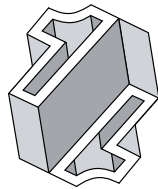


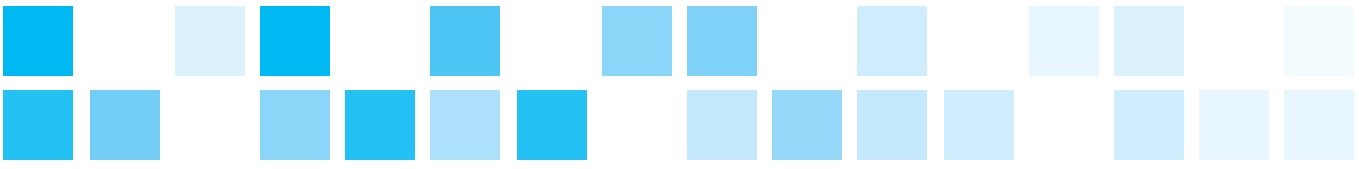
FIMBANK
GROUP

annual report &
financial statements
2010



FIMBANK
G R O U P

annual report &
financial statements
2010

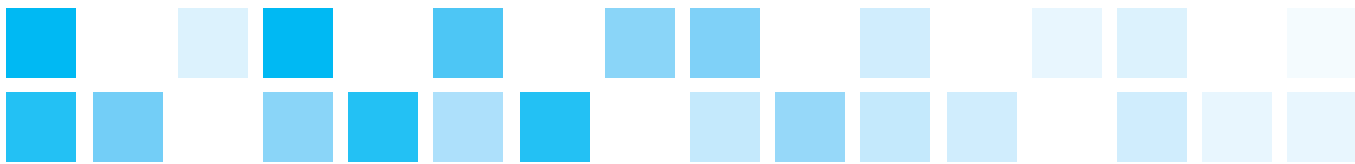


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chairman's statement to the shareholders



In the wake of the financial crisis and the economic downturn which began in 2008, the global economy and financial markets started showing signs of recovery in the latter half of 2009, a trend which consolidated itself gradually throughout 2010. The turnaround owes itself to wide-ranging monetary and fiscal stimuli that helped to revive confidence, boost international trade as well as reduce the level of uncertainty in the financial markets. Through its international presence and diversification, FIMBank was in a good position to benefit from these factors.

I am glad to state that all the components of the Group showed substantial improvements. The FIMBank Group registered an increase in its after-tax profit to reach USD6.74 million for 2010, achieving four times the 2009 results. The Group's Balance Sheet also saw considerable growth, with Total Consolidated Assets at the end of the year reaching USD861 million, an increase of 24% over 2009 figures. Our capital and liquidity ratios remain healthy. A robust risk management policy kept us firmly on course. All these

factors contributed to us retaining our current Fitch rating of BB and the outlook as 'Stable' in 2010. It was also encouraging to note that once again, our foray into the capital market was well received, and we succeeded in raising €33 million of 4.25% 2013 Bonds, which were oversubscribed within hours of opening.

These indicators are in line with the gradual normalisation and return of confidence within international markets and hence the marked improvement in the Group's activity. The viable, trade finance business model we have been adopting over the years, supported by loyal business relationships and the ability to innovate and diversify, are important factors we can rely on to help us through challenging times. Our London subsidiary LFC has achieved a new record in profitability from its operations in London, Istanbul, Moscow, Brazil and Singapore. Moreover, we initiated plans to have a base specialised in Commodity Trade Finance in Geneva. As for our Factoring strategy, the extensive groundwork we put this year into re-entering India bore its fruit with the official launch of India Factoring and Finance Solutions Private Limited in partnership with a carefully selected group including Punjab National Bank and Banca IFIS, with FIMBank holding a 49% stake in the company. We also opened FactorRus in Moscow with another group of strategic partners, namely Transcapitalbank and the IFC (International Finance Corporation). FIMBank holds a 40% stake in this company. Meanwhile, we increased our stake in Lebanon's Levant Factors (previously named LCI factors) and concluded negotiations with BICBanco and the IFC to set up a new factoring joint venture in Brazil.

On the basis of this positive outlook, the Board of Directors will be recommending to the Annual General Meeting the approval of a net scrip dividend per ordinary share of US cents 2.48 (2009: US cents 1.15).

