
	5,037,236	8,039,339
Total	33,770,025	37,367,075

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

19. DEBT SECURITIES (Cont.)

	2002 Lm	2001 Lm
Available-for-sale		
Issued by public bodies		
Investment securities		
- Local government	2,717,571	-
- Foreign government	254,360	-
	2,971,931	-
Issued by other issuers		
- Local banks	131,520	-
- Foreign banks	1,738,366	-
- Foreign others	6,354,079	-
	8,223,965	-
Total	11,195,896	-
Total debt securities	91,663,014	84,201,963
By remaining period to maturity		
- Over 5 years	66,199,858	67,774,984
- 5 years or less but over 1 year	22,213,565	12,542,468
- 1 year or less but over 3 months	1,387,595	2,760,298
- 3 months or less	1,861,996	1,124,213
	91,663,014	84,201,963
By currency		
- Maltese Liri	78,887,640	76,438,753
- Foreign	12,775,374	7,763,210
	91,663,014	84,201,963
Unamortised premiums on investment securities	2,024,154	1,891,130
Listing on recognised stock exchanges:		
Investment securities		
- Listed on Malta Stock Exchange	79,166,776	76,438,753
- Listed elsewhere	12,496,238	7,763,210
	91,663,014	84,201,963

Movement in investment debt securities

	Cost and carrying value Lm
At 1 January 2002	84,201,963
Redemption and disposals	(4,371,196)
Acquisitions	12,301,421
Amortisation	(280,719)
Revaluation	168,932
Exchange adjustments	(357,387)
At 31 December 2002	<u>91,663,014</u>

20. EQUITY SHARES

Available-for-sale securities

	2002 Lm	2001 Lm
Investment securities - Listed on Malta Stock Exchange	1,270,076	1,233,925

Movement in equity investments

	Carrying value Lm
At 1 January 2002	1,233,925
Disposals	(81,400)
Acquisitions	327,775
Decrease in fair values	(210,224)
At 31 December 2002	<u>1,270,076</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

21. TANGIBLE FIXED ASSETS

	Land and Buildings Lm	Computer Equipment Lm	Other Lm	Total Lm
Year ended 31 December 2002				
Opening net book amount	1,286,899	946,550	463,712	2,697,161
Additions	110,672	375,576	31,879	518,127
Disposals	(7,645)	(2,213)	(49,760)	(59,618)
Depreciation charge	(28,720)	(416,856)	(137,022)	(582,598)
Depreciation released on disposal	-	885	49,713	50,598
Closing net book amount	1,361,206	903,942	358,522	2,623,670

As at 31 December 2002

Cost	1,521,415	1,896,766	1,285,092	4,703,273
Provision for depreciation	(160,209)	(992,824)	(926,570)	(2,079,603)
Net book amount	1,361,206	903,942	358,522	2,623,670

As at 31 December 2001

Cost	1,418,388	1,523,403	1,302,973	4,244,764
Provision for depreciation	(131,489)	(576,853)	(839,261)	(1,547,603)
Net book amount	1,286,899	946,550	463,712	2,697,161

	2002 Lm	2001 Lm
Future capital expenditure:		
- contracted but not provided for in the financial statements	199,843	-
- authorised by the directors but not contracted	1,563,657	1,603,100
	1,763,500	1,603,100

22. DEFERRED TAXATION

	2002 Lm	2001 Lm
The deferred tax asset arises as a consequence of temporary differences resulting from:		
Fair value movements in investment securities	(35,146)	-
Provisions for bad and doubtful debts	594,145	603,596
Excess of capital allowances over depreciation	112,379	97,456
	671,378	701,052

23. PREPAYMENTS AND ACCRUED INCOME

	2002 Lm	2001 Lm
Accrued income	1,810,601	1,770,322
Other	68,977	41,996
	1,879,578	1,812,318

24. AMOUNTS OWED TO BANKS

	2002 Lm	2001 Lm
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less but not repayable on demand	221,196	4,336,805
Analysed by currency:		
- Maltese Liri	27,224	3,000,000
- Foreign	193,972	1,336,805
	221,196	4,336,805

