ANNUAL REPORT & FINANCIAL STATEMENTS

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CHAIRMAN'S STATEMENT TO THE MEMBERS

I am once again privileged to present the Annual Report and Financial Statements of the FIMBank Group. The 2005 financial year has been an important year that saw the Group growing on the strength of its core business areas and the strategic decisions aimed at increasing its geographic and product mix.

We embarked on exciting new challenges, such as our debut in the international capital markets, with the successful completion of a twice-oversubscribed international syndicated loan, and further inroads in our co-operation with major international banks. It was also the year when London Forfaiting Company Limited (LFC) continued to expand its portfolio and consolidate its position as an important component of the FIMBank Group. The year under review also saw Global Trade Finance Private Limited (GTF), our Factoring Flagship in the Indian sub-continent, contribute significantly to our consolidated results. Our plans to venture in new markets and activities continued, and these were no doubt helped by the arrival of the International Finance Corporation (IFC), member of the World Bank Group, as a long-term partner and shareholder of FIMBank.

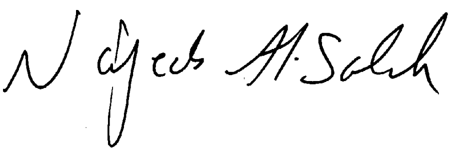
Against this background, I am pleased to report that the Group posted a profit after tax of USD 2.70 million, compared with USD 1.54 million in the preceding financial year - a significant improvement and no mean achievement for a young Group like FIMBank, still in its development phase.

We are pleased to report broad-based growth in all the main operating sources of revenue, and a particularly strong banking performance. Group Net Operating Income grew by 24% from USD 12.56 million to USD 15.63 million, and outpaced the 13% growth in Group Operating Expenses which, in spite of the international expansion in products and operations, were contained at anticipated levels. Only a year into our 38.5% acquisition of GTF, the associate has contributed USD 0.9 million to the Group result. Group Pre-tax Profit increased to USD 2.94 million in 2005, while Group basic Earnings per Share for 2005 amount to 4.06 US cents, up from 2.34 US cents in 2004. Group Equity now stands at USD 54.8 million, an increase of 13% on 2004. The FIMBank Group grew to new strengths in 2005, with Total Assets increasing by 37% to reach USD 295 million, and trade related commitments of USD 126 million. We are pleased to have been able to deliver record returns on Equity and Assets, both for FIMBank and the Group, and to see our Equity base increasing, thus paving the way for new and more exciting plans in the future.

During the year under review we continued to increase our global network of offices and projects. A new office was opened in Singapore while plans to open representative offices in the UAE and Libya were stepped up. Our MENAFactors venture is starting to take shape in the Dubai International Financial Centre while in Egypt, together with our partners Commercial International Bank and IFC, we are launching EgyptFactors, the second of our strategic factoring investments. Interests in other factoring projects continued to be actively pursued in South America and the Mediterranean region. These ventures increase the Group's global presence, widen the activity range and provide opportunities to further diversify our product and risk base. We have also taken the first steps to apply our considerable IT expertise by offering it as a service to the Group joint-ventures and third party financial institutions, with the setting up of FIM Business Solutions Limited.

During 2005 we saw FIMBank's share price strengthen considerably. While in good part this was reflecting the trend on many stock exchanges, as well as the Malta Stock Exchange in particular, it was also the result of the important developments and the manifest progress that the Group was registering. For the future we wish to see the share price continue to strengthen, supported by strong, long-term fundamentals and solid growth. Encouraged by this year's performance, the Board of Directors will be recommending to the Annual General Meeting of shareholders the payment of a scrip dividend of USD 0.0114 per ordinary share. The idea of a scrip is to give shareholders the choice to receive either cash or new shares, and for the Group it will be an opportunity to preserve equity in a period of growth. Additionally, the Directors will be recommending to the Annual General Meeting a bonus issue to shareholders of 1 share for every 5 held, by the capitalisation of the share premium account. We are confident that these recommendations will receive the support of our shareholders, who will see them as an opportunity for their value in the Group to increase in the long-term.

In conclusion, I thank all our shareholders and customers for their continuous trust and support. A special appreciation goes to the Board of Directors for their guidance and advice. My final words of thanks are for the Management and Staff who once again showed dedication and commitment to drive the Group forward to a successful performance.



Najeeb H.M. Al-Saleh
Chairman

تقرير رئيس مجلس الإدارة إلى الأعضاء

مرة أخرى أتشرف بتقديم التقرير السنوي والبيانات المالية لمجموعة FIMBank. لقد كانت 2005 سنة مهمة شهدت نمو FIMBank Group بناء على قوة مجالاتها التجارية المركزية وقراراتها الإستراتيجية الرامية إلى توسيع مزدوج لمجالها الجغرافي وإنتاجها.

فقد انخرطنا في تحديات جديدة مميزة، مثل انطلاقتنا الأولى في أسواق رأس المال الدولية، بالاستكمال الناجح لقرض جماعي دولي تجاوز الاكتتاب به الحد المقرر مرتين، والمزيد من المكتسبات في مجال تعاوننا مع المصارف الدولية الكبيرة.كما كانت هذه هي السنة التي استمرت فيها London Forfaiting Company Limited (LFC)، شركة للتجارة في الأوراق المالية المكفولة، في توسيع استثماراتها التجارية وتقوية وضعيتها كعنصر مهم في FIMBank Group. والسنة التي نستعرضها شهدت أيضا Global Trade Finance Private Limited (GTF)، وهي تمثل وسيلتنا البارزة لخصم السندات المؤجلة في شبه القارة الهندية، تساهم بشكل كبير في نتائجنا الموحّدة. واستمرت خططنا للدخول في أسواق وأنشطة جديدة، ساعدنا فيها بدون شك وصول مؤسسة التمويل الدولية (IFC)، العضو في مجموعة البنك الدولي، كشريك طويل المدى ومساهم في FIMBank.

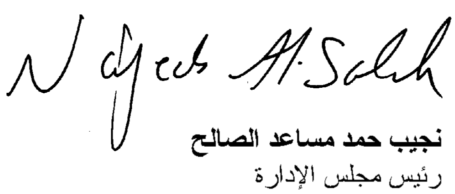
وبناء على هذه الخلفية يسرني إعلان أن المجموعة قد حققت ربح بعد خصم الضريبة بقيمة 2.70 مليون دولار أمريكي بالمقارنة بمبلغ 1.54 مليون دولار أمريكي في السنة المالية السابقة – تحسن ملحوظ وإنجاز لا بأس به لمجموعة صغيرة مثل FIMBank التي لا تزال في مرحلة التطور. ويسرنا أن نفيد بحصول نمو واسع المجال في جميع مصادر دخلنا العاملة الرئيسية، وأداء مصرفي قوي بشكل خاص. فصافي الدخل العامل للمجموعة نما بنسبة 24% ، من 12.56 مليون دولار أمريكي إلى 15.63 مليون دولار أمريكي، متفوقا بذلك على نسبة 13% لنمو المصاريف العاملة للمجموعة، التي بالرغم من التوسع الدولي في المنتجات والعمليات، تم احتواؤها في مستويات متوقعة. وبعد سنة فقط من اكتسابنا لـ 38.5% من Global Trade Finance Private Limited (GTF)، ساهمت الشركة بمبلغ 0.9 مليون دولار أمريكي في نتيجة المجموعة.

وازداد ربح المجموعة قبل الضرائب بمقدار 2.94 مليون دولار أمريكي في 2005، بينما وصلت الإيرادات الأساسية للمجموعة للسهم الواحد في سنة 2005 إلى 4.06 سنتا، ارتفاعا من 2.34 سنتا في سنة 2004. وحقوق المساهمين للمجموعة توصلت الآن إلى 54.8 مليون دولار أمريكي، زيادة 13% عن سنة 2004. وقد نمت FIMBank Group إلى مستويات جديدة من القوة في 2005 حيث ازداد إجمالي الأصول بواقع 37% ليصل إلى 295 مليون دولار أمريكي، ووصلت الالتزامات ذات العلاقة التجارية إلى 126 مليون دولار أمريكي. ويسرنا أننا كنا قادرين على تحقيق عائدات قياسية لحقوق الأسهم والأصول لكل من المصرف والمجموعة، وأن نرى قاعدتنا لحقوق الأسهم تزداد، مما يمهد الطريق لخطط جديدة وأكثر تميز في المستقبل.

خلال السنة الواقعة تحت المراجعة، إستمرينا في زيادة شبكة مكاتبنا العالمية ومشاريعنا، فتم افتتاح مكتب جديد في سنغافورة بينما تم تكثيف الخطط الرامية إلى فتح مكاتب تمثيلية في الإمارات العربية المتحدة وليبيا. ومشروعنا MENAFactors بدأ في التبلور في مركز دبي المالي الدولي. بينما في مصر، ومع شركائنا المصرف التجاري الدولي (CIB) ومجموعة البنك الدولية (IFC)، نقوم بإنشاء مؤسسة خصم السندات المؤجلة EgyptFactors، وهي الثانية من استثماراتنا الاستراتيجية في مجال خصم السندات المؤجلة. والاهتمام بتلك المشاريع تم الاستمرار في متابعته بشكل نشط في جنوب أمريكا ومنطقة البحر المتوسط. هذه المشاريع تزيد من الحضور العالمي للمجموعة، وتوسع مجال النشاط، وتوفر الفرص للمزيد من التنويع لإنتاجنا وقاعدة المخاطر. وقد قمنا أيضا باتخاذ أولى الخطوات تجاه تطبيق خبرتنا الكبيرة في مجال تقنية المعلومات (IT) بتقديمها كخدمة للمشاريع المشتركة للمجموعة، والمؤسسات المالية لأطراف ثالثة، مع تأسيس شركة FIM Business Solutions Limited لحلول تقنية المعلومات.

خلال سنة 2005 شهدت أسعار أسهم FIMBank ارتفاع ملحوظ. وبينما كان هذا إلى حد كبير يعكس الاتجاه حيال العديد من أسواق الأسهم وكذلك سوق الأسهم المالطية بشكل خاص، فإنه كان أيضا نتيجة للتطورات المهمة والتقدم الملحوظ الذي كانت تسجله المجموعة. وللمستقبل فإننا نأمل في أن يستمر سعر الأسهم في الارتفاع، مدعوما بعوامل جوهرية طويلة المدى ونمو مستمر. لذلك، سيقوم مجلس الإدارة بتقديم توصية للجمعية العمومية للمساهمين بدفع أرباح أسهم توزع على شكل سندات إذنية قصيرة الأجل بواقع 0.0114 دولار أمريكي لكل سهم عادي. هذه الأرباح تعطي المساهمين الخيار ما بين استلام قيمة نقدية أو أسهم جديدة، مما يمنح المجموعة فرصة للاحتفاظ بحقوق الأسهم في فترات النمو. بالإضافة إلى ذلك، سيقدم أعضاء مجلس الإدارة توصية للجمعية العمومية بإصدار علاوة أسهم للمساهمين بواقع سهم واحد عن كل 5 اسهم يحملونها، عن طريق استثمار حساب علاوة الأسهم. إننا واثقون من أن هذه التوصيات ستلقى دعم مساهميننا الذين سيرون فيها فرصة لزيادة قيمة الأسهم في المجموعة على المدى الطويل.

وفي الختام، أشكر جميع مساهميننا وزبائننا على ثقتهم ودعمهم المستمر وأعبر عن امتنان خاص لأعضاء مجلس الإدارة على توجيهاتهم ونصائحهم. وكما أوجه عبارات شكري الأخيرة إلى الإدارة وفريق العمل الذين أظهروا مرة أخرى إخلاصهم والتزامهم الدائم بدفع المجموعة إلى الأمام بنجاح.



نجيب حمد مساعد الصالح
رئيس مجلس الإدارة

DECLARATION DU PRÉSIDENT AUX MEMBRES

Une nouvelle fois encore m'échoit le privilège de vous présenter le Rapport Annuel et les Comptes de Résultats Financiers du Groupe FIMBank. L'année 2005 aura été une année-symbole au cours de laquelle le Groupe a enregistré une croissance appréciable rendue possible grâce à ses activités principales stratégiques et aux décisions visant à élargir l'expansion géographique et la gamme de produits de FIMBank.

Les défis que nous avons eu à relever n'étaient pas des moindres, notamment l'inauguration de notre présence dans les marchés internationaux, l'achèvement d'un prêt en participation souscrit par deux fois, ainsi que d'autres avancées dans notre coopération avec de grandes banques internationales. C'est aussi l'année où la London Forfaiting Company Limited (LFC) a continué à élargir son portefeuille et à consolider sa position en tant que composante majeure de notre Groupe. C'est également durant cette année financière 2005 que la Global Trade Finance Private Limited (GTF), notre principale société d'affacturage dans le sous-continent indien, a contribué de façon significative à nos résultats consolidés. Nous avons poursuivi nos efforts d'expansion dans les nouveaux marchés dans des circonstances rendues favorables depuis que la Société Financière Internationale (SFI), membre du Groupe de la Banque Mondiale, est devenue actionnaire et partenaire à long terme de FIMBank.

Dans ce contexte, j'ai le plaisir d'annoncer que le Groupe a enregistré un résultat après impôts de 2,7 millions de $ US, soit une nette progression par rapport au résultat de 1,54 millions de $US réalisé l'année précédente. Nous constatons une amélioration substantielle de notre marge bénéficiaire et un franc succès pour FIMBank, un jeune groupe en phase de croissance.

Nous avons également le plaisir d'annoncer une croissance dans nos principales sources opérationnelles de revenus, en plus d'une performance bancaire particulièrement robuste. Le Produit Net Opérationnel du Groupe a augmenté de 24%, passant de 12,56 millions de $ US à 15,63 millions de $ US, et a dépassé de loin les 13% de hausse enregistrés dans les Charges Générales d'Exploitation du Groupe. Ces Charges ont pu être maintenues aux niveaux prévus malgré l'expansion de l'activité internationale du Groupe. Nonobstant le fait que l'acquisition par notre Groupe de 38.5% du Capital Social de GTF a eu lieu durant l'année 2005, GTF a contribué au profit du Groupe dans une mesure de 900,000 $US. Les résultats avant impôts du Groupe sont passés à 2,94 millions de $US en 2005 alors que le résultat net par action – au titre de la même année – s'élève à 4,06 $ US cents, celui-ci n'étant que de 2,34 $ US cents en 2004. Les Capitaux Propres du Groupe s'élèvent, actuellement, à 54,8 millions de $ US, soit une hausse de 13% par rapport à 2004. Le Groupe FIMBank s'est renforcé davantage avec un Actif Total de 295 millions de $ US (une augmentation de 37%) et des activités commerciales de l'ordre de 126 millions de $ US. Nous avons réussi à réaliser des profits exceptionnels sur les Capitaux Propres et Actif Total, au niveau de FIMBank et du Groupe, ainsi qu'une augmentation des Capitaux Propres ouvrant la voie à de nouveaux projets futurs.

Au cours de l'exercice 2005 nous avons continué à élargir nos réseaux de bureaux et nos projets. Une nouvelle succursale a été inaugurée à Singapour et des plans d'ouverture de bureaux de représentation aux Emirats Arabes Unis et en Libye sont en cours de réalisation. L'une des filiales du Groupe, MENAFactors commence à prendre forme au sein de Centre Financier International de Dubaï. Parallèlement, nous lançons EgyptFactors en Egypte, notre second investissement stratégique dans le domaine de l'affacturage, en collaboration avec nos partenaires Commercial International Bank et la SFI. Nous poursuivons activement d'autres collaborations dans le domaine de l'affacturage, notamment en Amérique du Sud et en Méditerranée. Ces nouvelles entreprises renforcent la présence et la visibilité du Groupe sur la scène internationale, élargissant ainsi nos activités et offrant des possibilités de diversification de nos produits. Nous avons également commencé à bénéficier de notre compétence informatique en offrant lesdits services aux joint-ventures du Groupe ainsi qu'à d'autres institutions financières. Cette prestation est assurée par FIM Business Solutions Limited, une des filiales du Groupe FIMBank.

Durant l'exercice 2005, le prix de l'action FIMBank s'est renforcé considérablement, reflétant ainsi la tendance enregistrée sur plusieurs places financières, dont la Bourse de Malte, mais également résultant des développements importants et des progrès incontestables accomplis par le Groupe. A l'avenir, nous souhaitons voir le renforcement du prix de notre action se poursuivre, soutenu par une croissance robuste et des résultats forts et durables. Encouragé par la performance qui a caractérisé l'exercice 2005, le Conseil d'Administration va recommander à l'Assemblée Générale Annuelle des actionnaires la distribution de promesses écrites de dividendes de $US 0.0114 par action ordinaire. Les promesses écrites de dividendes visent à permettre aux actionnaires de recevoir, à leur choix, des dividendes en liquide ou de nouvelles actions; ce sera l'occasion pour le Groupe de préserver ses Capitaux Propres durant cette période de forte croissance. En outre, le Conseil d'Administration recommandera à l'Assemblée Générale Annuelle d'approuver l'attribution gratuite d'actions à raison de 1 action pour 5 actions détenues par chaque actionnaire, par la capitalisation du compte-prime d'émission. Nous avons bon espoir que ces recommandations bénéficieront du soutien de nos actionnaires qui y verront une opportunité de voir augmenter, à long terme, la valeur de leur investissement au sein du Groupe.

En guise de conclusion, je tiens à remercier nos actionnaires et nos clients pour leur soutien constant ainsi que pour la confiance en notre Groupe. Je remercie particulièrement les membres du Conseil d'Administration pour leurs conseils et recommandations. Je remercie également tous les membres de notre personnel à tous niveaux, pour leur engagement et leur dévouement à guider le Groupe vers des niveaux de performance et de réussite encore plus élevés.

Najeeb Al-Saleh

NAJEEB H.M. AL-SALEH
Président

REVIEW OF OPERATIONS

The Annual Financial Statements covered by this review refer to the consolidated accounts of the FIMBank Group (the "Group"), comprising FIMBank p.l.c., (the "Bank") and its subsidiaries, London Forfaiting Company Limited ("LFC"), together with its subsidiary companies, FIMFactors B.V. ("FIMFactors"), FIM Business Solutions Limited ("FBS") and the associated undertaking Global Trade Finance Private Limited ("GTF").

ECONOMIC TRENDS IN EMERGING MARKETS IN 2005

Overall, global economic expansion remained sustained in 2005, with GDP growth estimated at 4.3%; this was despite the emergence of a soft patch in the second half of the year, due to the continuing rise in crude oil prices and weakening business confidence in most major countries. On the back of oil prices, global headline inflation picked up, although it remained at moderate levels. Financial market conditions remained benign, with long-run interest rates continuing to be unusually low around the world and global equity markets being resilient, supported by strong corporate profits and increasingly solid balance sheets. Global trade volumes growth slowed down somewhat from 2004 levels, with Emerging Markets trade volumes growth remaining double (+13.5% for imports, +10.4% for exports) that of developed countries. The sharp rise in prices of fuels continued unabated in 2005, providing a further boost to the economies of all oil exporting regions, and in particular the Middle East, the Commonwealth of Independent States (CIS) and Africa.

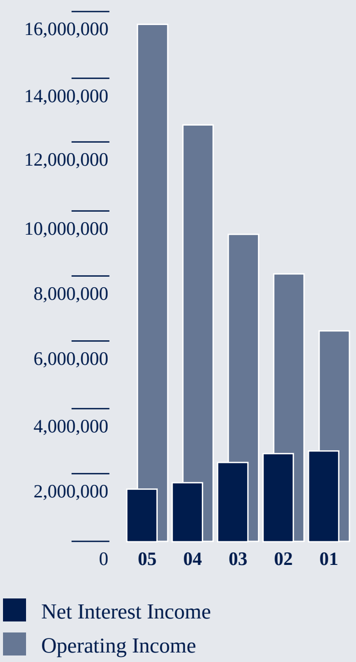
Emerging Markets' financing conditions were very favourable in 2005, with average credit spreads at historic lows (around 300 basis points[1]), in part reflecting improved economic fundamentals and the increased presence of long-term investors, but also the continued search for yield; while net private capital inflows are estimated to have declined in 2005, this primarily reflects recycling of surpluses in oil producers.