As we bid farewell to another year that has confirmed the strength and resilience of our business model, we prepare ourselves for the challenges of the coming years. Yes, we are a small bank by international standards, but we are focused and efficient, and therefore have much more room for growth. With our unique product mix and regional specialization we have the ability to manoeuvre in and out of markets with more efficiency in these uncertain times.

In closing, I would like to express my heartfelt appreciation to our Shareholders, Bondholders and Customers for their unwavering loyalty and trust. My thanks also go to the Board of Directors for the considered opinions and invaluable guidance they continue to offer. Finally, I would like to extend my gratitude to our Management team and Staff for their dedication, diligence and commitment to the Group.


Najeeb H.M. Al-Saleh
CHAIRMAN



بيان رئيس مجلس الإدارة

واستناداً إلى هذا المشهد الإيجابي، يوصي مجلس الإدارة للجمعية العمومية السنوية بالموافقة على توزيع صافي ربح في شكل شهادات أسهم، وعلى كل سهم عادي بواقع ٢,٤٨ سنت أمريكي (٢٠٠٩: ١,١٥ سنت). وبينما نحن نودع عاماً آخر أكد قوة ومرونة نموذج العمل الذي نتبناه، فإننا نعد أنفسنا لتحديات العام المقبل. أجل، إننا بنك صغير قياساً بالمعايير الدولية، لكننا نتسم بالتركيز والكفاءة، ومن ثم فهناك مساحة كبيرة جداً للنمو. ومن خلال مزيج منتجاتنا وتخصصنا الإقليمي فإننا نتمتع بالقدرة على المناورة دخولاً إلى الأسواق وخروجاً منها بمزيد من الفعالية في هذه الأوقات التي تتسم بعدم التيقن.

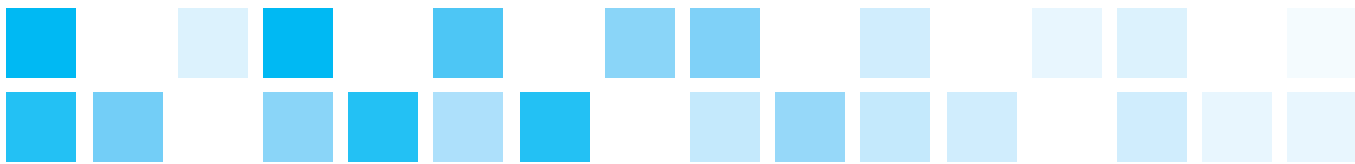
وختاماً، أود أن أعبر عن خالص تقديري لمساهميننا وحاملي سنداتنا وعملائنا على ولائهم وثقتهم الثابتة. كما أتوجه بالشكر إلى أعضاء مجلس الإدارة على آرائهم المدروسة بعناية وتوجيهاتهم القيمة التي يواصلون تقديمها. وأخيراً، أتوجه بالشكر والعرفان إلى فريقنا وطاقمنا الإداري على تفانيهم واجتهادهم والنزاهة تجاه المجموعة.

Najeeb H.M. Al-Saleh
Najeeb H.M. Al-Saleh
CHAIRMAN

في أعقاب الأزمة المالية والركود الاقتصادي بداية من عام ٢٠٠٨، بدأ الاقتصاد العالمي والأسواق المالية تظهر مؤشرات على التعافي في النصف الأخير من عام ٢٠٠٩، وهو اتجاه عزز نفسه تدريجياً خلال عام ٢٠١٠. ويُعززا هذا التحول إلى حوافز نقدية ومالية واسعة النطاق ساعدت على تجديد الثقة وتعزيز التجارة الدولية إلى جانب الحد من مستوى عدم التيقن في الأسواق المالية. لقد كانت مجموعة FIMBank من خلال تواجدها الدولي وتنوعها في وضع جيد مكّنها من الاستفادة من هذه العوامل.