25. AMOUNTS OWED TO CUSTOMERS

	2002 Lm	2001 Lm
With agreed maturity dates or periods of notice, by remaining maturity:		
- 5 years or less but over 1 year	14,381,044	7,051,134
- 1 year or less but over 3 months	49,287,390	47,904,235
- 3 months or less but not repayable on demand	31,645,101	18,784,346
	95,313,535	73,739,715
Repayable on demand	52,123,047	50,478,774
	147,436,582	124,218,489
Analysed by currency		
- Maltese Liri	131,573,115	115,671,932
- Foreign	15,863,467	8,546,557
	147,436,582	124,218,489

26. OTHER LIABILITIES

	2002 Lm	2001 Lm
Bills payable	538,820	766,120
Taxation	-	286,383
Other liabilities	144,853	123,050
	683,673	1,175,553

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

27. ACCRUALS AND DEFERRED INCOME

	2002 Lm	2001 Lm
Accrued interest	1,145,554	976,043
Other accruals	435,540	647,882
	1,581,094	1,623,925

28. SUBORDINATED LIABILITIES

	2002 Lm	2001 Lm
7.5% Subordinated Unsecured Loan Stock	1,400,000	1,400,000

The loan stock is redeemable at par on 30 January 2008.

29. SHARE CAPITAL

	2002 Lm	2001 Lm
Authorised 50,000,000 (2001: 8,000,000) ordinary shares of Lm0.25 each	12,500,000	2,000,000
Issued, called up and fully paid up 16,000,000 (2001: 6,000,000) ordinary shares of Lm0.25 each	4,000,000	1,500,000

30. SHARE PREMIUM ACCOUNT

	2002 Lm	2001 Lm
Balance at beginning and end of year	759,850	759,850

31. OTHER RESERVES

	2002 Lm	2001 Lm
Non-distributable reserve Balance at beginning and end of year	174,926	174,926
In accordance with a Central Bank of Malta directive, gains on devaluation of the Maltese Lira on 25 November 1992 have been set aside as a non-distributable reserve.		
Asset Funding Reserve Balance at beginning and end of year	500,000	500,000
The Asset Funding Reserve had been created to provide for the purchase of tangible fixed assets		
	674,926	674,926

32. REVALUATION RESERVE

The revaluation reserve arises on the gains/losses on the revaluation of available-for-sale equity shares and debt securities to fair value, net of deferred taxation thereon. The revaluation reserve is not available for distribution.

33. CONTINGENT LIABILITIES

	2002 Lm	2001 Lm
Guarantees	798,918	679,076
Other contingent liabilities	166,975	160,550
	965,893	839,626

34. COMMITMENTS

	2002 Lm	2001 Lm
Undrawn formal standby facilities, credit facilities and other commitments to lend	27,531,000	18,584,036

35. CASH AND CASH EQUIVALENTS AT END OF YEAR

	2002 Lm	2001 Lm
Analysis of balances of cash and cash equivalents as shown in the cash flow statement		
Cash in hand	890,991	828,959
Balances with Central Bank of Malta (excluding reserve deposits)	516,238	2,668,049
Treasury bills	2,081,911	963,686
Loans and advances to Banks	4,560,088	2,910,146
Amounts owed to Banks	(221,196)	(4,336,805)
	7,828,032	3,034,035

36. THE AGGREGATE AMOUNT OF ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES TRANSLATED INTO MALTESE LIRI

	2002 Lm	2001 Lm
Assets	18,107,757	10,627,387
Liabilities	16,220,848	9,883,362

37. SEGMENTAL INFORMATION

The Bank is a retail bank providing normal commercial banking services in the local market and therefore business and geographical segmentation information is not appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

38. RELATED PARTY TRANSACTIONS

During the course of its normal banking business, the Bank conducts business on commercial terms with the Archdiocese of Malta, the ultimate major shareholder of the Bank.