Reviewing the regions where the FIMBank Group was most active in 2005, in *Emerging Asia*, GDP growth in *China* continued to exceed expectations; with substantial liquidity remaining in the banking system, risks of a rebound in credit and investment growth remain a concern. Growth in *India* also remained robust with the continued expansion in services, including information technology, and accelerating industrial production. After a strong rebound in 2004, GDP growth in *Latin America* slowed, particularly in *Brazil*, where domestic demand fell back in early 2005 in response to monetary tightening and political uncertainties. However, strong export growth and improved macroeconomic policy performance helped sustain regional expansion, also helped by the gradual re-emergence of *Argentina*. Rising oil production and prices continued to support GDP growth in the *Middle East*, accompanied by dramatic improvements in external current account and fiscal positions. In *Turkey*, while GDP growth slowed down to a more sustainable pace, the current account deficit widened further, reflecting the need for firm implementation of the authorities' economic program. Elsewhere, GDP growth in *Russia* also slowed since mid-2004, reflecting rising capacity constraints and the adverse effect of the Yukos affair. Growth in *Emerging Europe* also eased, with the key risks including high current account deficits (in *Hungary* particularly) and strong credit growth (common feature to *Ukraine*, *Romania* and *Kazakhstan*). In *Africa*, GDP growth in the *Sub-Saharan* region is forecast to have moderated to 4.8% in 2005, partly reflecting a sharp slowdown in *Nigeria*, as oil production neared capacity. Growth in oil-importing countries (most of the *West African* belt), while slowing, held up surprisingly, with the adverse impact of higher oil prices offset by stronger non-oil commodity prices, as well as the benefits of improved macroeconomic stability and ongoing structural reforms.

[1] *According to the JP Morgan Emerging Markets Bond Index (EMBI)*

REVIEW OF OPERATIONS

Income
(in US$)



GROUP ACTIVITIES AND OPERATIONS

2005 was a year of consolidation and further strong growth for the FIMBank group, with the implementation of planned projects, aimed at further diversifying the Group's global footprint in terms of geographical presence and product offering, as well as the consolidation of the existing business areas. These developments fundamentally constituted the core effort of the strategy re-orientation of the preceding two years. They were accompanied by the Group's first foray into the international capital markets, with the successful completion in July 2005 of a twice oversubscribed one-year international syndicated loan - with the widespread participation of 15 international banks - and the execution of a USD 10 million 8-year convertible loan in September 2005, which brought a prestigious new institution, the International Finance Corporation (member, World Bank Group), amongst FIMBank's long-term partners and shareholders. A number of reciprocal co-operation agreements with major European and Middle Eastern banks were also successfully concluded, establishing new money-market lines, commercial support for letter of credit confirmations and participation agreements for counterparty risks.

In the traditional *trade finance* area, overall *letter of credit* volumes were 5% lower than in 2004, mainly due to the abolition of import quotas on textiles. This drop was however offset by a healthy 37% increase in the back-to-back letter of credit business, which in turn was reflected in a 25% growth in the Group's fee income. North Africa and Sub-Saharan Africa were the two main geographical areas where FIMBank's letter of credit turnover was originated, although turnover growth from mainland China was also significant. *Collection of bills* was an additional area which showed substantial growth for the group in 2005 (turnover almost quadrupled during the year). This was generated by the financing of strategic commodities to markets in West Africa in particular, through the discounting of bills of exchange avalised by primary local banks. Ancillary products, such as payment services for customers, also increased in overall volume terms, thanks to the enhancement of FIMBank's business systems during the year which, for example, allowed automated processing of bulk transactions.

An area of acknowledged expertise where the Bank has built a strong reputation over the past decade is that of financing older second hand tonnage. In 2005, with increased funding resources allocated to the product, the team of specialists based at the London Representative office was able to successfully expand its activities in this sector. In particular, the Bank helped its customers to close a greater number of *pre-demolition vessel acquisitions* than in the past, ending the year with an overall shipping loan book of USD 25.9 million secured by first mortgages on 17 ships. As a consequence, the Bank's annual combined fee and net interest income from shipping related business rose to record levels.

Following the completion of its restructuring in 2004, London Forfaiting Company (LFC) expanded its *forfaiting* portfolio, which reached USD 109.5 million at the end of the year under review (from USD 63.3 million at the end of 2004). Such expansion allowed LFC to turn an acceptable profit on a stand-alone basis, despite a business environment of rapidly declining credit spreads across the emerging markets spectrum. Other significant development for the year included the opening of an office in Singapore, which completed LFC's global footprint, the certification of LFC's back-office operations as ISO9001 compliant and the assignment of a prestigious award from Trade Finance Review magazine as the Forfaiting House of the Year 2005, reflecting the high standing of LFC among forfaiting specialists.

International factoring remains an important strategic focus for the FIMBank group. The benefits of the acquisition of a 38.5% stake in GTF in India at the end of 2004 started to bear fruits in the year under review, through a significant contribution to the Group's consolidated bottom line. International factoring ventures in Egypt and the United Arab Emirates (the former being in partnership with the IFC and Commercial International Bank of Egypt, and waiting final authorities' approval) are poised to start commercial operations in the first half of 2006. At the end of 2005, FIMBank also established a new international factoring unit based in Malta. This will enable FIMBank to offer this product, which is the fastest growing trade finance product in the world, out-performing all other tools and instruments on offer to customers based both in Malta and neighboring Mediterranean countries, at the same time optimising the expertise of support and marketing staff already available within the Group.

In the *Treasury* area, FX transactions on behalf of clients represented the main focus of activity in 2005, with overall volumes of USD 111 million. During the year, a new hedging system was made operational to cover the Group's exposure

Profitability

REVIEW OF OPERATIONS

from interest rate risks embedded in its asset portfolios. Also, investments in a newly established Emerging Market securities book were made, essentially as an additional tool for effective liquidity management and diversification of revenue streams.

On the operational side, FIMBank continued to optimise processes and functions. Important milestones during 2005 included the setting-up of a full-time, in-house Legal and Compliance Department early in the year, and the establishment of FBS, as a wholly-owned subsidiary with a mandate to service the information technology requirements of the Group, including subsidiaries, joint ventures, downstream correspondents as well as third parties, thus increasing the total value offering of the Group. Other developments included the enhancement of staff training facilities at the Group's headquarters in Malta, which will enable constant exposure of FIMBank's employees to new product and technical knowledge, and continuous upgrading of technology, systems and procedures.

INCOME STATEMENT

During the year under review FIMBank increased its Net Interest Income by 46%, from USD 2.86 million to USD 4.18 million. Both interest revenue and expense increased in absolute terms as the Bank's activity base grew through more availability of bank lines, customer deposits, the IFC Subordinated Convertible loan and the Bank's debut on the Euroloan market. The Bank's interest revenue increased in line with its investment in, and funding support of, LFC, as well as money market exposures to banks and the introduction of a book of debt securities mainly held for trading. Net fee and commission income increased by 21%, from 2004's USD 5.84 million to USD 7.04 million. Net Operating Income grew from USD 8.35 million to USD 11.59 million, an increase of 39%. Operating Expenses, largely made up of staff and administrative overheads, also grew by 20% to USD 7.92 million, in the main part reflecting the Bank's continued business growth and organisational expansion. Pre-tax profit for FIMBank increased from 2004's USD 1.42 million to USD 3.25 million.

At the Group level, Net Interest Income is down from 2004's USD 1.80 million to USD 1.50 million, reflecting the extent of LFC's dependence on the Bank for funding of its forfaiting portfolio as consolidation eliminates the intra-group interest flows between parent and subsidiary. On the other hand, Group Net Trading Income is up from USD 4.43 million to USD 6.38 million in 2005, an increase of 44% in large part contributed by LFC's net trading result on forfaiting assets. Group Net Fees and Commissions increased by 20% to USD 7.98 million, mainly in line with the Bank's own trend. Group Net Operating Income grew from USD 12.56 million to USD 15.63 million, a healthy increase of 24%. Group Operating Expenses increased by 13% to USD 12.46 million. This represents a significant improvement on the previous year and, as anticipated in 2004, reflects in good part the reorganisation of LFC's global network of operations to more efficient and economically feasible levels. It also compares favourably with the 20% growth in the Bank's expenditure, however the latter includes an absorption of the support to subsidiary, associated company and joint-venture activities and until such time as the latter come on stream as fully-fledged operations.

During the year under review LFC recognised a deferred tax asset amounting to USD 0.68 million (2004 - USD 1.90 million). This amount went to adjust the gross carrying amount of goodwill to the amounts that would have been recorded if the deferred tax asset had been recognised as an identifiable asset at acquisition date, and such reduction in the carrying amount is recognised in the Income Statement accordingly. For the first time since its consolidation as an associated undertaking late in 2004, GTF has made a contribution to the Group result as reflected by USD 0.89 million in share of profits. Pre-tax profit for the Group increased to USD 2.94 million in 2005.

Group basic Earnings per Share for 2005 amount to 4.06 cents (2004 - 2.34 cents), while for the Bank, basic Earnings per Share increased from 2.11 cents in 2004 to 4.53 cents for the year under review.

As announced in the 2004 Annual Report, goodwill arising from the acquisition of LFC was no longer amortised as from that year but tested for impairment after allocation to the cash-generating capability of LFC. Such testing for impairment, in accordance with fair valuation principles, should take place at least annually and this procedure was repeated this year in connection with the goodwill valuation as at the end of 2005.

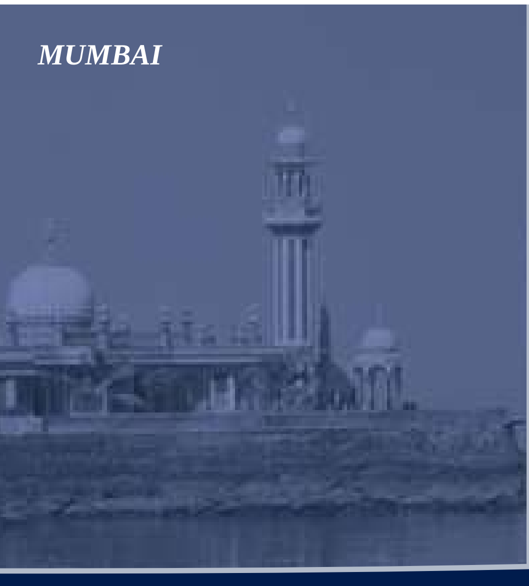
BALANCE SHEET DEVELOPMENTS

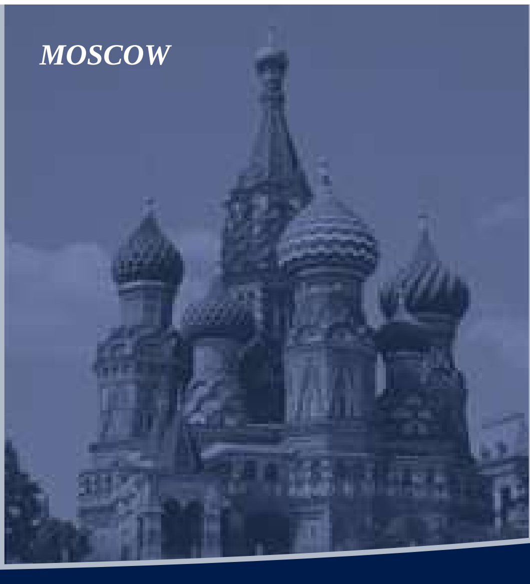
At the FIMBank level, Amounts owed to Banks increased by 77% to USD 116.3 million, resulting from new bank lines and increases in existing limits, as well as the Bank's entry on the Euroloan market by a USD 30 million Syndicated Trade Finance facility. Late during the year, the Bank tested an initial issue of promissory notes in its overseas markets and the results were encouraging. This instrument is expected to feature more in the Group's funding initiatives during 2006 as plans for LFC to develop its independent funding capabilities are stepped up with the increase in the subsidiary's business. Customer deposits increased by 4% to USD 89.9 million. During November, International Finance Corporation converted 40% of the Subordinated Convertible Term Loan leaving a balance of USD 6 million. Loans and Advances to Banks increased by 4% to USD 111.5 million, while loans and advances to customers, net of allowances for uncollectibility, increased by 18% to USD 101.6 million. During 2005 the Bank started to manage a bond book, mainly for trading purposes, within an initial allocation of USD 10 million.

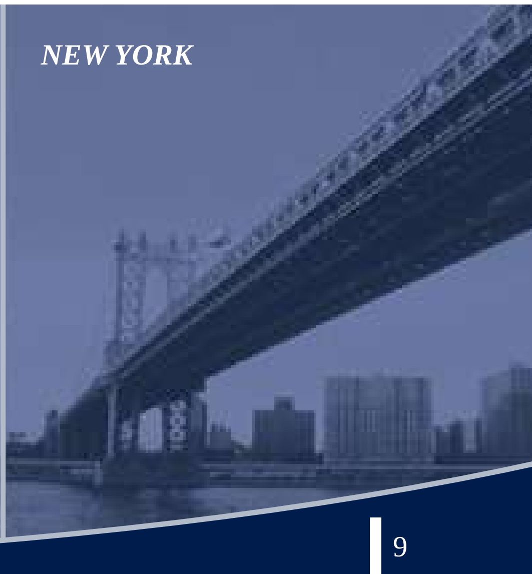
'Investments in Subsidiaries' of USD 37.4 million reflect in the main part the result of the placing into voluntary liquidation of FIMBank (UK) Limited in September, and the corresponding transfer of the shares it held in LFC directly to FIMBank. Changes in the value of 'Investment in Associates' reflects the financial result of GTF as well as the Bank's investment of USD 1.58 million in convertible cumulative preference shares of GTF during the year under review. Total Bank Equity increased from USD 49.1 million in 2004 to USD 56.1 million in 2005, in good part reflecting the conversion of IFC's Subordinated Loan into equity. Total Bank assets increased by 34%, from USD 202.9 million to USD 271.7 million. Commitments outstanding at the balance sheet date, mainly under documentary credits and confirmed letters of credit, were of USD 150.8 million (2004 - USD 109.6 million)

At the Group level, the funding trends largely mirror those of the Bank except that Amounts owed to Customers increased from USD 97.2 million to USD 111.9 million, a growth of 15% led by an increase in collateral deposits held by LFC. Loans and Advances to Banks increased by 5% to USD 113.8 million (2004 - 107.9 million). Financial Assets held for trading - made up mainly of LFC's forfaiting portfolio - increased from USD 63.3 million in 2004 to USD 119.7 million (LFC: USD109.5 million). Loans and Advances to Customers increased from USD 26.2 million in 2004 to USD 41.6 million; it is to be pointed out that the variation between Bank and Group figures under this heading reflects the elimination, at consolidated level, of the intra-Group funding relationship between FIMBank and LFC.

Group Equity at the end of December 2005 amounted to USD 54.8 million, an increase of 13% on 2004. All the main earnings ratios, such as Return on Equity (ROE), Return on Assets (ROA) and Earnings per Share show strong improvement on 2004, both for the Bank and the Group. Overall, the consistency and strength in the Group's business can be gauged from the 37% increase in Total Assets, which reached USD 295 million in 2005, trade related commitments of USD 125.6 million (these are lower than the Bank's upon elimination of

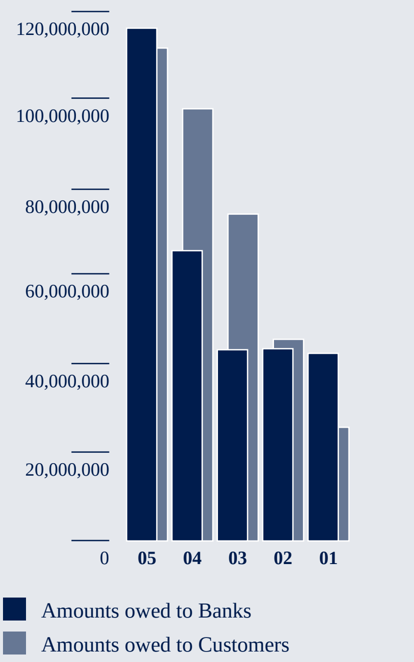




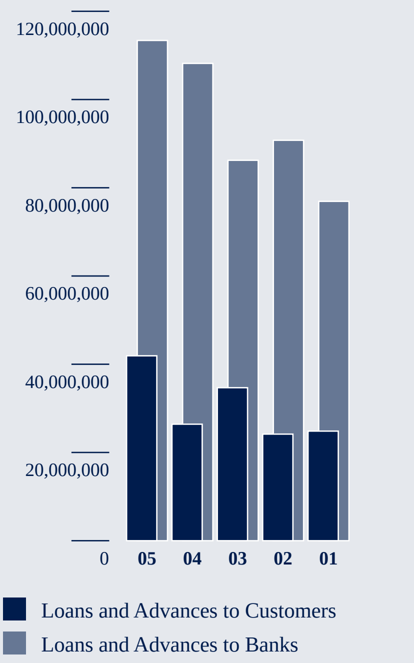


REVIEW OF OPERATIONS

Fund Raising
(in US$)



Loans and Advances
(in US$)



undrawn credit facilities from the parent to LFC) and Solvency Ratio which, at 27.4%, exceeds the minimum regulatory ratio of 8% prescribed by the Banking Directives.

OUTLOOK FOR EMERGING MARKETS IN 2006

Prospects for the world economy in 2006 remain favourable, with global GDP growth expected at the same level as in 2005 (i.e. 4.3%). However, rising global interest rates and inflation risks harbour new challenges for Emerging Markets. These include the management of more internationalised domestic debt markets in the context of less mature monetary policy regimes than in the G7 countries, and the impact of higher interest costs on fiscal performance. While public debt to GDP in Emerging Markets has declined over the last few years, this has been from a peak of approx. 63% (the average of EMBI countries) in 2002, and public debt burdens are still relatively high by historical standards. A recent analysis by the IMF estimates that a 300 basis points increase in the international cost of funds for Emerging Markets (a likely scenario if US interest rates increase by around 1-2% in 2006), would have significant adverse fiscal implications. However, several emerging sovereigns have been actively exploiting the current favourable global economic and financial environment to improve the structure of their public debt, including extending maturities and reducing recourse to foreign-currency borrowing.

Looking at the prospects for FIMBank's key target markets for 2006, export-led growth remains the main trend for *Emerging Asia*, with large account surpluses expected in each country (supplementing the region's emergence as a net external creditor), together with reducing government budget deficits, as higher oil prices have been accompanied by reductions in domestic fuel price subsidies in a number of countries (for example, *Indonesia*). India is taking center stage as the world's fastest growing free-market democracy.

Latin American GDP growth is expected to slow further in 2006, as monetary tightening and strong currencies will dampen economic expansion. It must also be noted that 11 countries (among which *Brazil*, *Peru* and *Mexico*) will hold presidential or legislative elections in 2006, which could slow the pace of structural reforms.

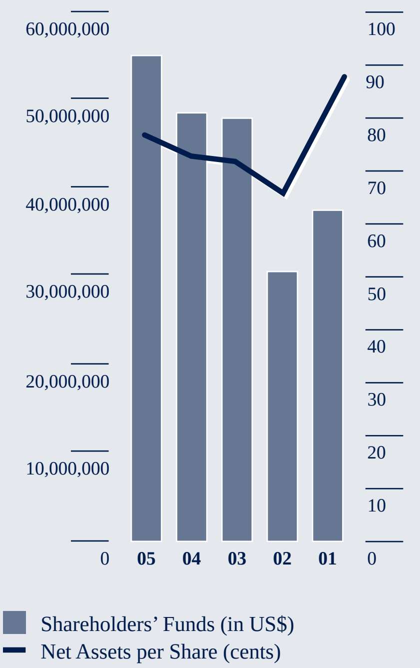
Regarding the *Middle East*, political risks have increased in *Iran* although, for the time being, high oil prices are a mitigating factor. Gulf oil producers continue to enjoy hugely increased fiscal and current account surpluses, although recent events in *Lebanon* and *Palestine* demonstrate the region's higher exposure to political risks.