ويسعدني أن أصرح لكم بأن جميع مكونات المجموعة أظهرت تحسناً ملحوظاً فقد سجلت مجموعة FIMBank زيادة في الربح بعد الضريبة بلغت ٦,٧٤ مليون دولار أمريكي في عام ٢٠١٠، محققة بذلك أربعة أضعاف نتائج عام ٢٠٠٩. كما شهدت الميزانية العمومية للمجموعة نمواً معتبراً، إذ بلغ إجمالي الأصول الموحدة في نهاية السنة ٨٦١ مليون دولار أمريكي، بزيادة ٢٤٪ عن عام ٢٠٠٩. كما ظلت نسب رأس المال والسيولة قوية. ذلك فضلاً عن أن انتعاج سياسة قوية لإدارة المخاطر جعلنا نسير في طريقنا بخطة ثابتة. وقد ساهمت هذه العوامل جميعاً في احتفاظنا أثناء عام ٢٠١٠ بتصنيف BB لدى وكالة فيتش وحصولنا على تصنيف "مستقر" فيما يتعلق بالتوقعات المستقبلية. كما كان من المُشجّع مرة أخرى أن تحظى انطلاقتنا في أسواق المال بحدود فعل طيبة، فقد نجحنا في جمع ٣٣ مليون يورو من سندات ٢٠١٣ بنسبة ٤,٢٥٪، والتي شهدت تجاوز حد الاكتتاب خلال ساعات من الافتتاح.

إن هذه المؤشرات تتماشى مع عودة الأمور تدريجياً إلى طبيعتها وعودة الثقة داخل الأسواق الدولية ومن ثم ظهور تحسن ملحوظ في نشاط المجموعة. يُعدّ نموذج التمويل التجاري القوي الذي تبنيه على مدار السنوات، والمدعوم بعلاقات عمل قائمة على الولاء والقدرة على الابتكار والتنوع، من عوامل مهمة نعتمد عليها لمساعدتنا خلال الأوقات العصيبة. لقد حققت شركتنا التابعة الكائنة في لندن LFC رقماً قياسياً جديداً في الربحية من عملياتها في لندن واسطنبول وموسكو والبرازيل وسنغافورة. وعلاوة على ذلك، بدأنا خططاً لتكوين قاعدة متخصصة في تمويل تجارة السلع في جنيف. أما فيما يتعلق باستراتيجية شراء الديون التجارية، فإن العمل التمهيدي الهائل الذي بذلناه هذا العام للدخول مجدداً إلى الهند آتى ثماره مع الإطلاق الرسمي لشركة India Factoring and Finance Solutions Private Ltd بالشراكة مع مجموعة منتقاة بعناية من بينها بنك بونجاب الوطني وبنك Banca IFIS، حيث امتلكت مجموعة FIMBank حصة ٤٩٪ من الشركة. كما أننا افتتحنا شركة FactorRus في موسكو مع مجموعة أخرى من الشركاء الاستراتيجيين، وهما تحديداً Transcapitalbank و IFC (إنترناشيونال فاينانس كوربوريشن). وتحوز مجموعة FIMBank نسبة ٤٠٪ في هذه الشركة. وفي غضون ذلك، زدنا من حصتنا في شركة Levant Factors اللبنانية (والتي كانت تُعرف من قبل باسم LCI factors) وانتهينا من المفاوضات مع BICBanco و IFC لإنشاء شركة مشتركة جديدة لشراء الديون التجارية في البرازيل.



mot du président

Dans le sillage de la crise financière et du ralentissement économique dont ont souffert l'économie mondiale et les marchés financiers à partir de 2008, des signes de reprise ont commencé à apparaître au second semestre 2009, tendance qui s'est progressivement consolidée tout au long de 2010. Cette reprise s'explique par d'ambitieuses mesures de relance monétaire et budgétaire, qui ont contribué à raviver la confiance des agents économiques, à stimuler le commerce international et à réduire le niveau d'incertitude sur les marchés financiers. Grâce à sa présence internationale et à sa diversification, FIMBank était correctement positionnée pour bénéficier de ces développements.