39. GENERAL

- (a) Loans to and commitments on behalf of directors and officers

	2002 Loans and advances Lm	2002 Commitments Lm	2001 Loans and advances Lm	2001 Commitments Lm
Directors				
1 January	37,494	13,026	32,108	8,384
Additions	951	874	10,220	4,642
	38,445	13,900	42,328	13,026
Less repayments/cancellations	(6,217)	(1,000)	(4,834)	-
31 December	32,228	12,900	37,494	13,026
Officers				
1 January	285,053	32,974	195,159	23,510
Additions	124,166	12,668	123,257	16,778
	409,219	45,642	318,416	40,288
Less repayments/cancellations	(82,816)	(3,600)	(33,363)	(7,314)
31 December	326,403	42,042	285,053	32,974

- (b) The average number of persons employed by the Bank during the year was as follows:

	2002 Number of employees	2001 Number of employees
Managerial	23	23
Supervisory and clerical	105	100
Others	12	12
	140	135

40. FINANCIAL INSTRUMENTS

Financial risk management

APS Bank Limited is subject to a combination of financial risks which are inherent in the business of banking. Financial risks are managed by the Bank within statutory limits and within internal parameters established by the Board of Directors.

Fair values

The reporting of fair values is intended to guide users as to the amount, timing and certainty of cash flows.

The amounts stated for cash balances, balances with the Central Bank of Malta, treasury bills and loans and advances to banks are highly liquid assets. The directors regard the amount shown in the balance sheet for these items as reflecting their fair value in that these assets will be realised for cash in the immediate future.

All the Bank's listed equities are carried in the balance sheet at market value. Debt securities which are classified "as available-for-sale" investments are also carried in the balance sheet at market value. However, investments classified as "loans and receivables" and debt securities classified as "held-to-maturity" investments are carried in the balance sheet at amortised cost. At the balance sheet date the amortised cost of these assets amounted to Lm80,467,118, whereas their market value amounted to Lm85,495,166.

Loans and advances to customers are stated at the amounts contractually due less provisions to reflect the expected recoverable amounts.

Amounts owed to customers are mainly deposit liabilities. Amounts due on demand at the balance sheet date are shown at fair value. Similarly, the directors consider that other amounts due to customers subject to a specified maturity, which are shown at amounts contracted, reflect the fair value of the cash amounts that are due to customers.

The amounts for contingent liabilities and commitments fairly reflect the cash outflows that are expected to arise upon their occurrence.

The disclosures made in the Bank's financial statements showing maturities are intended to show the timing of cash flows arising from assets and liabilities.

Currency risk

Currency risk is the risk of the exposure of the Bank's financial position and cashflow to adverse movements in foreign exchange rates.

The Bank's financial assets and liabilities are substantially held in Maltese Liri.

Financial assets denominated in foreign currencies are invested in such manner as to reflect the foreign currency composition of the basket of the Maltese Lira, thereby hedging against exchange losses. Any deviations are subject to monitoring by the Bank's management. Local banks are exposed to currency risk in the event that the Central Bank of Malta changes the value of the Maltese Lira.

Interest rate risk

Interest risk is the risk of the exposure of the Bank's financial condition to adverse movements in interest rates.

Changes in local interest rates are monitored constantly by management and corrective action taken by realigning the maturities of and re-pricing the assets and liabilities. The Bank does not have significant exposure to foreign interest rate movements.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

40. FINANCIAL INSTRUMENTS (Cont.)

Credit risk

Credit risk is the risk that a counterparty will be unable to fulfil the terms of his obligations when due.

In view of the nature of its business, the Bank's financial assets are inherently and predominately subject to credit risk. Thus, management has put in place internal control systems to evaluate, approve and monitor credit risks relating to both investments and loan portfolios.

The Bank has established a policy whereby only investments of high quality are held. Limits have also been established on the level and type of investment held.

Decisions on loans and advances to customers are subject to approval limits involving various levels of management of the Bank. Loans and advances to customers are generally backed by security usually in the form of property, personal or bank guarantees. The security held is subject to periodic review to ensure that it remains adequate and valid.

Management's assessments of potential default on loans and advances to customers and interest related thereto is reflected in provisions which are netted off against the amounts of loans and advances to customers, as explained in note 1.

Liquidity risk

Liquidity risk is the risk of the exposure of the Bank's mismatches in its portfolio of assets, liabilities and commitments.

The Bank manages this risk by matching the maturities of assets and liabilities. Investments are mostly quoted on local or foreign stock exchanges and therefore enjoy a high degree of marketability and liquidity.