West Africa faces a more challenging environment: this is particularly the case for cotton exporters - *Benin, Burkina Faso, Mali and Togo* - given the continued slide in world cotton prices, while countries with large textile sectors - *Tunisia, Kenya, Madagascar* - could be negatively affected by the elimination of world textile trade quotas. African oil producers - *Libya, Sudan, Angola, Mauritania* - are poised to show the highest GDP growth since the 1970s, with the coming on-stream of new oil production facilities under construction in 2004 - 2005.

Robust GDP growth of around 5% is expected in *Emerging Europe* and the CIS in 2006. The expansion is being driven primarily by enduring high energy prices for CIS energy exporters (*Russia, Kazakhstan, Azerbaijan*), gains in export market share in new EU member states, and a consumption and investment boom in second-wave EU accession candidates (*Romania, Bulgaria, Croatia, Turkey*), also accompanied by structural reforms anchored to future accession. The latter has been fuelled by structural reforms, rapid credit growth and large-scale capital inflows. Large account deficits in *Turkey* and *Hungary* raise some-medium term concerns for sudden adjustments in the region, while strong non-resident participation in local government debt markets in *Hungary, Poland, Turkey* and *Ukraine* potentially heightens their vulnerability to a shift in global risk aversion.

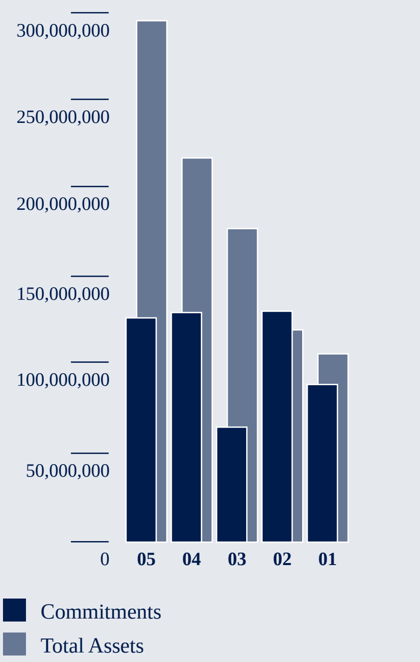
All the above developments create substantial challenges and paramount opportunities for the specialist FIMBank Group which, for the coming year, will continue to diversify its revenue streams through careful positioning in promising markets. Supported by a strict risk management philosophy, continuous investment in human resources and upholding of the highest standards of business and service practices, it is expected that Group value will continue to be enhanced in 2006.

Shareholders' Funds



Assets & Commitments

(in US$)



DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Najeeb H.M. Al-Saleh *(Chairman)*
John C. Grech *(Vice Chairman)*
Mehdi Ouazzani Hassani
Fouad M.T. Alghanim
Mohammed I.H. Marafie
Duco Reinout Hooft Graafland
Hamad Musaed Bader Mohammed Al-Sayer
Francis J. Vassallo
Tareq M. Al-Saleh
Jacques Leblanc

COMPANY SECRETARY

Francesco Apap Bologna *(resigned 19 February 2006)*
Raffaella Bonadies *(appointed 19 February 2006)*

SENIOR MANAGEMENT

PRESIDENT	Margrith Lütschg-Emmenegger	
EXECUTIVE VICE PRESIDENTS	Marcel Cassar	*Chief Financial Officer*
	Raymond Busuttil	*Head of Business Development & Marketing*
	Andrew T.M. Freeman	*Managing Director, MENAFactors LLC (in formation)*
SENIOR VICE PRESIDENTS	Raffaella Bonadies	*Head of Legal & Compliance*
	Nassif A. Chehab	*Correspondent Banking & Syndications*
	Mostafa Chenbout	*Correspondent Banking & Commodity Finance*
	Josephine Grima	*Head of Mediterranean Factoring*
	Nigel Harris	*Head of FIMBank London Representative Office*
	Simon Lay	*Managing Director, London Forfaiting Company Ltd*
	Silvio Mifsud	*Head of Information & Administration*
	Carmelo Occhipinti	*Head of Risk Management*
	Renald Theuma	*Head of Corporate Clients*
	Charles Wallbank	*Head of Operations*

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E-mail: arvind_sonmale@gtfindia.com
Contact person: Arvind Sonmale

DIRECTORS' REPORT

For the Year Ended 31 December 2005

The Directors are pleased to present their report together with the audited financial statements of the Bank and the Group for the year ended 31 December 2005. This report is prepared in terms of the Companies Act, 1995 and complies with the disclosure requirements of the Sixth Schedule to the same Act.

Results for the Year

The Bank and the Group reported a profit after tax of USD 3,009,853 and USD 2,699,083 respectively for the year under review.

Further information about the results is provided in the "Income Statement" on page 25 and in the "Review of Operations" on pages 5 to 11.

Principal Activities

The FIMBank Group (the "Group") comprises FIMBank p.l.c. (the "Bank"), formerly First International Merchant Bank p.l.c. and its subsidiaries, London Forfaiting Company Limited ("LFC"), together with its subsidiary companies, FIMFactors B.V. ("FIMFactors"), and FIM Business Solutions Limited ("FBS"). FIMBank (UK) Limited, the previous immediate parent of LFC and its subsidiaries, was placed into voluntary liquidation during the year under review.

The Bank is a public limited company registered under the laws of Malta, and listed on the Malta Stock Exchange. It is licensed as a credit institution under the Banking Act, 1994. The Bank's principal activity is that of providing short-term international trade finance to corporate traders and to act as an intermediary to other financial institutions for international settlements, forfaiting, factoring and loan syndications. The Bank also maintains accounts in various currencies and provides credit card facilities to its customers. The Bank acquired full control of LFC in 2003 and incorporated FIMFactors and FBS during 2005. The FIMBank Group is supervised on a consolidated basis by the Malta Financial Services Authority.

LFC is registered in the United Kingdom as a private limited liability company. It was founded in 1984 and provides international trade finance services (with particular focus on forfaiting business) through an international network of offices. Some of these offices have distinct corporate status in the various jurisdictions where they are providing the service. LFC's main activities are the purchasing of bills of exchange, promissory notes, deferred payment letters of credit and transferable financial loans from exporters or their banks and subsequently selling these instruments to customers or other institutions.

FIMFactors B.V., a wholly owned subsidiary registered in the Netherlands, is to serve as a corporate vehicle for FIMBank's holdings in factoring joint ventures and associated companies.

FBS, a wholly owned subsidiary registered in Malta, has as its primary purpose the provision of information technology services to members of the Group, as well as to correspondent banks.

The Bank also holds 38.5% of the equity of Global Trade Finance Private Limited, a company incorporated in Mumbai, India which is predominantly engaged in factoring business. The other shareholders in this associated company are Export-Import Bank of India (EXIMBank), Bank of Maharashtra and International Finance Corporation (IFC), the latter a member of the World Bank Group and also a shareholder of the Bank with an interest of 7.18%.

During 2005, the Bank also subscribed for 40% equity in a new factoring joint-venture company in Egypt with the other shareholders being Commercial International Bank (Egypt) holding 40% and IFC holding 20% of the shares. This company, Egypt Factors, will be active in providing international factoring and forfaiting services to Egyptian and other Middle Eastern exporting companies.

DIRECTORS'REPORT

For the Year Ended 31 December 2005

Business Review and Future Developments

A review of the business of the Group during the current year and an indication of likely future developments are given in the "Review of Operations" on pages 5 to 11.

Dividends and Reserves

The Directors will be recommending to the Annual General Meeting of shareholders the payment of a scrip dividend amount to USD 809,725 (2004: NIL), representing a dividend per ordinary share of US cents 1.14 (2004: NIL). Additionally, the Directors will be recommending to the Annual General Meeting a bonus issue of 1 for 5 by the capitalisation of the share premium reserve.

Standard Licence Conditions and Regulatory Sanctions

During the year under review, the Bank did not commit any breaches of its licence conditions. Also, no regulatory sanctions were taken against the Bank.

Approvals at General Meetings of Shareholders

The Bank convened its Annual General Meeting on 5 May 2005. Along with the statutory Ordinary Resolutions, the Meeting approved Extraordinary Resolutions presented as special business to the shareholders, namely the changes in the Bank's name to FIMBank p.l.c., waiver of pre-emption rights, renewal of the Director's authority to issue new shares and a new Executive Share Option Scheme.

On 29 August 2005, the Bank convened an Extraordinary General Meeting at which the shareholders approved changes to the Memorandum and Articles of Association arising from covenants in the Subordinated Convertible Loan agreement with IFC, as well as providing the requisite authorities for the Bank to buy back its own shares.

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

During the year ended 31 December, 2005, no shares in the Bank were:

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

During the year under review, a total of 55,178 share options were exercised under the Executive Share Option Scheme Rules, as follows:

a) 28,178 share options exercised under the 2000 rules with an exercise period from 1 January 2003 to 31 December 2007, at a price of USD 0.50.
b) 27,000 share options exercised under the 2001 rules with an exercise period from 1 January 2004 to 31 December 2008, at a price of USD 1.1439.

DIRECTORS' REPORT

For the Year Ended 31 December 2005

Directors

The directors who served during the financial year to the date of the report were:

Board of Directors

Najeeb H.M. Al-Saleh *(Chairman)*
John C. Grech *(Vice Chairman)*
Mehdi Ouazzani Hassani
Fouad M.T. Alghanim
Mohammed I.H. Marafie
Duco Reinout Hooft Graafland
Hamad Musaed Bader Mohammed Al-Sayer
Francis J. Vassallo
Tareq M. Al-Saleh
Jacques Leblanc

Independent Auditors

KPMG have expressed their willingness to continue in office as auditors of the Bank. A resolution proposing their re-appointment will be submitted at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 19 February 2006 and signed on its behalf by:

Najeeb H.M. Al-Saleh
Chairman

John C. Grech
Vice Chairman

Registered Address
7th Floor
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Bisazza Street
Sliema, SLM 15
Malta

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Introduction

Pursuant to the requirements of the Listing Authority of Malta (Malta Financial Services Authority [the "Authority"]) and of Listing Rule 8.26, the Board of Directors (the "Board" or "Directors") of FIMBank p.l.c. (the "Bank") hereby presents its Statement of Compliance which illustrates the extent to which the Code of Principles of Good Corporate Governance ("the Principles"), published as Appendix 8.1 to the Listing Rules, has been adopted together with the effective measures taken to ensure compliance with such Principles.

Compliance with the Principles

Although the Principles have not been made mandatory by the Authority up to the date of this Statement, the Authority recommends Listed Companies to endeavour to adopt these Principles.

The Board strongly believes that the practices contained in the Principles are in the best interests of the shareholders because they evidence the Directors' and the Bank's commitment to high standards of corporate governance. Ultimate responsibility for good corporate governance is of the Directors who therefore decided to adopt the Principles and endorse them accordingly, except for those instances where there exist particular circumstances that warrant non-adherence thereto.

On 3 November 2005, the Authority published a consultation document with a revised Code proposing that a number of the Principles become mandatory. In its statement, the Authority said that, after a period of transition, it intends to eventually make obligatory all the Principles included in the revised Code. As at the date of this Statement, the period of consultation was still running.

Roles and Responsibilities

The Board is responsible for the overall long-term direction of the Bank, its subsidiaries and investments (the "Group"), for setting the strategy and policies of the Group and ensuring that they are pursued through good management practices. The Board discharges its responsibilities by:

a) agreeing business objectives, financial plans and general parameters within which the Board, the Board Committees and Management are to function;
b) ensuring that systems and procedures are in place for significant business risks and exposures to be identified and properly managed;
c) ensuring that adequate systems of internal control are in place, and appropriately reviewed for effectiveness and monitored for compliance on a regular basis;
d) setting appropriate business standards and codes of corporate governance and ethical behaviour for all Directors and employees, and monitoring their performance;
e) appointing the President who is entrusted with day-to-day management of the Group and its operations, together with members of Management.

The Board has over the years created a framework through which it effectively performs its functions and discharges its liabilities. The Board has also established terms of reference and charters for the various Board and Board Committees' meetings.

Moreover, the suitability of any individual to become a Director or an Officer of the Bank is, in the first place, assessed by the Authority, which reviews the individual's competence to serve as Director or Officer against established 'fit and proper' criteria. In this connection, the individual provides any information, including detailed personal questionnaires, as the competent regulatory authority may require.

Going Concern

As required by Listing Rule 9.37.17, upon due consideration of the Bank's profitability and balance sheet, capital adequacy and solvency, the Directors confirm the Bank's ability to continue operating as a going concern for the foreseeable future.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Board Composition and Appointment of Directors

The Bank's Articles of Association (the "Articles") contain detailed provisions (in Clauses 93 to 114) as to the manner of appointment and retirement of Directors. Directors hold office from the close of the Annual General Meeting at which they are appointed until the end of the consecutive one, at which meeting they become eligible for re-election. The Articles also provide that the Chairman and Vice-Chairman are to be appointed by the Directors from amongst their number and shall hold office for a period of one year, unless otherwise decided by a simple majority of the Board. Any member may nominate an individual in the manner prescribed by the Articles, provided that such nomination is seconded by a member or members who in the aggregate hold at least twenty thousand (20,000) shares.

In view of the Articles' detailed provisions regulating the appointment and election of Directors as described above, the Board considers that a Nominations Committee is not needed.

As at the date of this Statement, the members of the Board and their respective interest in the Bank are as follows:

	Year when first appointed	No. of shares held in the Bank directly in his name
Najeeb H.M. Al- Saleh *(Chairman)*	1994	430,435
John C. Grech *(Vice Chairman)*	2004	250,000
Mehdi Ouazzani Hassani	1994	500,000
Mohamed I.H. Marafie	1994	3,500,000
Fouad M. T. Alghanim	1997	2,000,000
Duco Reinout Hooft Graafland	2000	Nil
Hamad Musaed Bader Mohammed Al-Sayer	2002	Nil
Francis J. Vassallo	2003	Nil
Tareq M Al-Saleh	2004	Nil
Jacques Leblanc	2004	Nil

The participation of Directors on Board committees, as provided for by the Articles, is decided upon by the Board. All such Board committees include at least one Director.

Proceedings of Directors

The proceedings of Directors are regulated by the Bank's Articles. Meetings of the Board are held as frequently as necessary and are notified by the Company Secretary with the issue of the agenda for the forthcoming meeting. The agenda is accompanied by such papers and documents as are necessary to make Directors informed of issues relating to their roles and responsibilities, and in particular the decisions they are expected to take. Meetings also include presentations by Management, whilst other information and documentation is made available for perusal by the Directors, at their request. Members of senior management, who invariably include the President, attend all Board meetings.

All Board members have access to the services of the Company Secretary and supporting legal advice and are entitled, as members of the Board, to take independent professional advice on any matter relating to their duties, at the Bank's expense.

In terms of the Articles, whenever a conflict of interest situation, real or potential, arises in connection with any matter, the interest has to be declared. In particular, the Director concerned refrains from taking part in proceedings relating to the matter or decision. The minutes of Board meetings, as well as those of Board committees, invariably include a suitable record of such declaration and of the action taken by the individual Director concerned. In all other circumstances, the Directors are expected to play a full and constructive role in the Group's affairs.

The Board held four meetings during 2005.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Board Committees

The Bank's Articles establish that the Directors may delegate certain powers, authorities and discretions to any person and/or committee appointed by them. Accordingly, the Board has established the following committees:

Executive Committee
Audit Committee
Risk Management Committee
Asset-Liability Committee

Executive Committee

The Executive Committee acts as the highest delegated authority by the Board in overseeing the activities and management of the Group and approving limits beyond the powers of the other committees.

The members of the Executive Committee are:

Najeeb H.M. Al-Saleh *(Chairman)*
Mohamed I. H. Marafie
Francis J. Vassallo
Jacques Leblanc
Claude L. Roy
Margrith Lütschg Emmenegger
Marcel Cassar

The Executive Committee met on two occasions during 2005, however communication with and between Management and the Committee's members is regular and ongoing.

Audit Committee

The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibilities by reviewing the systems and procedures of internal control implemented by Management, the financial statements and disclosures and the external and internal audit processes. The Committee also considers the arm's length nature of related party transactions that the Bank carries out. The Committee's terms of reference are included in the Audit Charter and are modelled upon current best recommendations and practices of good corporate governance. Both the Audit Committee's and the Internal Auditor's terms of reference clearly stipulate their independence from other Board Committees and Management. The Internal Auditor has direct access to the Committee Chairman at all times. The Internal Auditor attends all meetings and acts as Secretary of the Audit Committee.

The members of the Audit Committee are:

Duco Reinout Hooft Graafland *(Chairman)*
Hamad Musaed Bader Mohammed Al-Sayer
Tareq M. Al-Saleh

The Audit Committee may require members of Management to attend any of the Committee meetings. The Audit Committee met on three occasions during 2005, at two of which the independent auditors were present. Communication with and between the Secretary/Internal Auditor and the Committee's members is regular and ongoing.

Risk Management Committee

The Risk Management Committee, established by virtue of a Board resolution dated 11 November 2005, has absorbed the function of the previous Credit Committee. The Committee is responsible for overseeing the Group's credit policy and risk, for

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

approving individual limits for banks and corporates within its delegated parameters of authority, and also for recommending country limits for approval by the Executive Committee. The Risk Management Committee is also responsible for the oversight of operational and legal risk matters related to credit activity.

The voting members of the Committee during 2005 were:

Francis J. Vassallo *(Chairman)*
John C. Grech
Margrith Lütschg Emmenegger
Marcel Cassar
Raymond Busuttil
Carmelo Occhipinti

On 11 November 2005, the Board of Directors approved the appointment of Charles Wallbank and Raffaella Bonadies as non-voting members of the Risk Management Committee.

The Committee met on forty-two occasions during 2005.

Asset-Liability Committee

The Asset-Liability Committee (ALCO) is responsible for establishing appropriate asset and liability management policies, monitoring their application and reviewing financial information on the basis of which investment and funding decisions are taken.

The members of the Asset-Liability Committee are:

Francis J. Vassallo *(Chairman)*
Margrith Lütschg Emmenegger
Marcel Cassar
Raymond Busuttil
Martin Chetcuti
Carmelo Occhipinti

The ALCO met on nine occasions during 2005.

Additionally, the Group's structures provide for an International Advisory Board which may be called upon by the Directors to advise on overall or specific aspects of the Group's international strategy. The International Advisory Board may also be called to give its opinion on new market opportunities and to recommend about strategy accordingly. The members of this Board are John C. Grech (who acts as Chairman), Najeeb H.M. Al-Saleh, Jacques Leblanc and Abdulaziz S. Al-Saleh, an independent advisor. The International Advisory Board did not meet during 2005.

Internal Control

The Board is ultimately responsible for the identification and evaluation of key risks applicable to the different areas of the business of the Group, and for ensuring that proper systems of internal control are in place. The Board has delegated Management with the task of creating an effective control environment to the highest possible standards. The internal audit function monitors compliance with policies, standards and procedures and the effectiveness of the internal control environment within the Group. To ensure the effectiveness of the internal systems of control the Internal Auditor reviews and tests such systems independently from Management, adopting a risk-based approach. The Internal Auditor reports to the Audit Committee, however, the Chairman of the Board of Directors is copied with all internal audit reports issued.

The Board has identified key features within the Group's environment of internal controls to ensure compliance with the Principles. The Management is responsible for the identification and evaluation of key risks applicable to the respective areas of business.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Board receives regular reports from Management giving detailed and comprehensive analysis of financial and operational performance, including variance analysis between budgeted and actual figures, activities and prospects.