J'ai ainsi le plaisir de constater une amélioration significative de toutes les composantes financières du groupe. FIMBank Group a enregistré une hausse de son bénéfice après impôt, qui atteint USD 6,74 millions pour 2010, soit quatre fois le résultat obtenu en 2009. Le bilan du groupe s'est aussi considérablement développé : l'actif total consolidé au terme de l'exercice ayant atteint USD 861 millions, soit un accroissement de 24 % par rapport aux chiffres de 2009. Nous conservons par ailleurs d'excellents ratios de fonds propres et de liquidités. Une politique ferme de gestion des risques nous a permis de poursuivre notre développement. Tous ces facteurs nous ont aidés à conserver en 2010 la notation BB octroyée par Fitch, avec une perspective « Stable ». Il est également encourageant de relever qu'une fois de plus, notre appel au marché des capitaux a été bien reçu, et nous sommes parvenus à lever EUR 33 millions en obligations (échéance 2013 – 4,25 %), ces dernières ayant en quelques heures généré une demande supérieure à l'offre.

Ces éléments sont conformes à la normalisation progressive et le retour à la confiance observés sur les marchés financiers, et par conséquent à l'amélioration marquée des activités du groupe. Le modèle opérationnel de financement des transactions commerciales que nous avons adopté au fil des ans, qui s'appuie sur une clientèle fidèle et sur notre capacité d'innovation et de diversification, a ici démontré sa viabilité et toute son importance face aux périodes de difficultés économiques. Notre filiale londonienne LFC a atteint un nouveau record de rentabilité grâce à ses activités à Londres, Istanbul, Moscou, Brésil et Singapour. De plus, nous avons initié à partir de Genève un projet spécialisé dans le financement des transactions de matières premières. Quant à notre stratégie en matière d'affacturage, l'important travail préparatoire mené cette année en vue de pénétrer à nouveau le marché indien a porté ses fruits avec le lancement officiel d'India Factoring and Finance Solutions Private Ltd, en partenariat avec des institutions financières triées sur le volet

comprenant notamment la Punjab National Bank et la Banca IFIS, FIMBank détenant une participation de 49 % dans la société. Nous avons également lancé FactorRus à Moscou avec un autre groupe de partenaires stratégiques, à savoir Transcapitalbank et IFC (International Finance Corporation). FIMBank détient une participation à 49 % dans cette société. Nous avons par ailleurs renforcé notre participation dans la libanaise Levant Factors (précédemment dénommée LCI Factors) et conclu des négociations avec BICBanco et IFC en vue de la mise sur pied d'un nouveau partenariat au Brésil dans le domaine de l'affacturage.

Sur la base de ces perspectives positives, le conseil d'administration se propose de recommander à l'assemblée générale ordinaire l'approbation d'un dividende net par action ordinaire d'USD 2,48 cents (2009 : USD 1,15 cents).

Après une nouvelle année confirmant la solidité et la résilience de notre modèle opérationnel, nous nous préparons déjà à affronter les défis des années à venir. La spécialisation de notre activité nous permet d'entrevoir un potentiel important de croissance et ce malgré notre taille moyenne sur la scène internationale. Notre portefeuille unique de produits ainsi que notre spécificité nous permet d'intervenir de façon plus efficace sur les marchés en ces temps d'incertitudes.

Pour conclure, j'aimerais exprimer ma plus sincère reconnaissance à nos actionnaires, nos investisseurs obligataires et nos clients pour leur fidélité et leur confiance inébranlable. Mes remerciements vont également au conseil d'administration pour ses opinions mesurées et pour le précieux encadrement qu'il nous apporte. J'aimerais enfin exprimer ma gratitude envers notre équipe de direction et notre personnel pour son dévouement, sa diligence et son engagement vis-à-vis du groupe.



Najeeb H.M. Al-Saleh
CHAIRMAN

annual group review



Margrith Lüthschg-Emmenegger FIMBank Group President

increased focus through diversification

The year in review constituted a great challenge for the Group, however at the same time all of us have found the process of implementing changes in the way we position the Group as most rewarding. Although change is always difficult to accept and to implement, we also know that it is unavoidable if we want to stay at the forefront of market developments. In today's increasingly demanding financial markets it is absolutely critical to remain innovative, professional and service-driven, and these will continue to be our major challenges in the future.