SOLVENCY RATIO

as at 31 December 2002

	Book Value Lm	Weighted Amount Lm
ON - BALANCE SHEET ASSETS		
Cash and balances with Central Bank of Malta	1,407,229	-
Reserve deposit with Central Bank of Malta	5,925,020	-
Cheques in course of collection	486,849	97,370
Treasury bills	2,081,911	-
Loans and advances to banks	4,560,088	912,018
Loans and advances to customers*	48,740,727	37,681,000
Debt securities	91,663,014	11,874,696
Equity shares	1,270,076	1,270,076
Tangible fixed assets	2,623,670	2,623,670
Current taxation	157,488	157,488
Deferred taxation	671,378	671,378
Prepayments and accrued income	1,879,578	939,789
Total Assets	161,467,028	56,227,485

* Loans and advances to customers are shown gross of general provisions which are included with own funds below.

	Book Value Lm	Weighted Amount Lm
OFF - BALANCE SHEET ITEMS		
Contingent liabilities		
Guarantees	798,918	798,918
Other contingent liabilities	166,975	152,515
Commitments	27,531,000	-
	28,496,893	951,433

OWN FUNDS

Original own funds	Lm 9,219,241
Additional own funds	567,000
Subordinated liabilities	1,400,000
Total own funds	11,186,241

Solvency Ratio

19.56

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 in accordance with Section 17(1) of the Banking Act, 1994.

The Bank's Five Year Summary – Profit and Loss Accounts

	2002 Lm	2001 Lm	2000 Lm	1999 Lm	1998 Lm (restated)
INTEREST RECEIVABLE AND SIMILAR INCOME	8,689,483	7,966,267	6,684,308	5,138,698	4,521,313
INTEREST PAYABLE	(5,337,468)	(5,070,977)	(4,346,070)	(3,940,756)	(3,363,690)
NET INTEREST INCOME	3,352,015	2,895,290	2,338,238	1,197,942	1,157,623
OTHER OPERATING INCOME	745,727	1,439,700	1,578,170	1,245,819	980,386
OTHER OPERATING CHARGES	(3,136,890)	(2,598,434)	(2,079,468)	(1,507,770)	(1,301,444)
NET CHARGE FOR BAD AND DOUBTFUL DEBTS	(53,590)	(584,041)	(529,724)	(163,375)	(94,391)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	907,262	1,152,515	1,307,216	772,616	742,174
TAXATION	(337,340)	(121,081)	(375,004)	7,421	(71,990)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX	569,922	1,031,434	932,212	780,037	670,184
EARNINGS PER SHARE	5c6	17c2	15c5	13c0	11c2

1998 figures have been restated as a result of the change in accounting policy concerning deferred taxation.

The Bank's Five Year Summary – Balance Sheets

	2002 Lm	2001 Lm	2000 Lm	1999 Lm	1998 Lm (restated)
ASSETS					
Cash and balances with Central Bank of Malta	1,407,229	3,497,008	1,527,336	1,268,671	849,049
Reserve deposit with Central Bank of Malta	5,925,020	4,897,220	5,259,100	4,704,800	3,567,250
Cheques in course of collection	486,849	548,787	952,333	729,142	313,853
Treasury bills	2,081,911	963,686	3,427,830	-	1,091,073
Loans and advances to banks	4,560,088	2,910,146	6,286,155	7,499,004	3,207,088
Loans and advances to customers	48,173,727	35,992,505	31,151,327	30,410,048	25,921,078
Debt securities	91,663,014	84,201,963	62,831,050	50,769,513	43,128,717
Equity shares	1,270,076	1,233,925	5,786,851	5,694,756	1,016,805
Tangible fixed assets	2,623,670	2,697,161	2,375,219	2,157,830	1,891,698
Other assets	828,866	701,052	480,395	266,192	200,683
Prepayments and accrued income	1,879,578	1,812,318	1,350,078	1,177,320	798,901
TOTAL ASSETS	160,900,028	139,455,771	121,427,674	104,677,276	81,986,195
LIABILITIES					
Amounts owed to banks	221,196	4,336,805	-	-	-
Amounts owed to customers	147,436,582	124,218,489	109,485,553	94,089,958	72,133,803
Other liabilities	683,673	1,175,553	1,315,831	972,811	521,773
Accruals and deferred income	1,581,094	1,623,925	1,547,173	1,373,011	931,610
Subordinated liabilities	1,400,000	1,400,000	1,900,000	1,900,000	1,900,000
	151,322,545	132,754,772	114,248,557	98,335,780	75,487,186
SHAREHOLDERS' FUNDS					
Called up share capital	4,000,000	1,500,000	1,500,000	1,500,000	1,500,000
Share premium account	759,850	759,850	759,850	759,850	759,850
Other reserves	674,926	674,926	674,926	674,926	674,926
Revaluation reserve	210,908	287,346	1,679,898	1,774,489	2,479,181
Dividend reserve	147,334	117,000	-	-	-
Profit and loss account	3,784,465	3,361,877	2,564,443	1,632,231	1,085,052
	9,577,483	6,700,999	7,179,117	6,341,496	6,499,009
TOTAL LIABILITIES	160,900,028	139,455,771	121,427,674	104,677,276	81,986,195
MEMORANDUM ITEMS					
Contingent liabilities	965,893	839,626	727,830	1,376,000	639,000
Commitments	27,531,000	18,584,036	8,775,000	15,775,000	9,457,000
	28,496,893	19,423,662	9,502,830	17,151,000	10,096,000