Terms and Remuneration

The Annual General Meeting of shareholders approves the maximum annual aggregate remuneration which the Directors may receive for the holding of their office. At the Annual General Meeting of 5 May 2005, the shareholders confirmed USD 200,000 as the maximum aggregate amount to which Directors would be entitled in 2005. Further details about the remuneration received by Directors in 2005 is provided in the Notes to the Financial Statements. The Board decides and approves how individual remuneration is to be allocated amongst Directors for the roles that they carry out, such as participation at committees, and acting as Chairman of the Board and of committees. None of the Directors is on a contract of service with the Bank. No Director is entitled to profit sharing, share options or pension benefits from the Bank or other member of the Group.

The Board considers that the terms and remuneration of the Executives should reflect their responsibilities whilst taking account of industry and market benchmarks and reflecting internationally established criteria. The terms and remuneration of the President and Executives, including entitlements under the Executive Share Option Scheme, are determined and approved by the Board of Directors which, in doing so, effectively carries out the function of the Remuneration Committee. For this reason the Board has decided that there is no scope for an apposite Remuneration Committee. The Management determines the remuneration and bonuses of all other members of staff, within the parameters of an aggregate amount of bonus allocation as approved by the Board.

Commitment to Shareholders and an Informed Market

The Board complies with the rules prescribed by the Bank’s Memorandum and Articles, as well as all legislation, rules and regulations that oblige it to maintain a fair and informed market in the Bank’s equity securities. It discharges its obligations by having in place formal procedures for dealing with potentially price-sensitive information and ensuring the proper conduct of its officers and staff in that regard. These procedures are incorporated in a ‘Code of Conduct for Dealing in Securities by Directors, Executives and Employees’ which is drawn up in accordance with the requirements of the Listing Rules, and which applies to all Directors and employees of the Group. Directors and employees are also notified and reminded by the Company Secretary to observe the ‘time-windows’ accompanying the publication of half-yearly and annual financial results during which no dealings in the Bank’s equity securities are allowed. During 2005 these obligations were enhanced by the publication of Regulations and Guidance Notes issued under the Prevention of Financial Markets Abuse Act which the Board endorsed accordingly. Regular contact with shareholders is also maintained through company announcements, which are issued in conformity with the obligations arising from the Listing Rules. During 2005 the Bank issued fifteen announcements.

All eligible shareholders are served with a notice to attend the Annual General Meeting, which is held during the first half of the year. The notice contains all the resolutions proposed for approval by the Annual General Meeting and, as necessary, notes accompanying such resolutions. Pursuant to the Companies Act, notices are delivered to shareholders at least 14 clear days before the date of the Annual General Meeting. Advance notification of the resolutions proposed for approval is also given by way of a Company Announcement as soon as these are decided and approved, normally at the same Board meeting that approves the Annual Financial Statements. The Board also considers the Annual Report to be an effective document which, in addition to the statutory disclosures, contains detailed information about the Group’s performance. Moreover, the Board ensures that the Annual General Meeting serves as a medium at which information is communicated to shareholders in a transparent and accountable manner. Additionally, the Bank holds meetings from time to time with financial intermediaries and financial market practitioners to disseminate information about the Group’s progress, activities and financial performance. These meetings are usually organised to follow the publication of the half-yearly and annual financial results.

Approved by the Board of Directors on 19 February 2006 and signed on its behalf by:

Najeeb Al-Saleh

Najeeb H.M. Al-Saleh
Chairman

John C. Grech
Vice Chairman

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders of FIMBank p.l.c.
(formerly First International Merchant Bank p.l.c.)

Pursuant to Listing Rule 8.28 issued by the Listing Authority

Listing Rules 8.26 and 8.27 issued by the Listing Authority, require the Bank's Directors to include in their Annual Report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures they have taken to ensure compliance with these Principles.

Our responsibility, as independent auditors of the Bank, is laid down by Listing Rule 8.28, which requires us to include a report on this Statement of Compliance.

We read the Statement of Compliance and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with these financial statements. Our responsibilities do not extend to considering whether this Statement is consistent with other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion of the effectiveness of the Bank's corporate governance procedures or its risk and control procedures, nor on the ability of the Bank to continue in operational existence.

In our opinion, the Statement of Compliance set out on pages 17 to 21 provides the disclosures required by the Listing Rules 8.26 and 8.27 issued by the Listing Authority.

Ray Azzopardi (Partner) for and on behalf of

KPMG
Certified Public Accountants

19 February 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, 1995 requires the Directors to prepare financial statements for each financial period which give a true and fair view of the financial position of the Bank and the Group as at the end of the financial period and of the profit or loss of the Bank and the Group for that period in accordance with the requirement of International Financial Reporting Standards.

In preparing such financial statements, the Directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Bank and the Group will continue in business;

- select suitable accounting policies and apply them consistently from one accounting period to another;

- make judgements and estimates that are reasonable and prudent;

- account for income and charges relating to the accounting period on the accruals basis; and

- value separately the components of asset and liability items on a prudent basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank and the Group and to enable them to ensure that the financial statements have been properly prepared in accordance with the provisions of the Companies Act, 1995 and the Banking Act, 1994.

The Directors are also responsible for safeguarding the assets of the Bank and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors, through oversight of management, are responsible to ensure that the Bank and the Group establish and maintain internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible, with oversight from the Directors, to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the Bank's and Group's business. This responsibility includes establishing and maintaining controls pertaining to the Bank's and Group's objective of preparing financial statements as required by the Companies Act, 1995 and the Banking Act, 1994 and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, management considers the risks that the financial statements may be materially misstated as a result of fraud.

Signed on behalf of the Board of Directors on 19 February 2006

Najeeb Al-Saleh

Najeeb H.M. Al-Saleh
Chairman

John C. Grech
Vice Chairman

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders of FIMBank p.l.c.
(formerly First International Merchant Bank p.l.c.)

We have audited the financial statements set out on pages 25 to 75. As described on page 23, these financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an opinion on these 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 these 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 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 on the financial statements.

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 and the Group as at 31 December 2005 and of the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the provisions of the Companies Act, 1995 and the Banking Act, 1994 enacted in Malta.

Ray Azzopardi (Partner) for and on behalf of

KPMG
Certified Public Accountants

19 February 2006

INCOME STATEMENT

For the Year Ended 31 December 2005

		GROUP		BANK	
	Note	**2005 USD**	2004 USD	**2005 USD**	2004 USD
Interest income	2	**5,828,556**	3,214,345	**8,511,348**	4,273,583
Interest expense	3	**(4,328,442)**	(1,411,020)	**(4,328,442)**	(1,416,423)
Net interest income		**1,500,114**	1,803,325	**4,182,906**	2,857,160
Fee and commission income	4	**8,673,371**	6,989,311	**7,682,567**	6,147,131
Fee and commission expense	4	**(697,407)**	(342,250)	**(644,204)**	(307,177)
Net fee and commission income	4	**7,975,964**	6,647,061	**7,038,363**	5,839,954
Net trading income	5	**6,381,460**	4,433,805	**360,885**	409,450
Dividend income	6	**76,426**	-	**327,476**	-
Other operating income	7	**60,798**	486,258	**50,000**	51,321
Net operating income before net impairment losses		**15,994,762**	13,370,449	**11,959,630**	9,157,885
Net impairment losses	8	**(365,677)**	(810,834)	**(365,677)**	(810,834)
Net operating income		**15,629,085**	12,559,615	**11,593,953**	8,347,051
Administrative expenses	9	**(12,464,122)**	(10,998,357)	**(7,919,185)**	(6,512,918)
Depreciation on property, plant and equipment	20	**(563,835)**	(481,705)	**(421,395)**	(409,496)
Impairment loss on property, plant and equipment	20	**(165,858)**	-	**-**	-
Net reversal of provisions	29	**297,089**	496,778	**-**	-
Adjustment to goodwill	19	**(682,372)**	(1,902,900)	**-**	-
Total operating expenses		**(13,579,098)**	(12,886,184)	**(8,340,580)**	(6,922,414)
Operating profit / (loss)		**2,049,987**	(326,569)	**3,253,373**	1,424,637
Share of profit of associate		**892,616**	-	**-**	-
Profit / (loss) before taxation		**2,942,603**	(326,569)	**3,253,373**	1,424,637
Taxation	10	**(243,520)**	1,868,639	**(243,520)**	(34,261)
Profit for the year attributable to equity holders of the company		**2,699,083**	1,542,070	**3,009,853**	1,390,376
Basic earnings per share	11	**4.06c**	2.34c	**4.53c**	2.11c
Diluted earnings per share	11	**3.81c**	2.34c	**4.23c**	2.11c

BALANCE SHEET

At 31 December 2005

	Note	GROUP 2005 USD	GROUP 2004 USD	BANK 2005 USD	BANK 2004 USD
ASSETS					
Balances with the Central Bank of Malta and cash	12	**358,219**	139,563	**215,071**	59,834
Loans and advances to banks	13	**113,761,635**	107,948,101	**111,528,162**	106,813,271
Financial assets at fair value through profit or loss	14	**119,650,397**	63,281,081	**10,130,000**	-
Loans and advances to customers	15	**41,564,011**	26,190,662	**101,622,616**	85,939,813
Investments available-for-sale	16	**133,600**	133,600	**133,600**	133,600
Investments in subsidiaries	17	**-**	-	**37,392,666**	2
Investments in associate	18	**6,762,457**	4,703,330	**6,259,188**	4,703,330
Intangible assets	19	**5,183,515**	5,235,887	**-**	-
Property, plant and equipment	20	**2,850,537**	2,972,697	**1,351,629**	1,527,189
Deferred tax asset	21	**2,522,740**	2,645,188	**619,840**	742,288
Current tax recoverable		**366,637**	521,791	**366,637**	521,791
Other assets		**1,156,558**	1,041,827	**694,116**	532,667
Prepayments and accrued income	22	**904,957**	1,161,292	**1,406,345**	1,886,267
Total assets		**295,215,263**	215,975,019	**271,719,870**	202,860,052
LIABILITIES AND EQUITY					
Liabilities					
Amounts owed to banks	23	**116,336,809**	65,697,692	**116,336,809**	65,697,692
Financial liabilities at fair value through profit or loss	24	**202,727**	-	**202,727**	-
Amounts owed to customers	25	**111,868,342**	97,204,814	**89,893,658**	86,619,942
Debt securities in issue	26	**944,102**	-	**944,102**	-
Subordinated convertible loan	27	**6,000,000**	-	**6,000,000**	-
Other liabilities		**386,003**	1,286,096	**7,293**	58,101
Accruals and deferred income	28	**3,961,607**	1,604,504	**2,232,008**	1,341,512
Provisions	29	**729,637**	1,868,801	**-**	-
Total liabilities		**240,429,227**	167,661,907	**215,616,597**	153,717,247
Equity					
Called up issued share capital	30	**35,586,870**	33,005,316	**35,586,870**	33,005,316
Share premium	30	**10,231,432**	8,862,371	**10,231,432**	8,862,371
Currency translation reserve	30	**(176,774)**	-	**-**	-
Other reserve	30	**2,681,041**	2,681,041	**2,681,041**	2,681,041
Retained earnings		**6,463,467**	3,764,384	**7,603,930**	4,594,077
Total equity		**54,786,036**	48,313,112	**56,103,273**	49,142,805
Total liabilities and equity		**295,215,263**	215,975,019	**271,719,870**	202,860,052

BALANCE SHEET

At 31 December 2005

		GROUP		BANK	
	Note	**2005 USD**	2004 USD	**2005 USD**	2004 USD
MEMORANDUM ITEMS					
Contingent liabilities	31	**1,720,516**	4,563,943	**1,720,516**	4,221,546
Commitments	32	**125,609,890**	129,261,867	**150,826,326**	109,628,881

The official closing middle rate of exchange between the US Dollar and the Maltese Lira issued by the Central Bank of Malta for 31 December 2005 stood at 2.7680.

The financial statements on pages 25 to 75 were approved by the Board of Directors on 19 February 2006 and were signed on its behalf by:

Najeeb H.M. Al-Saleh
Chairman

John C. Grech
Vice Chairman

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2005

GROUP

	Called up Issued Share Capital USD	**Share Premium** USD	**Currency Translation Reserve** USD	**Other Reserve** USD	**Retained Earnings** USD	**Total** USD
At 1 January 2004	33,003,229	8,862,371	-	2,681,041	3,014,391	47,561,032
Exercised share options	2,087	-	-	-	-	2,087
Profit for the year	-	-	-	-	1,542,070	1,542,070
Dividend paid	-	-	-	-	(792,077)	(792,077)
At 31 December 2004	33,005,316	8,862,371	-	2,681,041	3,764,384	48,313,112
At 1 January 2005	33,005,316	8,862,371	-	2,681,041	3,764,384	48,313,112
Profit for the year	-	-	-	-	2,699,083	2,699,083
Currency translation difference	-	-	(176,774)	-	-	(176,774)
Total recognised income for 2005	-	-	(176,774)	-	2,699,083	2,522,309
Exercised share options	27,589	17,385	-	-	-	44,974
Conversion of subordinated convertible loan	2,553,965	1,351,676	-	-	-	3,905,641
At 31 December 2005	**35,586,870**	**10,231,432**	**(176,774)**	**2,681,041**	**6,463,467**	**54,786,036**

BANK

	Called up Issued Share Capital USD	**Share Premium** USD	**Other Reserve** USD	**Retained Earnings** USD	**Total** USD
At 1 January 2004	33,003,229	8,862,371	2,681,041	3,995,778	48,542,419
Exercised share options	2,087	-	-	-	2,087
Profit for the year	-	-	-	1,390,376	1,390,376
Dividend paid	-	-	-	(792,077)	(792,077)
At 31 December 2004	33,005,316	8,862,371	2,681,041	4,594,077	49,142,805
At 1 January 2005	33,005,316	8,862,371	2,681,041	4,594,077	49,142,805
Exercised share options	27,589	17,385	-	-	44,974
Conversion of subordinated convertible loan	2,553,965	1,351,676	-	-	3,905,641
Profit for the year	-	-	-	3,009,853	3,009,853
At 31 December 2005	**35,586,870**	**10,231,432**	**2,681,041**	**7,603,930**	**56,103,273**

CASH FLOW STATEMENT

For the Year Ended 31 December 2005

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Cash flows from operating activities				
Interest and commission receipts	**21,321,735**	13,068,146	**15,644,904**	10,050,355
Exchange received	**239,702**	386,034	**471,055**	409,450
Interest and commission payments	**(4,706,756)**	(1,756,839)	**(4,653,553)**	(1,732,169)
Payments to employees and suppliers	**(12,773,581)**	(16,911,814)	**(7,894,283)**	(6,568,753)
Operating profit / (loss) before changes in operating assets / liabilities	**4,081,100**	(5,214,473)	**3,568,123**	2,158,883
Decrease / (increase) in operating assets:				
- Reserve deposit with Central Bank of Malta	**-**	3,799,014	**-**	3,799,014
- Financial assets at fair value through profit or loss	**(55,096,991)**	(26,216,830)	**(10,000,000)**	11,391,282
- Loans and advances to customers and banks	**(15,043,949)**	8,767,290	**(15,043,949)**	8,767,290
- Other assets	**(114,731)**	480,636	**(161,449)**	(257,535)
(Decrease) / increase in operating liabilities:				
- Amounts owed to customers and banks	**67,966,909**	23,529,754	**56,577,097**	11,321,129
- Debt securities in issue	**944,102**	-	**944,102**	-
- Subordinated convertible loan	**10,000,000**	-	**10,000,000**	-
- Other liabilities	**(1,273,890)**	587,018	**(50,808)**	58,101
Net cash flows from operating activities before income tax	**11,462,550**	5,732,409	**45,833,116**	37,238,164
Income tax refund / (paid)	**29,611**	(361,075)	**34,082**	(361,075)
Net cash flows from operating activities	**11,492,161**	5,371,334	**45,867,198**	36,877,089
Cash flows from investing activities				
- Payments to acquire property, plant and equipment	**(550,977)**	(1,029,224)	**(251,700)**	(676,760)
- Payments to acquire intangible asset	**(315,000)**	-	**-**	-
- Proceeds on disposal of property, plant and equipment	**11,645**	1,115,225	**-**	-
- Net advance to subsidiary companies	**-**	-	**(24,508,773)**	(29,723,577)
- Purchase of shares in associated company	**(1,593,301)**	(4,648,205)	**(1,593,301)**	(4,648,205)
- Payment to acquire subsidiary companies	**-**	-	**(11,630,958)**	-
- Receipt of dividend	**302,029**	-	**302,029**	-
Net cash flows used in investing activities	**(2,145,604)**	(4,562,204)	**(37,682,703)**	(35,048,542)
Cash flows from financing activities				
- Proceeds from issue of share capital	**44,974**	789,617	**44,974**	789,617
- Dividends paid	**-**	(792,077)	**-**	(792,077)
Net cash flows from / (used in) financing activities	**44,974**	(2,460)	**44,974**	(2,460)
Increase in cash and cash equivalents c/f	**9,391,531**	806,670	**8,229,469**	1,826,087

CASH FLOW STATEMENT

For the Year Ended 31 December 2005

	Note	GROUP 2005 USD	GROUP 2004 USD	BANK 2005 USD	BANK 2004 USD
Increase in cash and cash equivalents b/f		**9,391,531**	806,670	**8,229,469**	1,826,087
- Effect of exchange rate changes on cash and cash equivalents		**(1,277,745)**	(1,319,478)	**(1,232,320)**	(1,289,448)
- Net increase in cash and cash equivalents		**10,669,276**	2,126,148	**9,461,789**	3,115,535
Increase in cash and cash equivalents		**9,391,531**	806,670	**8,229,469**	1,826,087
Cash and cash equivalents at beginning of year		**28,417,969**	27,611,299	**27,203,410**	25,377,323
Cash and cash equivalents at end of year	33	**37,809,500**	28,417,969	**35,432,879**	27,203,410

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

1 SIGNIFICANT ACCOUNTING POLICIES

FIMBank p.l.c. ("the Bank") is a limited liability company domiciled and incorporated in Malta.

1.1 Statement of compliance

The financial statements have been prepared and presented in accordance with the provisions of the Banking Act, 1994 and the Companies Act, 1995 (the "Act") enacted in Malta, which requires adherence to International Financial Reporting Standards (IFRSs) and their interpretations adopted by the European Union.

The Act specifies that in the event that any one of its provisions is in conflict or not compatible with IFRSs and their interpretation adopted by the European Union or its application is incompatible with the obligation for the financial statements to give a true and fair view, that provision shall be departed from in order to give a true and fair view.

On 1 January 2005 the Group adopted the revisions to IFRSs that were effective from this date. The adoption of these revisions did not result in substantial changes to the Group's accounting policies with the exception of IAS 39 (revised): *Financial Instruments: Recognition and Measurement,* which has resulted in a change in the accounting policy relating to the classification of financial assets. Revisions to this standard were applied by the Group retrospectively.

The Directors of the Group are of the opinion that there are no Standards or Interpretations that have been issued but are not yet effective by the date of authorisation for issue of these financial statements that will have a possible impact on the Group's financial statements in the period of initial application.

1.2 Basis of preparation

The financial statements are presented in United States Dollar (USD), which currency is the functional currency of the Bank. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments at fair value through profit or loss and financial instruments classified as available-for-sale. Other financial assets and liabilities and non-financial assets and liabilities are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by Management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 40.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

1.3 Basis of consolidation

The consolidated financial statements of the Bank for the year ended 31 December 2005 comprise the financial statements of FIMBank p.l.c., its subsidiary companies London Forfaiting Company Limited and its subsidiaries, FIM Business Solutions Limited and FIMFactors B.V. (collectively referred to as the "Group") and the Group's interest in its associated undertaking, Global Trade Finance Private Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.3 Basis of consolidation *(continued)*

(i) Subsidiaries

Subsidiaries are those entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

1.5 Financial instruments

1.5.1 Classification

Financial assets or financial liabilities at fair value through profit or loss are financial assets or liabilities that are either classified as held for trading or upon initial recognition are designated by the Group at fair value through profit or loss, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. This category includes forfaiting assets, derivative contracts and debt securities. All trading derivatives in a net receivable position (positive fair value) are reported as trading assets. All trading derivatives in a net payable position (negative fair value) are reported as trading liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.5 Financial instruments *(continued)*

1.5.1 Classification (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other that those that the Group intends to sell immediately or in the near term which would be classified as held for trading, those that the Group upon initial recognition designates as at fair value through profit or loss, those that the Group upon initial recognition designates as available-for-sale or those for which the holder may not recover substantially all of its initial investments, other than because of credit deterioration, which are classified as available-for-sale.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that the Group upon initial recognition designates as at fair value through profit or loss, those that the Group designates as available-for-sale and those that meet the definition of loans and receivables. These include loans and advances to banks and customers and certain debt investments. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

1.5.2 Recognition

The Group recognises financial assets at fair value through profit or loss and available-for-sale assets on the date it commits to purchase the assets. From this date, any gains or losses arising from changes in fair value of the assets are recognised. In the case of derivative financial instruments this is on the date on which the derivative contract is entered into.