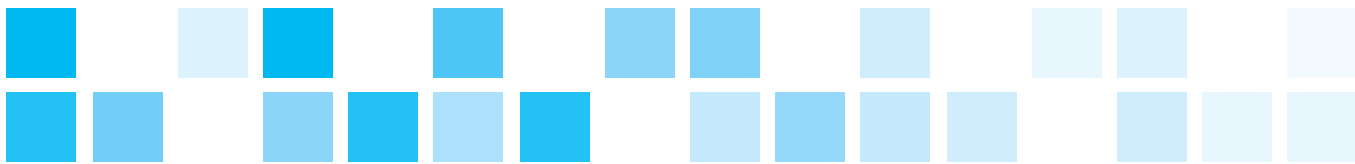
Understanding the elaborate nature, the diversity and the networks within the global trade finance market and among its key players is a complex but rewarding task, especially within the context of the current state of the financial markets. Being a highly specialist Trade Finance bank has allowed us to successfully meet the challenges faced by financial institutions globally. We remain focused on our strategy while pursuing further the diversification of our product offering. Moreover, strengthening our resources, such as equity, funding and human capital, continues to form an integral part for our business model.

goals for 2010

When, at the beginning of the year in review, I had commented on the outlook for the rest of 2010, I had stated that the FIMBank Group was then "excellently positioned" to benefit from the paramount opportunities which we were seeing emerge as a result of the recovery of economies around the world as well as the improvement of international trade flows. This assessment was based on the financial position of the Group at the time, which was underlined by the maintenance of strong liquidity, of prudent capital adequacy ratios and of good asset quality, attributable, amongst others, to the Group's successful diversification policy.

From a strategic perspective, we had confirmed the Bank's focus on maintaining its competitive advantage as a specialist Trade Finance niche market player, where Forfaiting, Factoring and Structured Trade Finance would remain the three strategic pillars on which we would continue to build our offering of diversified trade finance solutions to customers for whom traditional banking finance is often unavailable.

With regard to Factoring, which I described as "the fastest-growing product in Trade Finance", we had also announced our intention to accelerate the Bank's strategy of establishing factoring international joint ventures, particularly in the light of the good growth rates then being registered by all existing operations. Buoyed by our success in setting up such joint ventures



in Russia and India during 2010, we have now identified Brazil and Kenya as two markets where we would attempt to set up factoring joint ventures with local partners throughout 2011.

getting the banking basics right

Central to our disciplined approach is our focus on the basics of banking, primarily business liquidity, capital, risks - both credit and operational - as well as cost.

liquidity

We have always taken a conservative approach to our liquidity by keeping our deposit levels well above our loans, thus maintaining our ability to repay the former. Managing liquidity is always crucial in banking, but in 2008 it became the difference between survival and going bust.

With the constant deterioration of the markets ever since 2007, we have increased our liquidity by gathering more customer deposits, benefiting from customers' 'flight-to-quality', and keeping our overall Trade Finance shorter in tenor.

capital

Solid capital ratios and a conservative scrip dividend policy – keeping the values in the Group for its continuous growth has proven a good strategy. We will now be looking for opportunities to attract strategic investors to support and accelerate our plans for expansion to further strengthen our capital base in anticipation of the implementation of Basle III.

credit and operational risk

Being a Trade Finance bank, we cannot and do not want to avoid risk at all costs. Banking is, after all, a risk-taking business. However, we do have solid risk management policies, as evidenced by the level of our asset quality over the last years. Particularly during a financial crisis, every operational weakness, such as

system or process failures, documentation errors, fraud, and compliance issues, are put under the spotlight. We have been very active in identifying potential loose rivets and tightening up every aspect of how we run the Group. We have taken measures to ensure that we are consistently taking the right risks, that we understand them fully and that we are managing them effectively.

capital adequacy

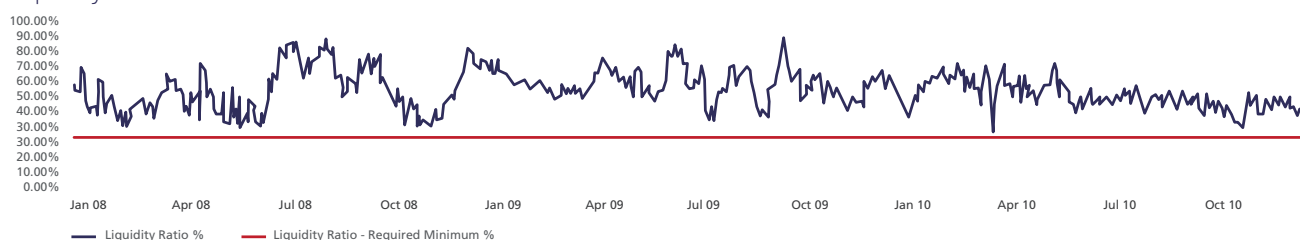


costs

Being a fast growing bank, cost control and the undertaking of investments requires a careful balancing act. While we have once again been able to reduce our Cost Income Ratio (CIR) this year, we are determined to continue investing in expanding our business so that we can really turn this difficult market situation to our full advantage.