1998 figures have been restated as a result of the change in accounting policy concerning deferred taxation.

The Bank's Five Year Summary – Cash Flow Statements

	2002 Lm	2001 Lm	2000 Lm	1999 Lm	1998 Lm
Net cash flows from operating activities	4,878,770	10,049,784	11,774,008	13,786,990	3,451,997
Cash flows from investing activities					
Dividends received from equity shares	46,207	27,481	22,976	26,041	31,564
Interest income from investment securities	6,162,594	4,155,002	3,198,932	2,603,309	2,085,789
Purchase of investment securities	(12,301,421)	(26,187,296)	(15,395,928)	(23,996,653)	(17,904,118)
Sales and redemption of investment securities	4,371,196	4,749,333	3,437,591	11,745,816	14,088,577
Purchase of tangible fixed assets	(746,349)	(374,590)	(446,933)	(442,295)	(306,473)
Sale of tangible fixed assets	-	-	-	14,257	-
Net cash used in investing activities	(2,467,773)	(17,630,070)	(9,183,362)	(10,049,525)	(2,004,661)
Cash flows from financing activities					
Increase in share capital	2,500,000	-	-	-	-
Ordinary dividends paid	(117,000)	(117,000)	(117,000)	(117,000)	(112,125)
Repayment of subordinated loan stock	-	(510,000)	-	-	-
Issue of subordinated loan stock	-	-	-	-	1,900,000
Net cash from/(used in) financing activities	2,383,000	(627,000)	(117,000)	(117,000)	1,787,875
Increase/(decrease) in cash and cash equivalents	4,793,997	(8,207,286)	2,473,646	3,620,465	3,235,211
Cash and cash equivalents at 1 January	3,034,035	11,241,321	8,767,675	5,147,210	1,911,999
Cash and cash equivalents at 31 December	7,828,032	3,034,035	11,241,321	8,767,675	5,147,210

The Bank's Five Year Summary – Accounting Ratios

	2002 %	2001 %	2000 %	1999 %	1998 %
Net interest income and other operating income to total assets	2.5	3.1	3.2	2.3	2.6
Operating expenses to total assets	2.0	2.3	2.1	1.6	1.7
Profit before tax to total assets	0.6	0.8	1.1	0.7	0.9
Return on capital employed before tax*	9.7	18.0	23.8	16.9	18.5
Profit after tax to equity*	6.1	16.1	16.9	17.1	16.7
	2002	2001	2000	1999	1998
Shares in issue of 25c each (thousands)	16,000	6,000	6,000	6,000	6,000
Net assets per share (cents)*	59	107	92	76	67
Earnings per share (cents)**	5c6	17c2	15c5	13c0	11c2
Dividends per share (cents)					
Gross	1c4	3c	3c	3c	3c
Net	0c9	1c9	1c9	1c9	1c9
Dividend cover	3.9	8.8	8.0	6.7	6.0

* Return on capital employed, return on equity and net assets per share are calculated on shareholders' funds excluding the revaluation reserve.

** Earnings per share is calculated on the weighted average of shares in issue during the year.



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