Held-to-maturity investments and loans and receivables are recognised on the day these are transferred to the Group.

1.5.3 Measurement

Financial assets and financial liabilities are recognised initially at their fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition all financial assets, including derivatives that are assets, are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal, except for loans and receivables and held-to-maturity investments which are measured at amortised cost using the effective interest method and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which are measured at cost.

Subsequent to initial recognition all financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss which are measured at fair value. Premia and discounts, including initial transactions costs, are included in the carrying amount of the related instrument and amortised over the period to maturity based on the effective interest rate of the instrument.

1.5.4 Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.5 Financial instruments *(continued)*

1.5.4 Fair value measurement principles (continued)

Where discounted cash flow techniques are used, estimated future cash flows are based on Management's best estimate and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current credit worthiness of the counter parties.

1.5.5 Gains and losses on subsequent measurement

Gains or losses arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship is recognised as follows:

- a gain or loss on a financial asset or liability classified as at fair value through profit or loss including derivative financial instruments is recognised in the income statement;

- a gain or loss on an available-for-sale financial asset shall be recognised directly in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. However, interest on available-for-sale debt securities calculated using the effective interest method is recognised in the income statement.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in the income statement when the financial asset or liability is derecognised or impaired, and through the amortisation process.

1.6 Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset have been realised, expired or transferred and control is not retained by the Group or substantially all the risks and rewards of ownership have been transferred by the Group.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expires.

Assets designated by the Group at fair value through profit or loss and available-for-sale assets that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as at the date the Group commits to sell the assets.

Held-to-maturity investments and loans and receivables are derecognised on the day these are transferred by the Group.

1.7 Sale and repurchase agreements

Investments purchased subject to commitments to resell them at future dates at a fixed price are not recognised. The amounts paid are recognised in loans and advances to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised on the balance sheet and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale, as appropriate.

The difference between the sale and repurchase consideration is recognised on an effective interest basis over the period of the transaction and is included in interest.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.9 Impairment

The carrying amounts of the Group's assets, other than deferred tax assets (see accounting policy 1.18), are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably measured. If there is objective evidence, the asset's recoverable amount is estimated (see below). An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset is carried at revalued amount, in which case the impairment is treated as a revaluation decrease, to the extent of the credit balance on the revaluation reserve.

1.9.1 Goodwill

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a prorata basis. An impairment loss in respect of goodwill is not reversed.

1.9.2 Assets carried at amortised cost

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Loans and advances are presented net of specific and collective impairment allowances for uncollectibility. The Group assesses at each balance sheet date whether there is any objective evidence that a loan is impaired. Specific impairment allowances are determined by an evaluation of the exposures on a case-by-case basis and are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to their recoverable amounts.

Collective impairment allowances are maintained to reduce the carrying amount of portfolios of financial assets with similar risk characteristics to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of financial assets with similar risk characteristics are estimated based on, amongst others, observable data and considering the credit rating of the underlying customers and late payments of interest or penalties.

Increases in the allowance amount are recognised in the income statement. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.9 Impairment *(continued)*

1.9.3 Financial assets remeasured to fair value

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments remeasured to fair value represents the present value of expected future cash flows discounted at the current market rate of interest.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

1.9.4 Other assets

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

1.9.5 Reversals of impairment

An impairment loss in respect of held-to-maturity assets or receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through income statement. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 Investments in subsidiaries and associates

Investments in subsidiaries and associates are shown in the balance sheet of the Bank at cost less impairment losses (see accounting policy 1.9).

Investments in associates on the balance sheet of the Group are initially stated at cost, including attributable goodwill, and adjusted thereafter for the post-acquisition share of profits or losses.

1.11 Property, plant and equipment

1.11.1 Own assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1.9).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.11 Property, plant and equipment *(continued)*

1.11.1 Own assets (continued)

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

1.11.2 Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

1.11.3 Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

• Freehold premises	50 years
• Computer system	7 years
• Furniture, fixtures and fittings	14 years
• Computer equipment	5 years
• Others	5 – 14 years

The residual value, if not insignificant, is reassessed annually.

At balance sheet date, the carrying amounts of property, plant and equipment are reviewed for indication of impairment.

1.12 Intangible assets

1.12.1 Goodwill

All business combinations are accounted for by applying the purchase method.

Goodwill, arising on acquisition of subsidiaries and associates, represents the difference between the cost of the acquisition represented by the fair value of the consideration at the date of exchange, including costs directly attributable to the acquisition and the fair value of the acquired identifiable assets, liabilities and contingent liabilities at the date of acquisition.

On initial recognition goodwill is measured at its cost. After initial recognition goodwill is measured at cost less impairment losses. Accordingly goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy 1.9) or earlier if an indication of impairment exists. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate (see accounting policy 1.10).

Any excess of the Group's acquired interest in the net fair value of identifiable assets, liabilities and contingent liabilities over cost is recognised directly in the income statement after reassessing the identification and measurement of the acquired identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination.

1.12.2 Software licence

Software licence is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy 1.9).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.12 Intangible assets *(continued)*

1.12.3 Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

1.12.4 Amortisation

Amortisation is charged to the income statement on a straight-line basis over a period of seven years, being the estimated useful live of the intangible asset. Amortisation begins when the intangible asset is available for use.

1.13 Share capital

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

When such shares are later reissued, sold or cancelled, the consideration received is recognised as a change in equity. No gain or loss is recognised in the income statement.

1.14 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

1.15 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

In the case of restructuring, a provision is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

1.16 Trade and other payables

Trade and other payables are stated at their cost.

1.17 Revenue recognition

1.17.1 Interest income

Interest income for all interest-bearing financial assets is recognised in the income statement as it accrues using the effective interest rates of the financial assets to which they relate.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by any allowance for impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.17 Revenue recognition *(continued)*

1.17.2 Fee and commission income

Fee and commission 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.

1.17.3 Net trading income

Net trading income is analysed in note 5 to the financial statements. This represents foreign exchange rate fluctuations, net income from financial instruments at fair value through profit or loss and net amount earned from trading in forfaiting assets which includes accrued income on forfaiting assets held at the balance sheet date on an effective yield basis.

1.17.4 Dividend income

Dividend income from equity shares is recognised in the income statement on the date the entity's right to receive payments is established.

1.18 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and/or sufficient taxable temporary differences are available. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.19 Employee benefits

The Bank contributes towards a defined contribution state pension plan in accordance with Maltese legislation. Subsidiaries contribute to other defined contribution plans. The Group does not have a commitment beyond the payment of fixed contributions. Related costs are recognised as an expense during the year in which these are incurred.

1.20 Equity related compensation benefits

Equity related compensation benefits relate to a share option scheme that allows executives of the Group to acquire shares in the Bank. The option exercise price is fixed on the date of the grant and no compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received based on the market price determined on grant date.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.21 Foreign currency transactions

1.21.1 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair value was determined.

1.21.2 Financial statements of foreign operations

The assets and liabilities of foreign operations none of which has the currency of a hyperinflationary economy are translated to the functional currency at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Resulting foreign exchange differences are recognised as a separate component of equity.

1.21.3 Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to a currency translation reserve and presented as a separate component of equity. They are released into the income statement upon disposal.

1.22 Operating lease payments

Rental payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease and are included in administrative expenses.

1.23 Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of purchase and include cash, loans and advances to banks and amounts owed to banks.

1.24 Segment reporting

A segment is a distinguishable component of the Group and the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from other segments.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

2 INTEREST INCOME

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
On loans and advances to banks	**1,585,865**	1,470,528	**1,564,756**	1,455,312
On loans and advances to customers	**1,893,788**	1,176,044	**1,893,788**	1,176,044
On loans and advances to subsidiary companies	**-**	-	**2,703,901**	1,074,454
On balances with Central Bank of Malta	**-**	37,279	**-**	37,279
	3,479,653	2,683,851	**6,162,445**	3,743,089
On debt securities	**416,756**	-	**416,756**	-
On other trade finance activities	**1,932,147**	530,494	**1,932,147**	530,494
Total interest income	**5,828,556**	3,214,345	**8,511,348**	4,273,583

3 INTEREST EXPENSE

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
On amounts owed to banks	**2,224,335**	608,660	**2,224,335**	608,660
On amounts owed to customers	**2,104,107**	802,360	**2,104,107**	807,763
	4,328,442	1,411,020	**4,328,442**	1,416,423

4 NET FEE AND COMMISSION INCOME

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Fee and commission income				
Credit related fees and commission	**1,336,950**	1,025,662	**1,336,950**	1,025,662
Fees and commission on letters of credit	**5,356,606**	4,206,844	**5,356,606**	4,206,844
Fees and commissions on forfaiting activities	**990,804**	842,180	**-**	-
Other fees	**989,011**	914,625	**989,011**	914,625
	8,673,371	6,989,311	**7,682,567**	6,147,131
Fee and commission expense				
Credit related fees	**124,953**	26,558	**124,953**	26,558
Correspondent banking fees	**111,701**	83,024	**111,701**	83,024
Fees and commissions on forfaiting activities	**117,817**	57,294	**-**	-
Other fees	**342,936**	175,374	**407,550**	197,595
	697,407	342,250	**644,204**	307,177
Net fee and commission income	**7,975,964**	6,647,061	**7,038,363**	5,839,954

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

5 NET TRADING INCOME

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Net trading income from assets held for trading	**5,936,218**	4,290,664	**-**	-
Net income from assets designated at fair value through profit or loss	**248,758**	-	**130,000**	-
Foreign exchange rate fluctuations	**196,484**	143,141	**230,885**	409,450
	6,381,460	4,433,805	**360,885**	409,450

6 DIVIDEND INCOME

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Dividend from associated company	**-**	-	**251,050**	-
Dividends from available-for-sale equity instruments	**76,426**	-	**76,426**	-
	76,426	-	**327,476**	-

7 OTHER OPERATING INCOME

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Profit / (loss) on disposal of plant, property and equipment	**10,798**	(223,481)	**-**	-
Consultancy fees receivable	**50,000**	51,321	**50,000**	51,321
Other non-trading income	**-**	658,418	**-**	-
	60,798	486,258	**50,000**	51,321

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

8 NET IMPAIRMENT LOSSES

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Write downs:				
Loans and advances to banks				
- specific impairment allowances	**(1,025,175)**	(473,314)	**(1,025,175)**	(473,314)
Loans and advances to customers				
- specific impairment allowances	**-**	(568,701)	**-**	(568,701)
- collective impairment allowances	-	(6,486)	**-**	(6,486)
- write-offs	**(2,015)**	-	**(2,015)**	-
	(2,015)	(575,187)	**(2,015)**	(575,187)
	(1,027,190)	(1,048,501)	**(1,027,190)**	(1,048,501)
Recoveries and reversals:				
Loans and advances to customers				
- specific impairment allowances	**494,353**	237,667	**494,353**	237,667
- collective impairment allowances	**167,160**	-	**167,160**	-
	661,513	237,667	**661,513**	237,667
Net impairment losses	**(365,677)**	(810,834)	**(365,677)**	(810,834)

9 ADMINISTRATIVE EXPENSES

9.1 Administrative expenses incurred during the year are analysed as follows:

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Personnel expenses	**6,592,086**	6,346,936	**3,717,760**	3,299,446
Auditors' remuneration	**207,305**	190,074	**71,857**	54,510
Operating lease rentals	**489,444**	427,092	**177,997**	172,013
Other administrative expenses	**5,175,287**	4,034,255	**3,770,771**	3,521,872
Recharge of services by/(to) subsidiary	**-**	-	**180,800**	(534,923)
	12,464,122	10,998,357	**7,919,185**	6,512,918

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

9 ADMINISTRATIVE EXPENSES *(continued)*

9.2 Personnel expenses incurred during the year are analysed as follows:

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Directors' emoluments				
- wages and salaries	**332,325**	122,727	**-**	-
- fees	**-**	50,000	**-**	50,000
- other emoluments	**179,147**	320,362	**141,000**	142,667
	511,472	493,089	**141,000**	192,667
Staff costs				
- wages, salaries and allowances	**5,248,543**	5,182,394	**3,388,451**	2,933,313
- defined contribution costs	**635,721**	507,358	**188,309**	173,466
- other defined contributions	**196,350**	164,095	**-**	-
	6,080,614	5,853,847	**3,576,760**	3,106,779
	6,592,086	6,346,936	**3,717,760**	3,299,446

9.3 The average number of persons employed during the year was as follows:

	GROUP		BANK	
	2005	2004	**2005**	2004
	No.	No.	**No.**	No.
Executive and senior managerial	**21**	21	**12**	10
Other managerial, supervisory and clerical	**81**	84	**67**	66
Other staff	**3**	3	**3**	3
	105	108	**82**	79

9.4 The Bank has in place Executive Share Option Scheme rules that were approved by the shareholders by an extraordinary resolution dated 5 May 2005 replacing Executive Share Option Scheme rules that were approved by the shareholders by an extraordinary resolution dated 28 April 2001. The rules regulate the award of Share Options based on the Bank's performance for the year in respect of which the grant is made. Under the Executive Share Option Scheme rules, the Bank awards share options to executives for targeted performance based on the results of the preceding year at market price established at grant date.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

9 ADMINISTRATIVE EXPENSES *(continued)*

Movements in the number of share options awarded to executives are as follows:

	GROUP		BANK	
	2005	2004	**2005**	2004
	No of shares	No of shares	**No of shares**	No of shares
As at 1 January	**672,220**	276,394	**672,220**	276,394
Exercised	**(55,178)**	(4,174)	**(55,178)**	(4,174)
Awarded	**-**	400,000	**-**	400,000
Forfeited due to termination of employment	**(37,177)**	-	**(37,177)**	-
As at 31 December	**579,865**	672,220	**579,865**	672,220

Details of Share Options Granted:

		Exercise Period		
		01.01.06	01.01.04	01.01.03
		to	to	to
	Total	31.12.10	31.12.08	31.12.07
	USD			
Exercise price per USD0.50 share		USD1.24	USD 1.1439	USD 0.50
Number of share options unexercised as at 1 January 2005	672,220	400,000	136,253	135,967
Exercised	(55,178)	-	(27,000)	(28,178)
Forfeited due to termination of employment	(37,177)	(15,000)	(10,500)	(11,677)
Number of share options unexercised as at 31 December 2005	**579,865**	**385,000**	**98,753**	**96,112**

10 TAXATION

10.1 Taxation, which is based on the taxable profit / (loss) for the year comprises:

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Current tax				
- Malta tax charge at a rate of 35%	**(121,071)**	(92,142)	**(121,071)**	(92,142)
Deferred				
- origination and reversal of temporary differences	**(804,821)**	57,881	**(122,449)**	57,881
- tax losses not previously recognised	**682,372**	1,902,900	**-**	-
	(122,449)	1,960,781	**(122,449)**	57,881
Taxation in income statement	**(243,520)**	1,868,639	**(243,520)**	(34,261)

The foreign subsidiaries were not subject to tax in view of tax losses available for set-off against taxable income.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

10 **TAXATION** (continued)

10.2 Taxation for the year and the result of the accounting profit / (loss) multiplied by the tax rate applicable in Malta, the Bank's country of incorporation, are reconciled as follows:

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Profit / (loss) before tax	**2,942,603**	(326,569)	**3,253,373**	1,424,637
Tax (expense) / income using the domestic income tax rate of 35%	**(1,029,911)**	114,299	**(1,138,681)**	(498,623)
Tax effect of:				
Non deductible expenses	**(466,219)**	(3,378)	**(1,354)**	(3,378)
Temporary differences previously not recognised	**687,362**	1,904,580	**4,990**	1,680
Allowances received in terms of Income Tax Act exemption order	**816,223**	466,060	**816,223**	466,060
Non deductible group losses	**(600,171)**	(612,922)	**-**	-
Share of profit from associate	**224,548**	-	**-**	-
Different tax rates	**124,648**	-	**75,302**	-
Taxation	**(243,520)**	1,868,639	**(243,520)**	(34,261)

11 **EARNINGS PER SHARE**

11.1 Basic earnings per share

The calculation of the Group's and Bank's earnings per share at 31 December 2005 was based on the profit attributable to ordinary shareholders of USD2,699,083 and USD3,009,853 (2004: USD1,542,070 and USD1,390,376) for the Group and Bank respectively divided by the weighted average number of ordinary shares in issue during the year ended 31 December 2005 of 66,492,244 (2004: weighted average 66,006,811).

11.2 Diluted earnings per share

The calculation of the Group's and Bank's diluted earnings per share at 31 December 2005 was based on the profit attributable to ordinary shareholders of USD2,833,316 and USD3,144,086 (2004: USD1,542,070 and USD1,390,376) for the Group and Bank respectively divided by the weighted average number of ordinary shares outstanding during the year ended 31 December 2005 of 74,295,866 (2004: weighted average 66,006,811), calculated as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

11 EARNINGS PER SHARE *(continued)*

11.2 Diluted earnings per share *(continued)*

Profit attributable to ordinary shareholders (diluted):-

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Profit attributable to ordinary shareholders	**2,699,083**	1,542,070	**3,009,853**	1,390,376
After tax effect of interest on subordinated convertible loan	**134,233**	-	**134,233**	-
Profit attributable to ordinary shareholders (diluted)	**2,833,316**	1,542,070	**3,144,086**	1,390,376

Weighted average number of ordinary shares (diluted):-

	2005 No.	2004 No.
Weighted average number of ordinary shares as at 31 December	**66,492,244**	66,006,811
Effect of conversion of subordinated convertible loan	**7,661,895**	-
Effect of share options on issue	**141,727**	-
Weighted average number of ordinary shares (diluted) as at 31 December	**74,295,866**	66,006,811

12 BALANCES WITH CENTRAL BANK OF MALTA AND CASH

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Balances with the Central Bank of Malta	**172,365**	-	**172,365**	-
Cash	**185,854**	139,563	**42,706**	59,834
	358,219	139,563	**215,071**	59,834

The Bank is exempt from holding a Reserve Deposit Requirement as required under Article 11 of the Central Bank of Malta Directive No.1.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

13 LOANS AND ADVANCES TO BANKS

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Repayable on call and at short notice	**13,145,767**	7,583,995	**10,912,294**	6,449,165
Term loans and advances	**103,745,277**	102,468,340	**103,745,277**	102,468,340
Total loans and advances	**116,891,044**	110,052,335	**114,657,571**	108,917,505
Allowances for uncollectibility				
- specific impairment allowances	**(3,129,409)**	(2,104,234)	**(3,129,409)**	(2,104,234)
Net loans and advances	**113,761,635**	107,948,101	**111,528,162**	106,813,271

Loans and advances to banks include blocked funds amounting to USD113,096 (2004: USD113,096) pursuant to US Sanctions.

Further disclosure as required by Banking Directive 7 on the publication of audited financial statements of credit institutions under the Banking Act, 1994:

The aggregate amount of impaired loans to banks amounted to USD3,623,368 (2004: USD3,613,768). Total interest that would have accrued on the impaired loans in the current and preceding financial years would have amounted to USD418,207 (2004: USD238,680).