Lessons have no doubt emanated from the ongoing turmoil, with the phrase "going back to basics" featuring in banking parlance quite frequently. This typically refers to the strategy of eliminating activities that are not considered "core". The importance we give to the basics of good banking, coupled with our disciplined management and focus on our core competence continues to underpin our success across the markets we operate in.

liquidity





FIMBank employees manning the newly set-up Easisave Helpdesk.

innovation and diversification

We pride ourselves on being customer-driven and accessible. The partnerships and long-term relationships we continue to build with shareholders, bondholders, clients, correspondent banks and associates, constitute the foundation of our success.

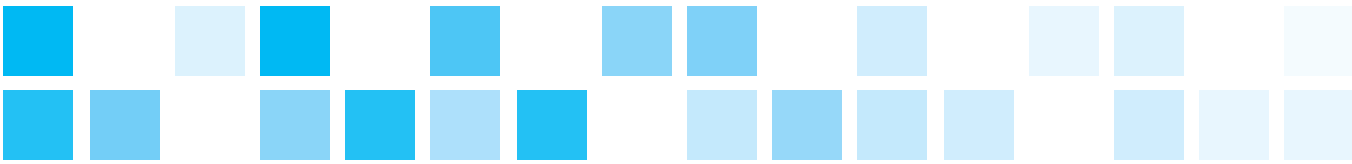
Since its inception in 1995, FIMBank has been at the forefront of introducing new products, ideas and structures to Trade Finance - innovation and diversification are an inherent part of the Bank's DNA. We are aware that to play an important role in the world of Trade Finance, we need to be at the forefront of innovation and creativity not only to meet the challenging requirements of our clients but also to mitigate the financial risks involved in trade and to retain overall profitability. "Oiling the wheels" of Trade Finance requires the regular introduction of new products, ideas and structures, while maintaining efficient support for traditional products.

Our customer promise is based on the provision of tailor-made Trade Finance solutions which are innovative, creative and flexible while exercising due prudence, backed by cutting-edge technology. Throughout 2010, we pursued the diversification of our core Trade Finance product portfolio through the

introduction of supply chain finance applications. The range of our Banking products also saw the opening up of new countries such as Kenya, Nigeria and Vietnam, while London Forfaiting increased its trading volumes considerably in order to create more risk appetite for our clients while still mitigating the risk for the Group.

The year in review also saw the development of a retail banking product which should see a widening of FIMBank's consumer base, initially in Malta but eventually also at a European level. In the latter half of 2010, a team of our executives put together the finishing touches to an innovative and quality online banking product, branded Easisave.com, which is designed to appeal to customers who are seeking flexibility, a high return on their savings and no fees or bank charges. The launch of this product took place in early 2011. Easisave.com is entirely internet based and does not require a physical distribution network in the form of bank branches. The relatively low overheads needed to develop this product will therefore make it possible for our customers in Malta and the rest of the EU to reap the benefits from superior interest rates.

Simultaneously we have extended our regional reach through the setting up of factoring joint ventures in Russia and India, FactorRus and India Factoring respectively, through which we have already started



Commitment to ongoing training and staff development of FIMBank employees.

offering Factoring and other receivables finance products and services to corporates and SMEs in these markets. In April 2010 we signed an agreement with the Arab Investment and Export Credit Guarantee Corporation (Dhahran), which provides for insurance cover on letters of credit issued or confirmed by FIMBank. This was an important development for our international trade finance activities as it reinforces our capacity to absorb risks for our customers while sharing them with partners, particularly in Arab countries and markets. FIMBank's diversification across products, sectors and regions means that the Bank is in a position to have a presence and make an impact across the trade flows, practically from seed to store, allowing it to offer full supply chain finance.