Loans and advances to banks include loans and advances to shareholders which at balance sheet date amounted to USD410,231. Interest amounting to USD1,102 was received from shareholders during the year.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

14.1

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Financial assets at fair value through profit or loss				
Held-for-trading				
- forfaiting assets	**109,520,397**	63,281,081	**-**	-
Designated at fair value through profit or loss				
- unlisted debt securities issued by foreign banks	**10,130,000**	-	**10,130,000**	-
	119,650,397	63,281,081	**10,130,000**	-

14.2 Debt securities consist of unquoted first to default credit linked notes, whereby the Group is funding the risk of first default within a basket of specified borrowers. The notes have an embedded instrument linked to the credit risk of the reference basket, which could not be separated from the host contract neither at acquisition nor at a subsequent financial reporting date. The financial asset was therefore treated as a combined contract.

These financial assets are not exchange traded and therefore management estimated the fair value at the amount that the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current credit worthiness of the counter parties.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

15 LOANS AND ADVANCES TO CUSTOMERS

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Repayable on call and at short notice	**16,943,476**	26,091,156	**16,943,476**	26,091,156
Term loans and advances	**33,762,877**	9,903,361	**33,762,877**	9,903,361
Total loans and advances	**50,706,353**	35,994,517	**50,706,353**	35,994,517
Amounts owed by subsidiary companies	**-**	-	**60,058,605**	59,749,151
	50,706,353	35,994,517	**110,764,958**	95,743,668
Allowances for uncollectibility	**(9,142,342)**	(9,803,855)	**(9,142,342)**	(9,803,855)
Net loans and advances	**41,564,011**	26,190,662	**101,622,616**	85,939,813
Allowances for uncollectibility				
- specific impairment allowances	**9,082,557**	9,576,910	**9,082,557**	9,576,910
- collective impairment allowances	**59,785**	226,945	**59,785**	226,945
	9,142,342	9,803,855	**9,142,342**	9,803,855

Further disclosure as required by Banking Directive 7 on the publication of audited financial statements of credit institutions under the Banking Act, 1994:

The aggregate amount of impaired loans and advances to customers amounted to USD13,904,610 (2004: USD13,211,630). Total interest that would have accrued on the impaired loans in the current and preceding financial years would have amounted to USD3,169,890 (2004: USD2,008,055).

The following industry concentrations of loans and advances are considered significant:

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Industrial raw materials	**2,472,740**	809,359	**2,472,740**	809,359
Ship scrapping/pre-demolition	**26,097,838**	736,850	**26,097,838**	736,850
Wholesale and retail trade	**19,700,081**	17,950,400	**19,700,081**	17,950,400
Financial intermediaries	**-**	1,456,992	**-**	1,456,992
Other services	**2,435,694**	15,040,916	**2,435,694**	15,040,916
	50,706,353	35,994,517	**50,706,353**	35,994,517

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

16 INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale consists of equity instruments in unlisted entities as follows:

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Foreign unlisted	**111,405**	111,405	**111,405**	111,405
Local unlisted	**22,195**	22,195	**22,195**	22,195
	133,600	133,600	**133,600**	133,600

There is no market for these investments, and there have not been any recent transactions that provide evidence of the current fair value. Discounted cash flow techniques would not provide a reliable measure of fair value for these equity instruments. Accordingly, these instruments are stated at cost less any impairment losses.

17 INVESTMENTS IN SUBSIDIARIES

	Capital subscribed USD
At 1 January 2004	2
At 31 December 2004	2
At 1 January 2005	2
Incorporated	26,231
Acquired from former subsidiary	37,366,435
In liquidation	(2)
At 31 December 2005	**37,392,666**

17.1 Investments in subsidiaries consist of:

Name of Company	**Registered Office**	**Nature of Business**	**Current Equity Interest** %	**BANK** **2005** **USD**	**2004** USD
FIMBank (UK) Limited (in liquidation)	UK	Holding Company	-	**-**	2
London Forfaiting Company Limited	UK	Forfaiting	100	**37,366,435**	-
FIM Business Solution Limited	Malta	IT Services Provider	100	**5,000**	-
FIMFactors B.V.	Netherlands	Holding Company	100	**21,231**	-
				37,392,666	2

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

17 INVESTMENTS IN SUBSIDIARIES *(continued)*

17.2 Until 1 September 2005 the Bank held indirectly, through FIMBank (UK) Limited, 100% shareholding in London Forfaiting Company Limited (LFC), a company registered in the United Kingdom. On that date FIMBank (UK) Limited was placed into voluntary liquidation and the shares held in LFC were acquired by the Bank. The Bank indirectly through LFC controls the following wholly owned subsidiaries:

Entity	Nature of Business	Country of Incorporation	Ownership interest 2005	2004
London Forfaiting International Limited	*Holding company*	Great Britain	100%	100%
London Forfaiting Americas Inc. *	*Marketing*	United States of America	100%	100%
London Forfaiting do Brasil Ltda. *	*Marketing*	Brazil	100%	100%
London Forfaiting Asia Pacific Limited * #	*Marketing*	Cyprus	100%	100%
London Forfaiting Deutschland GmbH * #	*Marketing*	Germany	100%	100%
London Forfaiting a Paris S.A. * #	*Marketing*	France	100%	100%

** A wholly-owned subsidiary of London Forfaiting International Ltd.*
 # In course of voluntary liquidation at the date of this report

The Bank's acquisition of the investment in London Forfaiting Company Limited from FIMBank (UK) Limited (company in liquidation) was settled partly through a non-cash transaction amounting to USD25,761,706, to set off intra-group loan balances and interest accrued to date of placement into liquidation and an additional cash consideration amounting to USD11,604,729.

18 INVESTMENTS IN ASSOCIATE

18.1 The Group's investment in associates is analysed as follows:

Name of Company	Country of Incorporation	Nature of Business	Class of Shares	Current Equity Interest %	GROUP 2005 USD	2004 USD
Global Trade Finance Private Limited	India	Factoring	Ordinary Shares	38.5	**4,703,330**	4,703,330
Global Trade Finance Private Limited	India	Factoring	Convertible cumulative preference shares	38.5	**1,576,075**	-
					6,279,405	4,703,330
Share of profit					**892,616**	-
Dividend receivable					**(250,016)**	-
Adjustment to cost of acquisition					**17,226**	-
Currency translation difference					**(176,774)**	-
					6,762,457	4,703,330

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

18 INVESTMENTS IN ASSOCIATE *(continued)*

18.2 The Bank's investment in associates is analysed as follows:

Name of Company	Country of Incorporation	Nature of Business	Class of Shares	Current Equity Interest	BANK 2005	BANK 2004
				%	**USD**	USD
Global Trade Finance Private Limited	India	Factoring	Ordinary shares	38.5	**4,703,330**	4,703,330
Global Trade Finance Private Limited	India	Factoring	Convertible cumulative preference shares	38.5	**1,576,075**	-
					6,279,405	4,703,330
Exchange rate difference					**(37,443)**	-
Adjustment to cost of acquisition					**17,226**	-
					6,259,188	4,703,330

18.3 The Ordinary shares were acquired on 24 December 2004 and on the same date, the Bank also entered into a Put Option Agreement with Global Trade Finance Private Limited (GTF) and the other shareholders, namely Export-Import Bank of India (EXIMBank) and International Finance Corporation (IFC) (the "Put Option Agreement"). By virtue of the Put Option Agreement, IFC has the right, by sending a notice of exercise to EXIMBank and/or FIMBank, at any time and from time to time during the Exercise Period, to sell to EXIMBank and/or FIMBank, jointly and severally, all or part of IFC's shareholding in GTF at the Exercise Price.

The Exercise Period means the period beginning 31 March 2007 and ending on either of the following:

(i) the date when all the shares have been disposed of by IFC; or

(ii) the date when all the shares of GTF are listed on the Bombay Stock Exchange or any other exchange acceptable to IFC; or

(iii) 30 September 2010.

The Exercise Price has been fixed at one point eight five (1.85) times the Book Value per share of the Company worked out on the *prorata* amount of Shareholders Equity as derived from the audited financial statements of GTF for the financial year ended immediately preceding the date of delivery of the notice of exercise, multiplied by the number of shares subject to the Put Option.

18.4 On September 2005 the company acquired 6,930,000, 6.25% cumulative convertible preference shares of 10 Indian Rupees each for a purchase consideration of USD1,576,075. The preference shares rank in priority to the equity shares for repayment of share capital and arrears of dividend in a winding-up, but will not be entitled to further participation in surplus assets. Preference shares are convertible into equity shares on or after 31 March 2007 at the book value as on 31 March 2005, unless required to be converted earlier due to statutory requirements. Preference shares are not entitled to voting rights.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

19 INTANGIBLE ASSETS

19.1 GROUP

	Goodwill USD	Software Licence USD	Total USD
Cost			
At 1 January 2004	8,577,689	-	8,577,689
Accumulated amortisation eliminated on adoption of IFRS 3	(571,846)	-	(571,846)
Adjustments resulting from the recognition by a subsidiary of:			
- subsequent identification or changes in value of identifiable assets and liabilities	(867,056)	-	(867,056)
- deferred tax asset	(1,902,900)	-	(1,902,900)
At 31 December 2004	5,235,887	-	5,235,887
At 1 January 2005	5,235,887	-	5,235,887
Additions	-	630,000	630,000
Adjustments resulting from the recognition by a subsidiary of deferred tax asset	(682,372)	-	(682,372)
At 31 December 2005	**4,553,515**	**630,000**	**5,183,515**
Amortisation and impairment loss			
Amortisation at 1 January 2004	571,846	-	571,846
Accumulated amortisation eliminated on adoption of IFRS 3	(571,846)	-	(571,846)
A 31 December 2004	-	-	-
Impairment loss			
At 1 January 2005 and 31 December 2005	-	-	-
Carrying amounts			
At 1 January 2004	8,005,843	-	8,005,843
At 31 December 2004	5,235,887	-	5,235,887
At 1 January 2005	5,235,887	-	5,235,887
At 31 December 2005	**4,553,515**	**630,000**	**5,183,515**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

19 INTANGIBLE ASSETS *(continued)*

19.2 Subsequent changes in the carrying amount of goodwill

During the year, one of the subsidiaries recognised a deferred tax asset amounting to USD682,372 (2004: USD1,902,900) (see note 10). The Group adjusted the gross carrying amount of goodwill to the amounts that would have been recorded if the deferred tax asset had been recognised as an identifiable asset at acquisition date (see note 19.1). The reduction in the carrying amount of goodwill was recognised in the income statement accordingly.

19.3 Impairment test for the cash-generating unit containing goodwill

The recoverable amount of the London Forfaiting Company Limited ('the cash-generating unit') is based on value in use calculations. Those calculations use cash flow projections based on actual operating results and the five-year business plan approved by the Board of Directors. Cash flows beyond the five-year period have been extrapolated using a steady 2.0% growth rate. A pre-tax discount rate of 15.9% has been used in discounting the projected cash flows.

The key assumptions and the approach to determine their value are:

Assumptions	**How determined**
Volume of forfaiting assets	Applying growth rates to reflect the opportunities existing within the forfaiting business over the period of the projections.
Cost of funding	Assumption of basis points over LIBOR in relation to the credit rating of the bank.

The growth rates applied do not exceed the potential business opportunities within the market in which the generating unit operates. The recoverable amount of the generating unit exceeds its carrying amount. The Board of Directors believes that any reasonably possible change in the key assumptions on which the generating unit's recoverable amount is based would not cause the generating unit's carrying amount to exceed its recoverable amount.

19.4 The software licence was not yet brought into use by year-end and therefore no amortisation was charged in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

20 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold Premises USD	Computer System USD	Furniture Fixtures and Fittings USD	Computer Equipment USD	Others USD	Total USD
Cost						
At 1 January 2004	2,586,558	704,842	4,756,365	2,575,174	2,129,157	12,752,096
Acquisitions during year	-	27,544	181,154	487,635	332,957	1,029,290
Disposals	(1,083,169)	-	(1,659,316)	(455,469)	(539,121)	(3,737,075)
At 31 December 2004	1,503,389	732,386	3,278,203	2,607,340	1,922,993	10,044,311
At 1 January 2005	1,503,389	732,386	3,278,203	2,607,340	1,922,993	10,044,311
Acquisitions during year	-	77,410	77,301	256,206	197,463	608,380
Disposals	-	-	(2,261,288)	(1,235,131)	(320,905)	(3,817,324)
At 31 December 2005	**1,503,389**	**809,796**	**1,094,216**	**1,628,415**	**1,799,551**	**6,835,367**
Depreciation and impairment						
At 1 January 2004	313,840	358,318	4,547,408	2,316,279	1,747,870	9,283,715
Charge for year	5,754	104,624	39,112	191,768	140,447	481,705
Released on disposal	(99,547)	-	(1,631,799)	(451,702)	(510,758)	(2,693,806)
At 31 December 2004	220,047	462,942	2,954,721	2,056,345	1,377,559	7,071,614
At 1 January 2005	220,047	462,942	2,954,721	2,056,345	1,377,559	7,071,614
Charge for year	4,439	115,682	50,469	214,905	178,340	563,835
Impairment loss	165,858	-	-	-	-	165,858
Released on disposal	-	-	(2,260,441)	(1,235,131)	(320,905)	(3,816,477)
At 31 December 2005	**390,344**	**578,624**	**744,749**	**1,036,119**	**1,234,994**	**3,984,830**
Carrying amounts						
At 1 January 2004	2,272,718	346,524	208,957	258,895	381,287	3,468,381
At 31 December 2004	1,283,342	269,444	323,482	550,995	545,434	2,972,697
At 1 January 2005	1,283,342	269,444	323,482	550,995	545,434	2,972,697
At 31 December 2005	**1,113,045**	**231,172**	**349,467**	**592,296**	**564,557**	**2,850,537**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

20 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The impairment charge in 2005 relates to the restructuring of London Forfaiting Deutschland GmbH. The recoverable amount of the impaired freehold premises represents the asset's value in use as determined by a professional architect's valuation of a similar asset by reference to an active market.

BANK

	Freehold Premises USD	**Computer System** USD	**Furniture Fixtures and Fittings** USD	**Computer Equipment** USD	**Others** USD	**Total** USD
Cost						
At 1 January 2004	221,708	704,842	275,886	605,274	975,312	2,783,022
Acquisitions during year	-	27,544	156,019	337,108	156,155	676,826
At 31 December 2004	221,708	732,386	431,905	942,382	1,131,467	3,459,848
At 1 January 2005	221,708	732,386	431,905	942,382	1,131,467	3,459,848
Acquisitions during year	-	77,410	4,959	122,082	41,384	245,835
At 31 December 2005	**221,708**	**809,796**	**436,864**	**1,064,464**	**1,172,851**	**3,705,683**
Depreciation						
At 1 January 2004	8,874	358,318	107,652	393,072	655,247	1,523,163
Charge for year	4,442	104,624	30,837	154,122	115,471	409,496
At 31 December 2004	13,316	462,942	138,489	547,194	770,718	1,932,659
At 1 January 2005	13,316	462,942	138,489	547,194	770,718	1,932,659
Charge for year	4,439	115,682	31,191	153,786	116,297	421,395
At 31 December 2005	**17,755**	**578,624**	**169,680**	**700,980**	**887,015**	**2,354,054**
Carrying amounts						
At 1 January 2004	212,834	346,524	168,234	212,202	320,065	1,259,859
At 31 December 2004	208,392	269,444	293,416	395,188	360,749	1,527,189
At 1 January 2005	208,392	269,444	293,416	395,188	360,749	1,527,189
At 31 December 2005	**203,953**	**231,172**	**267,184**	**363,484**	**285,836**	**1,351,629**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

21 DEFERRED TAX ASSET

The deferred tax asset is analysed as follows:

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Tax effect of temporary differences relating to:				
- excess of capital allowances over depreciation	**(3,169)**	(9,262)	**(3,169)**	(9,262)
- allowances for uncollectibility	**617,036**	751,550	**617,036**	751,550
- unabsorbed capital allowances	**5,973**	-	**5,973**	-
- unabsorbed tax losses	**1,902,900**	1,902,900	**-**	-
	2,522,740	2,645,188	**619,840**	742,288

At balance sheet date, a subsidiary had unused tax losses amounting to USD88 million available against future taxable profits. A deferred tax asset amounting to USD682,372 was utilised during the year to absorb taxable income. An equivalent amount was recognised in the financial statements as a deferred tax asset on the basis of three-year profit forecasts and the results for the current year.

22 PREPAYMENTS AND ACCRUED INCOME

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Accrued income	**334,322**	699,644	**941,560**	1,527,721
Prepayments	**570,635**	461,648	**464,785**	358,546
	904,957	1,161,292	**1,406,345**	1,886,267

Accrued income of the Bank include an amount receivable from subsidiary companies amounting to USD528,214 (2004: USD1,309,109).

23 AMOUNTS OWED TO BANKS

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Term deposits	**110,130,783**	61,011,762	**110,130,783**	61,011,762
Repayable on demand	**6,206,026**	4,685,930	**6,206,026**	4,685,930
	116,336,809	65,697,692	**116,336,809**	65,697,692

All amounts owed to banks have variable interest rates.

Amounts owed to banks include deposits by shareholders which at balance sheet date amounted to USD1,000,000. Interest amounting to USD40,396 was paid to shareholders during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

24 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss consist of derivative forward exchange contracts with the following notional amounts split into their remaining maturity periods:

	GROUP AND BANK	
	2005 USD	2004 USD
Less than 3 months	**8,785,242**	-
Between 3 months and 1 year	**5,345,680**	-
Total	**14,130,922**	-

25 AMOUNTS OWED TO CUSTOMERS

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Term deposits	**25,192,500**	13,407,609	**25,192,500**	13,407,609
Repayable on demand	**86,498,125**	83,797,205	**63,330,974**	73,197,108
	111,690,625	97,204,814	**88,523,474**	86,604,717
Amounts owed to subsidiary companies	**-**	-	**1,192,467**	15,225
Amounts owed to associated company	**177,717**	-	**177,717**	-
	111,868,342	97,204,814	**89,893,658**	86,619,942

Included in customer accounts are deposits amounting to USD4,703,181 (2004: USD7,089,175) held as collateral for irrevocable commitments.

Amounts owed to customers include deposits by shareholders which at balance sheet date amounted to USD1,955,026. Interest amounting to USD50,967 was paid to shareholders during the year.

26 DEBT SECURITIES IN ISSUE

Debt securities in issue comprise unsecured promissory notes issued by the Bank.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

27 SUBORDINATED CONVERTIBLE LOAN

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Initial recognition:				
Face value of subordinated convertible loan on 23 June 2005	**10,000,000**	-	**10,000,000**	-
Amounts classified as equity on exercise of option on 27 October 2005 (see note 27.2 below)	**(4,000,000)**	-	**(4,000,000)**	-
Carrying amount as at 31 December	**6,000,000**	-	**6,000,000**	-

27.1 On 23 June 2005 the Bank signed a subordinated convertible loan agreement whereby International Finance Corporation ('IFC') agreed to invest:

(a) USD10 million to be utilised by the Bank to expand its operations by establishing up to five joint-venture factoring and forfaiting companies in IFC member countries; and

(b) an additional global trade facility of up to USD5 million.

In terms of the agreement the Bank granted an irrevocable conversion option to IFC to convert up to the full amount of the loan into fully paid up shares in the Bank during the life of the loan. The conversion requires the issue of a variable number of shares determined by reference to the net asset value of the Bank multiplied by a coefficient which reflect a close approximation of the market price during the period of negotiation of the agreement. Accordingly, the subordinated long term convertible loan was determined to reflect a liability at the date of the agreement.

The loan bears interest at 6.01% and is repayable in full by 22 June 2013 unless converted by 22 June 2010 into fully paid up ordinary shares as noted above. On 27 October 2005 IFC exercised its right to convert part of the loan amounting to USD4 million with the result that on 28 November 2005, 5,107,930 new shares were issued in favour of IFC (see note 30.1).

28 ACCRUALS AND DEFERRED INCOME

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Accrued interest	**615,599**	119,930	**615,599**	60,568
Other accruals	**3,346,008**	1,484,574	**1,616,409**	1,280,944
	3,961,607	1,604,504	**2,232,008**	1,341,512

Other accruals comprise an amount payable to a subsidiary company amounting to USD646,447 (2004: USD936,705).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

29 PROVISIONS

	Restructuring	Legal and other provisions	Total
	USD	USD	USD
Balance at 1 January 2005	419,450	1,449,351	1,868,801
Provisions used during the year	(419,450)	(264,150)	(683,600)
Provisions reversed during the year	-	(297,089)	(297,089)
Exchange difference	-	(158,475)	(158,475)
Balance at 31 December 2005	**-**	**729,637**	**729,637**
Non-current	-	729,637	729,637
	-	729,637	729,637

29.1 Restructuring

The provision related to costs incurred as part of the restructuring exercise implemented following the takeover of FIMBank (UK) Limited. The amount of USD419,450 brought forward from previous year was fully utilised on expenditure of London Forfaiting Group incurred to restructure certain administrative functions of the stated Group.

29.2 Legal and other provisions

This represents the best estimate of an amount to settle an obligation resulting from a pending court case and a claim against an overseas subsidiary.

30 CAPITAL AND RESERVES

30.1 Share capital

	2005		2004	
	Shares of 50 cents		Shares of 50 cents	
	Shares	USD	Shares	USD
Authorised				
Ordinary shares	**200,000,000**	**100,000,000**	100,000,000	50,000,000
Issued and fully paid up				
Ordinary shares	**71,173,739**	**35,586,870**	66,010,631	33,005,316

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

30 CAPITAL AND RESERVES *(continued)*

30.1 Share capital *(continued)*

	Ordinary Shares	
	2005	**2004**
	No.	No.
On issue at 1 January	**66,010,631**	66,006,457
Share options issued for cash (see note 9.4)	**55,178**	4,174
Conversion of convertible subordinated loan (see note 27)	**5,107,930**	-
On issue at 31 December - fully paid	**71,173,739**	66,010,631

At 31 December 2005, the authorised share capital consisted of 200,000,000 ordinary shares (2004: 100,000,000) at a par value of USD0.50.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank, except for holders of 63,852 Executive Share Options which do not carry neither the right to vote nor to receive a dividend. All other shares rank equally with regard to the Bank's residual assets.

30.2 Share premium

The share premium represents proceeds from a rights issue, net of share issue costs, together with the premium arising on the exercise of the executive share option scheme and the option granted on the subordinated long term convertible loan. This reserve is non-distributable. After the balance sheet date, the directors have proposed to recommend to the Annual General Meeting of shareholders a bonus issue of 1 for 5 by the capitalisation of the share premium reserves.

30.3 Currency translation reserve

The currency translation reserve consists of exchange differences arising on the translation of the net investment in a foreign operation.

30.4 Other reserve

The reserve represents the difference between the net proceeds received on the sale of own shares and relative acquisition costs.

30.5 Dividends

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

	2005	**2004**
	USD	USD
US cents 1.14 per qualifying ordinary share (2004: Nil)	**809,725**	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

30 CAPITAL AND RESERVES *(continued)*

30.6 Availability of reserves for distribution

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Distributable	**6,463,467**	3,764,384	**7,603,930**	4,594,077
Non-distributable	**12,735,699**	11,543,412	**12,912,473**	11,543,412
	19,199,166	15,307,796	**20,516,403**	16,137,489

31 CONTINGENT LIABILITIES

31.1

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Guarantee obligations incurred on behalf of third parties	**1,720,516**	4,563,943	**1,720,516**	4,221,546

31.2 During 2004, the Bank was served with a judicial letter, requesting payment of USD1,333,480 under a documentary credit. The Bank has rejected this claim. As at the date of approval of these financial statements, no judicial proceedings were taken. Based on legal advice, the Directors do not expect the outcome of the action to have a material effect on the Group's and the Bank's financial statements.

31.3 On 9 January 2006 a judicial letter was filed against the Bank and a customer for the principal amount of USD841,582, plus legal interest. The party is claiming this amount by way of refund of a performance bond issued by a third party bank in his name and which performance bond was called upon by the Bank on behalf of its customer. The Bank is contesting this claim and the Directors do not expect the outcome of the action to have a material effect on the Group's and the Bank's financial statements.

32 COMMITMENTS

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Undrawn credit facilities	**1,748,558**	25,388,299	**52,004,953**	45,598,726
Commitment to purchase assets	**16,630,152**	29,227,740	**-**	-
Documentary credits	**29,019,215**	29,329,880	**29,019,215**	29,329,880
Risk participations	**3,772,275**	7,823,656	**3,772,275**	2,000,000
Confirmed letters of credit	**74,439,690**	37,492,292	**66,029,883**	32,700,275
	125,609,890	129,261,867	150,826,326	109,628,881

Undrawn credit facilities amounting to USD50,256,395 are assigned to a subsidiary company.

The Bank has total assigned credit limits to customers amounting to USD178,243,408 of which USD119,423,965 had been sanctioned as at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

33 CASH AND CASH EQUIVALENTS

	GROUP		BANK	
	2005	2004	**2005**	2004
	USD	USD	**USD**	USD
Balances of cash and cash equivalents as shown on the balance sheet are analysed as follows:				
Balances with the Central Bank of Malta and cash	**358,219**	139,563	**215,071**	59,834
Loans and advances to banks	**74,501,899**	78,522,579	**72,268,426**	77,387,749
Amounts owed to banks	**(37,050,618)**	(50,244,173)	**(37,050,618)**	(50,244,173)
Cash and cash equivalents	**37,809,500**	28,417,969	**35,432,879**	27,203,410
Adjustment to reflect balances with contractual maturity of more than three months	**(40,026,455)**	13,972,003	**(40,026,455)**	13,972,003
Per balance sheet	**(2,216,955)**	42,389,972	**(4,593,576)**	41,175,413
Analysed as follows:				
Balances with the Central Bank of Malta and cash	**358,219**	139,563	**215,071**	59,834
Loans and advances to banks	**113,761,635**	107,948,101	**111,528,162**	106,813,271
Amounts owed to banks	**(116,336,809)**	(65,697,692)	**(116,336,809)**	(65,697,692)
	(2,216,955)	42,389,972	**(4,593,576)**	41,175,413

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Exposure to credit risk, interest rate and currency risks arises in the normal course of the Group's business. By their nature, the Group makes extensive use of financial instruments. The Group accepts deposits from customers and banks, in addition to significant regulatory capital at both fixed and floating rates and for varying maturity periods. Whilst the Group is currently focused on securing funding, its strength does not lie with the magnitude of its balance sheet totals but rather with the rate at which the Group's trade finance business generally is revolved to increase the non-interest portion revenue of the business. Nonetheless, the Group remains exposed to credit, liquidity and market rates, including currency and interest rate risks.

34.1 Credit risk

Credit risk is 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. The Group provides trade finance and is most susceptible to credit risk.

Strict credit assessment and control procedures are in place to monitor this exposure on loans and advances to customers and banks. Loans are secured either by pledged goods, cash collateral or by personal or bank guarantees which are reviewed periodically by management both in terms of exposure to the Bank and the Group and to ensure the validity of security.

The Group also ensures that it has a reasonable sectorial mix of loans to customers as disclosed in note 15. In compensation for the higher risk, the bank charges higher interest rates. At balance sheet date, the most significant credit risk exposure to a single debtor amounted to USD10,406,415 (2004: USD8,514,572).

The Group monitors its risk on balances held with other banks by establishing bank and country limits.

The risks associated with off-balance sheet assets and liabilities disclosed in the memorandum items arise from the normal course of banking operations. In the case of risks associated with inter-bank participations under letters of credit the Group exercises the same credit controls as those applied to on-balance sheet risks.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.2 Interest rate and liquidity risk

i) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or at different amounts. Accordingly this risk is managed through the matching of the interest resetting dates on assets and liabilities.

The Group does not have any significant funding or asset deployment at fixed rates of interest. The table below summarises re-pricing mismatches at balance sheet date together with the effective interest rates where applicable.

GROUP	**Effective Interest Rate** %	**Per Balance Sheet** USD	**Three months or less** USD	**One year or less but over three months** USD	**Five years or less but over one year** USD	**Other** USD
Assets						
Balances with the Central Bank of Malta and cash	-	358,219	358,219	-	-	-
Loans and advances to banks	4.13	113,761,635	100,852,202	12,161,713	747,720	-
Financial assets at fair value through profit or loss	5.83	119,650,397	109,520,397	10,130,000	-	-
Loans and advances to customers	7.04	41,564,011	37,585,103	3,978,908	-	-
Investments available-for-sale	-	133,600	-	-	-	133,600
Investments in associate	-	6,762,457	-	-	-	6,762,457
Other assets	-	12,984,944	-	-	-	12,984,944
Total assets		295,215,263	248,315,921	26,270,621	747,720	19,881,001
Liabilities and equity						
Amounts owed to banks	3.76	116,336,809	86,523,103	29,560,496	253,210	-
Financial liabilities at fair value through profit or loss	-	202,727	18,033	184,694	-	-
Amounts owed to customers	3.07	111,868,342	101,855,624	10,012,718	-	-
Debt securities in issue	5.88	944,102	-	944,102	-	-
Subordinated convertible loan	6.01	6,000,000	-	6,000,000	-	-
Other liabilities	-	5,077,247	-	-	-	5,077,247
Shareholders' funds	-	54,786,036	-	-	-	54,786,036
Total liabilities and equity	-	295,215,263	188,396,760	46,702,010	253,210	59,863,283
Interest rate sensitivity gap			59,919,161	(20,431,389)	494,510	(39,982,282)
Cumulative gap			59,919,161	39,487,772	39,982,282	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.2 Interest rate and liquidity risk *(continued)*

i) Interest rate risk (continued)

BANK	**Effective Interest Rate** %	**Per Balance Sheet** USD	**Three months or less** USD	**One year or less but over three months** USD	**Five years or less but over one year** USD	**Other** USD
Assets						
Balances with the Central Bank of Malta and cash	-	215,071	215,071	-	-	-
Loans and advances to banks	4.13	111,528,162	98,618,729	12,161,714	747,719	-
Financial assets at fair value through profit or loss	9.12	10,130,000	-	10,130,000	-	-
Loans and advances to customers	6.04	101,622,616	97,643,711	3,978,905	-	-
Investments available-for-sale	-	133,600	-	-	-	133,600
Investments in subsidiaries	-	37,392,666	-	-	-	37,392,666
Investments in associate	-	6,259,188	-	-	-	6,259,188
Other assets	-	4,438,567	-	-	-	4,438,567
Total assets		271,719,870	196,477,511	26,270,619	747,719	48,224,021
Liabilities and equity						
Amounts owed to banks	3.76	116,336,809	86,523,103	29,560,496	253,210	-
Financial liabilities at fair value through profit or loss	-	202,727	18,033	184,694	-	-
Amounts owed to customers	3.07	89,893,658	79,880,939	10,012,719	-	-
Debt securities in issue	5.88	944,102	-	944,102	-	-
Subordinated convertible loan	6.01	6,000,000	-	6,000,000	-	-
Other liabilities	-	2,239,301	-	-	-	2,239,301
Shareholders' funds	-	56,103,273	-	-	-	56,103,273
Total liabilities and equity		271,719,870	166,422,075	46,702,011	253,210	58,342,574
Interest rate sensitivity gap			30,055,436	(20,431,392)	494,509	(10,118,553)
Cumulative gap			30,055,436	9,624,044	10,118,553	-

ii) Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates as well as the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Group raises funds from deposits, other financial institutions and share capital. Liquidity risk is managed by maintaining significant levels of liquid funds, and identifying and monitoring changes in funding required to meet business goals driven by management.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.2 Interest rate and liquidity risk *(continued)*

ii) Liquidity risk (continued)

The following table provides an analysis of certain financial assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment.

GROUP

	Total	**Three months or less**	**One year or less but over three months**	**Five years or less but over one year**	**Over five years**
	USD	USD	USD	USD	USD
At 31 December 2005					
Financial assets					
Loans and advances to banks *	**116,891,044**	111,654,183	5,085,630	151,231	-
Financial assets at fair value through profit or loss	**119,650,397**	119,650,397	-	-	-
Loans and advances to customers *	**50,706,353**	34,554,485	9,791,175	6,360,693	-
Financial liabilities					
Amounts owed to banks	**116,336,809**	65,781,075	50,549,709	6,025	-
Financial liabilities at fair value through profit or loss	**202,727**	27,589	175,138	-	-
Amounts owed to customers	**111,868,342**	105,478,664	6,389,678	-	-
Debt securities in issue	**944,102**	-	944,102	-	-
Subordinated convertible loan	**6,000,000**	-	-	-	6,000,000
At 31 December 2004					
Financial assets					
Loans and advances to banks *	110,052,335	92,924,903	16,730,454	396,978	-
Financial assets at fair value through profit of loss	63,281,081	63,281,081	-	-	-
Loans and advances to customers *	35,994,517	28,839,115	4,718,314	2,437,088	-
Financial liabilities					
Amounts owed to banks	65,697,692	63,352,669	2,061,141	283,882	-
Amounts owed to customers	97,204,814	85,330,699	11,874,115	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.2 Interest rate and liquidity risk *(continued)*

ii) Liquidity risk (continued)

BANK

	Total	Three months or less	One year or less but over three months	Five years or less but over one year	Over five years
	USD	USD	USD	USD	USD
At 31 December 2005					
Financial assets					
Loans and advances to banks *	**114,657,571**	109,420,715	5,085,630	151,226	-
Financial assets at fair value through profit or loss	**10,130,000**	10,130,000	-	-	-
Loans and advances to customers *	**110,764,958**	34,554,476	69,534,781	6,675,701	-
Financial liabilities					
Amounts owed to banks	**116,336,809**	65,781,075	50,549,709	6,025	-
Financial liabilities at fair value through profit or loss	**202,727**	27,589	175,138	-	-
Amounts owed to customers	**89,893,658**	83,503,980	6,389,678	-	-
Debt securities in issue	**944,102**	-	944,102	-	-
Subordinated convertible loan	**6,000,000**	-	-	-	6,000,000
At 31 December 2004					
Financial assets					
Loans and advances to banks *	108,917,505	91,790,073	16,730,454	396,978	-
Loans and advances to customers *	95,743,668	63,628,690	4,718,314	2,437,088	24,959,576
Financial liabilities					
Amounts owed to banks	65,697,692	63,352,669	2,061,141	283,882	-
Amounts owed to customers	86,619,942	85,345,924	1,274,018	-	-

* *Loans and advances to banks and customers are stated before allowances for uncollectibility (see notes 13 and 15).*

34.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed through matching within the foreign currency portfolio. Mismatches, which are only allowed temporarily for small amounts, are continuously monitored and regularised immediately. The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement. These exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the Group. The Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. Forfaiting assets are predominantly denominated in US Dollar thereby reducing substantially the foreign currency exposure and the Group's exposure is limited to assets denominated in other currencies, which are mainly funded through borrowings in the relevant currency.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.3 Currency risk *(continued)*

The following table provides an analysis of the financial assets and liabilities of the Group into relevant currency groupings:

GROUP

		2005			**2004**	
		Other			**Other**	
	US Dollar	**Currencies**	**Total**	**US Dollar**	**Currencies**	**Total**
At 31 December	USD	USD	**USD**	USD	USD	USD
Assets						
Balances with the Central Bank of Malta and cash	326,507	31,712	**358,219**	72,808	66,755	139,563
Loans and advances to banks	73,995,177	39,766,458	**113,761,635**	63,277,124	44,670,977	107,948,101
Financial assets at fair value through profit or loss	113,576,084	6,074,313	**119,650,397**	59,598,614	3,682,467	63,281,081
Loans and advances to customers	36,631,131	4,932,880	**41,564,011**	14,862,334	11,328,328	26,190,662
Investments available-for-sale	133,600	-	**133,600**	133,600	-	133,600
Investments in associate	164,243	6,598,214	**6,762,457**	147,017	4,556,313	4,703,330
Other assets	12,329,988	654,956	**12,984,944**	12,050,754	1,527,928	13,578,682
Total assets	237,156,730	58,058,533	**295,215,263**	150,142,251	65,832,768	215,975,019
Liabilities and equity						
Amounts owed to banks	91,512,424	24,824,385	**116,336,809**	32,130,375	33,567,317	65,697,692
Financial liabilities at fair value through profit or loss	-	202,727	**202,727**	-	-	-
Amounts owed to customers	75,882,082	35,986,260	**111,868,342**	69,990,421	27,214,393	97,204,814
Debt securities in issue	944,102	-	**944,102**	-	-	-
Subordinated convertible loan	6,000,000	-	**6,000,000**	-	-	-
Other liabilities	3,781,019	1,296,228	**5,077,247**	1,672,436	3,086,965	4,759,401
Shareholders' funds	54,786,036	-	**54,786,036**	48,313,112	-	48,313,112
Total liabilities and equity	232,905,663	62,309,600	**295,215,263**	152,106,344	63,868,675	215,975,019

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.3 Currency risk *(continued)*

BANK

At 31 December	2005 US Dollar USD	2005 Other Currencies USD	2005 Total USD	2004 US Dollar USD	2004 Other Currencies USD	2004 Total USD
Assets						
Balances with the Central Bank of Malta and cash	183,359	31,712	**215,071**	27,075	32,759	59,834
Loans and advances to banks	72,430,602	39,097,560	**111,528,162**	63,159,613	43,653,658	106,813,271
Financial assets at fair value through profit or loss	10,130,000	-	**10,130,000**	-	-	-
Loans and advances to customers	90,896,919	10,725,697	**101,622,616**	69,433,773	16,506,040	85,939,813
Investments available-for-sale	133,600	-	**133,600**	133,600	-	133,600
Investments in subsidiaries	37,371,435	21,231	**37,392,666**	-	2	2
Investments in associate	164,243	6,094,945	**6,259,188**	147,017	4,556,313	4,703,330
Other assets	3,936,728	501,839	**4,438,567**	4,132,672	1,077,530	5,210,202
Total assets	215,246,886	56,472,984	**271,719,870**	137,033,750	65,826,302	202,860,052
Liabilities and equity						
Amounts owed to banks	91,512,424	24,824,385	**116,336,809**	32,130,375	33,567,317	65,697,692
Financial liabilities at fair value through profit or loss	-	202,727	**202,727**	-	-	-
Amounts owed to customers	53,739,621	36,154,037	**89,893,658**	59,977,033	26,642,909	86,619,942
Debt securities in issue	944,102	-	**944,102**	-	-	-
Subordinated convertible loan	6,000,000	-	**6,000,000**	-	-	-
Other liabilities	2,025,542	213,759	**2,239,301**	1,029,302	370,311	1,399,613
Shareholders' funds	56,103,273	-	**56,103,273**	49,142,805	-	49,142,805
Total liabilities and equity	210,324,962	61,394,908	**271,719,870**	142,279,515	60,580,537	202,860,052

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.4 Fair values

Certain of the Group's financial assets and liabilities are carried at amortised cost and not at fair value.

The fair value of loans and advances to banks repayable on demand or at short notice approximates the carrying amount. Term loans and advances to banks are at market rates and have a contractual repricing of not more than one year. The carrying amount therefore approximates the fair value of these advances. Term loans and advances to customers are priced above market rates and repricable on a weekly basis. The Bank's loan portfolio is subject to continuous review. Therefore taking into consideration the impact of credit and interest rate risk, the carrying amount approximates fair value.

The bank has written put options under circumstances that reflect specific objectives of all counterparties to the option that are not driven by a profit motive on the part of the option buyer. As a result, the Directors feel that this reduces the possibility that the option could be out of the money and accordingly no negative fair value movement need be recognised in the financial statements.

The carrying amount of amounts owed to banks and customers repayable on call and at short notice is taken to be the fair value. Bank and customer term deposits are priced at market rates and are repriceable within one year. Therefore fair value is expected to approximate the carrying amount.

35 RELATED PARTIES

35.1 Identity of Related Parties

The Bank has a related party relationship with its subsidiaries, associate, Directors and executive officers.

35.2 Transactions with key management personnel

Directors of the Group control 9 per cent of the voting shares of the Bank and the Group respectively. Loans and advances to Directors as at 31 December 2005 amounted to USD39,170 and are included in "loans and advances to customers". No interest is charged on loans and advances to Directors. Deposits by Directors as at 31 December 2005 amounted to USD117,567 and are included in "amounts owed to customers". Interest is payable only to one Director and amounted to USD1,419 for the year ended 31 December 2005.

In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers.

Directors' compensations are disclosed in note 9.2 to these financial statements.

Total remuneration payable to executive officers amounting to USD522,968 (2004: USD408,886) is included in "personnel expenses" (see note 9.2).

35.3 Other related party transactions

The Group / Bank has also a related party relationship with an entity invested in exclusively with a view to subsequent disposal. The Group / Bank charged its associated company a consultancy fee of USD50K (2004: USD50K) arising from a consultancy agreement entered into on its formation. This fee is included with other income. Additionally the Bank received a dividend of USD510.

Furthermore the Bank paid interest amounting to USD16,000 to its associated company and received a dividend of USD251,050. No dividends were received from the company in 2004. Transactions with the associated company are priced on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

35.3 Other related party transactions *(continued)*

An amount equivalent to USD47,571 (2004: USD93,152) was charged by a shareholding company for travelling and accommodation expenses.

Insurance services and consultancy and professional fees amounting to USD1,589 (2004: USD2,888) and USD197,079 (2004: USD201,546) respectively was charged by companies owned by the Bank's Directors.

35.4 Related party balances

Information on amounts due to/by subsidiary companies and associated company are set out in notes 15 and 25 to these financial statements. Amounts due to/by directors are disclosed in note 35.2 above. Amounts due to/by shareholders are disclosed in notes 13, 23, 25 and 27 to these financial statements.

36 OPERATING LEASE

Leases as lessee

The Group leases a motor vehicle and office premises under operating lease arrangements. During the year ended 31 December 2005, operating lease charges amounting to USD489,444 were recognised as an expense in the income statement of the Group (2004: USD427,092), while operating lease charges amounting to USD177,997 were recognised as an expense in the income statement of the Bank (2004: USD172,013).

Non-cancellable operating lease rentals are payable as follows:

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Less than one year	**225,557**	247,248	**225,557**	161,880
Between one and five years	**1,740,251**	1,173,726	**1,302,558**	917,937
	1,965,808	1,420,974	**1,528,115**	1,079,817

37 FINANCIAL COMMITMENTS

In 2004, the Board approved an investment of USD2 million in a newly incorporated entity to be engaged in providing international factoring and forfaiting services and which at balance sheet date were not yet invested by the Bank. Additionally during the year, the Board approved an investment of USD10 million in a newly incorporated entity to be engaged in providing factoring services in Dubai.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

38 Capital commitments

At balance sheet date the Group and the Bank had the following capital commitments:

	GROUP		BANK	
	2005 USD	2004 USD	**2005 USD**	2004 USD
Contracted for	**77,674**	-	**-**	-
Authorised but not contracted for	**7,063,652**	-	**6,835,439**	-
	7,141,326	-	**6,835,439**	-

39 SEGMENTAL INFORMATION

39.1 The Group's identifiable business segments are forfaiting and trade finance services. The Group business and geographical segments are analysed as follows:

GROUP

Geographical/Business segments	Malta		Other Countries		Total	
	2005 USD	2004 USD	**2005 USD**	2004 USD	**2005 USD**	2004 USD
Interest receivable and similar income originated from:						
Trade finance	230,529	394,091	5,576,918	2,797,618	**5,807,447**	3,191,709
Forfaiting activities	-	-	21,109	22,636	**21,109**	22,636
Fees and commissions receivable originated from:						
Trade finance	605,990	773,026	7,076,578	5,374,105	**7,682,568**	6,147,131
Forfaiting activities	-	-	990,803	842,180	**990,803**	842,180
Trading income originated from:						
Trade finance	-	-	360,885	409,450	**360,885**	409,450
Forfaiting activities	-	-	6,020,575	4,024,355	**6,020,575**	4,024,355
Gross income	836,519	1,167,117	20,046,868	13,470,344	**20,883,387**	14,637,461
Interest payable and commission payable originated from:						
Trade finance	(503,624)	(274,588)	(4,404,408)	(1,443,609)	**(4,908,032)**	(1,718,197)
Forfaiting activities	-	-	(117,817)	(35,073)	**(117,817)**	(35,073)
	(503,624)	(274,588)	(4,522,225)	(1,478,682)	**(5,025,849)**	(1,753,270)
Segmental profit:						
Trade finance	332,895	892,529	8,609,973	7,137,564	**8,942,868**	8,030,093
Forfaiting activities	-	-	6,914,670	4,854,098	**6,914,670**	4,854,098
Segmental profit c/f	332,895	892,529	15,524,643	11,991,662	**15,857,538**	12,884,191

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

39 SEGMENTAL INFORMATION *(continued)*

39.1 *(continued)*

GROUP

Geographical/Business segments	Malta		Other Countries		Total	
	2005	2004	**2005**	2004	**2005**	2004
	USD	USD	**USD**	USD	**USD**	USD
Segmental profit b/f	332,895	892,529	15,524,643	11,991,662	**15,857,538**	12,884,191
Other operating income					**137,224**	486,258
Common costs:						
Trade finance					**(8,340,580)**	(6,922,414)
Forfaiting activities					**(4,390,288)**	(4,557,648)
Provision for potential losses					**-**	496,778
Impairment allowance on property, plant and equipment					**(165,858)**	-
Adjustment to goodwill					**(682,372)**	(1,902,900)
Profit on ordinary activities before tax and net impairment losses					**2,415,664**	484,265
Segmental assets:						
Trade finance	9,052,186	13,444,321	160,562,229	123,615,592	**169,614,415**	137,059,913
Forfaiting assets	-	-	113,569,903	68,975,889	**113,569,903**	68,975,889
Factoring	-	-	7,477,430	4,703,330	**7,477,430**	4,703,330
	9,052,186	13,444,321	281,609,562	197,294,811	**290,661,748**	210,739,132
Unallocated assets					**4,553,515**	5,235,887
					295,215,263	215,975,019

39.2 The Bank's main activity is providing trade finance related services and there are no identifiable business segments. Trade finance activities are originated in:

BANK

Geographical/Business segments	Malta		Other Countries		Total	
	2005	2004	**2005**	2004	**2005**	2004
	USD	USD	**USD**	USD	**USD**	USD
Interest receivable and similar income	230,529	394,091	8,280,819	3,879,492	**8,511,348**	4,273,583
Fees and commissions receivable	605,990	773,026	7,076,577	5,374,105	**7,682,567**	6,147,131
Gross income c/f	836,519	1,167,117	15,357,396	9,253,597	**16,193,915**	10,420,714

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

39 SEGMENTAL INFORMATION *(continued)*
39.2 *(contnued)*

BANK

Geographical/Business segments	Malta		Other Countries		Total	
	2005	2004	**2005**	2004	**2005**	2004
	USD	USD	**USD**	USD	**USD**	USD
Gross income b/f	836,519	1,167,117	15,357,396	9,253,597	**16,193,915**	10,420,714
Interest payable and commission payable	503,624	274,587	4,469,022	1,449,013	**4,972,646**	1,723,600
Segment profit	332,895	892,530	10,888,374	7,804,584	**11,221,269**	8,697,114
Other operating income					**738,361**	460,771
Common costs					**(8,340,580)**	(6,922,414)
Profit on ordinary activities before tax and net impairment					**3,619,050**	2,235,471
Segment assets	9,893,796	13,444,321	261,826,074	189,415,731	**271,719,870**	202,860,052

40 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors considered the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. Estimates and judgements are continually evaluated and are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

40.1 Critical accounting judgement in applying the Group's accounting policies

Impairment losses on loans and advances

The Group reviews its loan portfolio to assess impairment on an ongoing basis as relevant generic data is observed concerning risks associated with groups of loans with similar risk characteristics. As a result, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before the decrease is actually identified with an individual loan in that portfolio. The evidence may include observable data indicating that there has been an adverse change in the relative economic situation of an asset group or in the credit status of borrowers in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

40 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

40.1 Critical accounting judgement in applying the Group's accounting policies *(continued)*

Impairment of available-for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgement. For quoted equity securities, applying the general concepts of significance and materiality, a decline of 20% is regarded as significant. The Group also considers that if a decline in a quoted market price persists for 9 months, this should generally be considered to be 'prolonged'. If a decline in the fair value of an equity security is not significant or prolonged, the Group considers if there are additional factors that indicate an impairment has occurred. This assessment is performed for all equity securities whose fair value is below cost, but for which the decline in fair value is not considered significant or prolonged.

Classification of Subordinated long term loan

The Group evaluated the terms of the loan to determine whether it contains both a liability and equity component in accordance with paragraph 28 of IAS 32. The loan, more details thereon can be found in note 27, is convertible into a variable number of shares to reflect the actual movement in the Bank's net assets value multiplied by a coefficient, that reflected a close correlation of the market price and the net asset value per share during the period of negotiation of the agreement. As a result, the Group determined the instrument to be a liability.

Impairment of goodwill

Management judgement assumptions and estimates for assessing impairment of goodwill are set out in note 19 to the financial statements.

41 COMPARATIVE FIGURES

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

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule I

INCOME STATEMENT

Five Year Summary

BANK

	2005	2004	2003	2002	2001
	USD	USD	USD	USD	USD
Interest income	**8,511,348**	4,273,583	3,235,211	3,914,668	4,538,929
Interest expense	**(4,328,442)**	(1,416,423)	(1,077,834)	(1,265,498)	(1,867,926)
Net interest income	**4,182,906**	2,857,160	2,157,377	2,649,170	2,671,003
Fee and commission income	**7,682,567**	6,147,131	5,083,621	5,557,855	3,870,272
Fee and commission expense	**(644,204)**	(307,177)	(357,688)	(603,818)	(424,406)
	7,038,363	5,839,954	4,725,933	4,954,037	3,445,866
Net trading income	**360,885**	409,450	2,529,523	459,828	257,001
Dividend income	**327,476**	-	-	-	-
Other operating income	**50,000**	51,321	53,512	50,000	200,000
Net operating income before impairment losses	**11,959,630**	9,157,885	9,466,345	8,113,035	6,573,870
Net impairment losses	**(365,677)**	(810,834)	(60,289)	(9,935,604)	(277,197)
Net operating income / (loss)	**11,593,953**	8,347,051	9,406,056	(1,822,569)	6,296,673
Administrative expenses	**(7,919,185)**	(6,512,918)	(5,748,045)	(4,271,503)	(3,601,169)
Depreciation	**(421,395)**	(409,496)	(311,958)	(262,746)	(224,486)
Total operating expenses	**(8,340,580)**	(6,922,414)	(6,060,003)	(4,534,249)	(3,825,655)
Profit / (loss) before taxation	**3,253,373**	1,424,637	3,346,053	(6,356,818)	2,471,018
Taxation	**(243,520)**	(34,261)	(62,319)	227,919	(333,468)
Profit / (loss) for the year	**3,009,853**	1,390,376	3,283,734	(6,128,899)	2,137,550

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule II

BALANCE SHEET

Five Year Summary

BANK

	2005 USD	2004 USD	2003 USD	2002 USD	2001 USD
ASSETS					
Balances with Central Bank and cash	**215,071**	59,834	4,393,757	2,758,724	2,477,758
Loans and advances to banks	**111,528,162**	106,813,271	83,584,730	90,458,355	76,857,419
Financial assets at fair value through profit or loss	**10,130,000**	-	11,391,282	10,072	-
Loans and advances to customers	**101,622,616**	85,939,813	64,936,427	24,403,487	25,368,400
Investments available-for-sale	**133,600**	133,600	133,600	133,600	85,538
Investments in subsidiaries	**37,392,666**	2	2	-	-
Investments in associate	**6,259,188**	4,703,330	-	-	-
Property, plant and equipment	**1,351,629**	1,527,189	1,259,859	1,180,518	895,004
Deferred tax	**619,840**	742,288	684,407	618,777	29,855
Other assets	**1,060,753**	1,054,458	1,315,520	205,658	225,249
Prepayments and accrued income	**1,406,345**	1,886,267	360,998	329,217	262,998
Total assets	**271,719,870**	202,860,052	168,060,582	120,098,408	106,202,221
LIABILITIES AND EQUITY					
Liabilities					
Amounts owed to banks	**116,336,809**	65,697,692	43,282,344	43,197,825	42,383,463
Financial liabilities at fair value through profit or loss	**202,727**	-	-	-	-
Amounts owed to customers	**89,893,658**	86,619,942	75,298,813	45,725,136	25,573,293
Debt securities in issue	**944,102**	-	-	-	-
Subordinated convertible loan	**6,000,000**	-	-	-	-
Other liabilities	**7,293**	58,101	-	135,996	183,687
Accruals and deferred income	**2,232,008**	1,341,512	937,006	624,791	645,268
	215,616,597	153,717,247	119,518,163	89,683,748	68,785,711
Equity					
Called up share capital	**35,586,870**	33,005,316	33,003,229	23,000,000	23,000,000
Share premium account	**10,231,432**	8,862,371	8,862,371	4,021,575	4,034,140
Other reserve	**2,681,041**	2,681,041	2,681,041	2,681,041	2,689,427
Retained earnings	**7,603,930**	4,594,077	3,203,701	712,044	6,840,943
Dividend reserve	**-**	-	792,077	-	852,000
	56,103,273	49,142,805	48,542,419	30,414,660	37,416,510
Total liabilities and equity	**271,719,870**	202,860,052	168,060,582	120,098,408	106,202,221
Memorandum items					
Contingent liabilities	**1,720,516**	4,221,546	3,829,531	3,174,578	7,277,376
Commitments	**150,826,326**	109,628,881	63,645,130	128,993,598	88,337,309

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule III
CASH FLOW STATEMENT
Five Year Summary

BANK

	2005	2004	2003	2002	2001
	USD	USD	USD	USD	USD
Net cash flows from operating activities	**45,867,198**	36,877,089	5,828,945	6,421,187	559,509
Cash flows from investing activities					
Payments to acquire property, plant and equipment	**(251,700)**	(676,760)	(404,038)	(534,153)	(217,744)
Net advance to subsidiary companies	**(24,508,773)**	(29,723,577)	(30,667,600)	-	-
Purchase of equity shares	**(1,593,301)**	(4,648,205)	-	(48,062)	(32,695)
Payment to acquire subsidiary companies	**(11,630,958)**	-	-	-	-
Receipt of dividend	**302,029**	-	-	-	-
Cash flows used in investing activities	**(37,682,703)**	(35,048,542)	(31,071,638)	(582,215)	(250,439)
Cash flows from financing activities					
Proceeds from issue of share capital	**44,974**	789,617	14,056,495	-	9,723,567
Dividends paid	**-**	(792,077)	-	(852,000)	-
Net cash flows from / (used in) financing activities	**44,974**	(2,460)	14,056,495	(852,000)	9,723,567
Increase / (decrease) in cash and cash equivalents	**8,229,469**	1,826,087	(11,186,198)	4,986,972	10,032,637
Cash and cash equivalents at beginning of year	**27,203,410**	25,377,323	36,563,521	31,576,549	21,543,912
Cash and cash equivalents at end of year	**35,432,879**	27,203,410	25,377,323	36,563,521	31,576,549

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule IV

ACCOUNTING RATIOS

Five Year Summary

BANK

	2005	**2004**	**2003**	**2002**	**2001**
	%	%	%	%	%
Net interest income and other operating income to total assets	**4.64**	4.67	5.85	7.26	6.59
Operating expenses to total assets	**3.44**	3.96	3.85	4.28	4.26
Profit / (loss) before tax to total assets	**1.20**	0.70	1.99	(5.10)	2.33
Pre-tax return on capital employed	**5.80**	2.90	6.89	(20.90)	6.60
Profit / (loss) after tax to equity	**5.36**	2.83	6.76	(20.15)	5.71

	2005	**2004**	**2003**	**2002**	**2001**
Weighted average number of shares in issue (000's) (note 11)	**66,492**	66,007	46,110	46,000	42,543
Net assets per share (cents)	**84.38**	74.45	73.54	66.12	87.95
Basic earnings / (loss) per share (cents)					
Basic	**4.53**	2.11	7.12	(13.32)	5.02
Diluted	**4.23**	2.11	7.12	(13.32)	5.02

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule V

SOLVENCY RATIO

31 December 2005

BANK

	Note	**Balance Sheet Value** USD	**Weighted Amount** USD
On-balance sheet assets	(a)		
Cash		215,071	-
Loans and advances to banks		111,528,162	50,295,505
Financial assets at fair value through profit or loss		10,130,000	10,130,000
Loans and advances to customers	(b)	101,622,616	88,036,206
Investments available-for-sale		133,600	133,600
Shares in subsidiary companies		37,392,666	37,392,666
Shares in associated company		6,259,188	6,259,188
Property, plant and equipment		1,351,629	1,351,629
Deferred tax asset		619,840	-
Current tax recoverable		366,637	73,327
Other assets		694,116	138,823
Prepayments and accrued income		1,406,345	703,173
		271,719,870	194,514,117
Off-balance sheet assets	(c)		
Contingent liabilities and commitments		152,546,842	32,414,865
Total adjusted assets and off-balance sheet items			226,928,982
Own funds			
Original own funds	(d)		56,103,273
Additional own funds	(e)		6,059,785
Gross own funds			62,163,058
Deductions	(f)		-
Total own funds			62,163,058
Solvency ratio	(g)		27.4%

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule V *(continued)*
SOLVENCY RATIO *(continued)*
31 December 2005

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 collective impairment allowance and property, plant and equipment 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.

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule VI
OTHER RELEVANT COMPANY INFORMATION
Shareholder Information

The following shareholder information is being published in terms of Listing Rule 9.51 issued by the Listing Authority.

Directors' interest in the shareholding of the Company at 31 December 2005

	Number of Shares
Najeeb H.M. Al-Saleh	430,435
Mohammed I.H. Marafie	3,500,000
Mehdi Ouazzani Hassani	500,000
Fouad M.T. Alghanim	2,000,000
John C. Grech	250,000

Additionally, the following directors had beneficial interests in shareholders of the Company, as listed below:

Najeeb H.M. Al-Saleh - in Kuwaiti Interests for Financial Investment KSC and Global Financial Holdings N.V.
Hamad Al-Sayer - in Astrolabe General Contracting Co.
John C. Grech - in Economic Management Consultancy Services Ltd. and EMCS International Services Ltd.

There were no changes in the Directors' interest in the shareholding of the Company between year-end and 6 February 2006.

Shareholders holding 5% or more of the Share Capital as at 31 December 2005

	Ordinary Share of USD0.50 each	
	Number of Shares	Percentage Holding
Kuwaiti Interests for Financial Investment KSC	17,214,398	24.19
Global Financial Holdings N.V.	15,600,000	21.92
International Financial Corporation	5,107,930	7.18
Astrolabe General & Contracting Co.	4,304,348	6.05

The shareholders' interest as at 6 February 2006 was same as above.

Number of shareholders

The total number of registered shareholders as at 31 December 2005 was 452, while that as at 6 February 2006 was 462. All shares are of the same class.

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule VI *(continued)*

OTHER RELEVANT COMPANY INFORMATION *(continued)*

Shareholder Information

Shareholding details as at 31 December 2005

All shares are of equal class and carry equal voting rights.

Range	Total Shareholders	Shares
1 - 500	10	4,026
501 - 1000	23	19,973
1001 - 5000	234	653,248
5001 and over	185	70,496,492
Totals	**452**	**71,173,739**

Shareholding details as at 6 February 2006

All shares are of equal class and carry equal voting rights.

Range	Total Shareholders	Shares
1 - 500	10	4,026
501 - 1000	26	23,373
1001 - 5000	240	669,202
5001 and over	186	70,477,138
Totals	**462**	**71,173,739**

Company Secretary, Registered Address and Contact Number

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