Diversification is also key to our efforts to strengthen our source of funding and obtain "critical mass" with regard to equity and balance sheet size, which in turn will allow us to optimise our capabilities and potential. During the year in review, we pursued efforts to continue attracting funding internationally as well as locally. In this respect, among the highlights for the Group during 2010 was the issue of a 33 million euro offer of 2013 4.25% Bonds, which were oversubscribed within hours of opening. This Bond is different from that of the previous year in that it has a shorter maturity. The Bond issue in 2009 was intended to be used for our strategic investments, such as those in Russia and India, and therefore we needed longer term funds – the Bond in 2009 was also subordinated and therefore qualifying as Tier II capital. The Bond which was launched in 2010 had a different purpose. We are using these funds primarily to fund our



The FIMBank Cooking Challenge – a team building event for local and international management.



structured commodity Trade Finance business, which has a maturity profile of between one and three years, hence our preference for a shorter term Tenor.

the pursuit of excellence

Our commitment to offer the best service possible to our clients was also reflected in the prestigious awards which FIMBank acquired during the year in review. To mention a few, in July FIMBank plc and London Forfaiting Company Ltd (LFC), two companies which form part of the Group, were declared 'Best Factoring House' and 'Best Forfaiting House' respectively by international trade finance magazine Global Trade Review (GTR). This was FIMBank's second consecutive award while London Forfaiting Company Ltd claimed this title for the third year running.

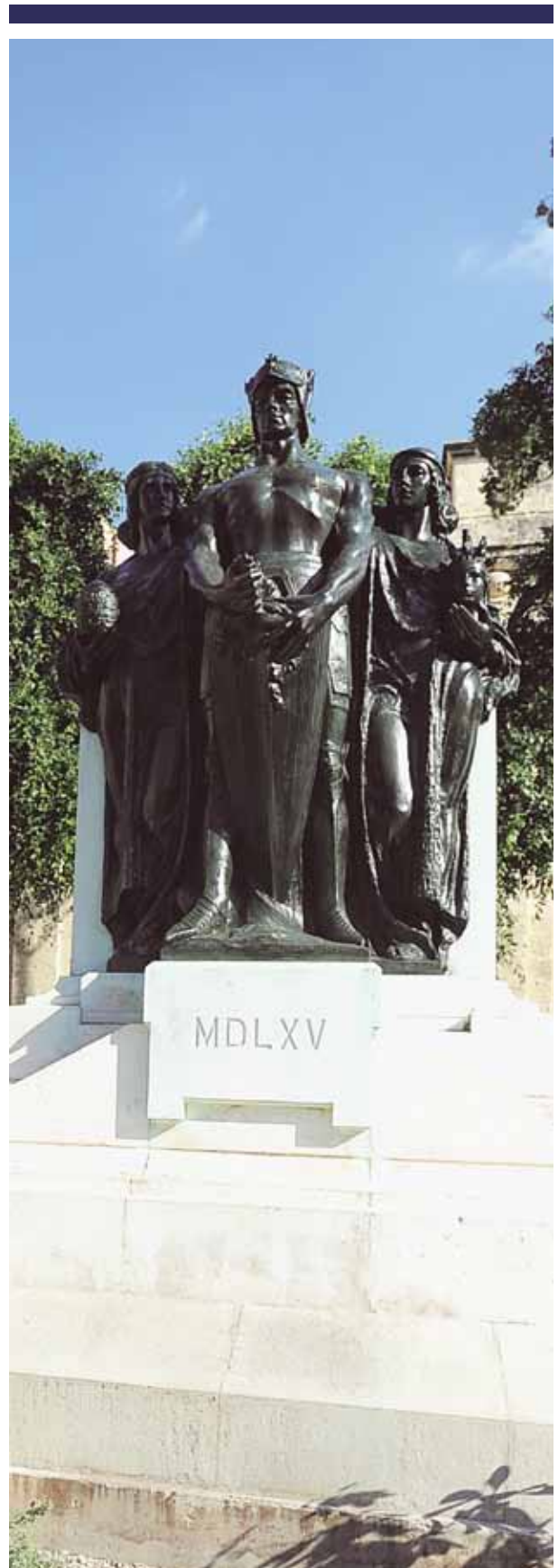
FIMBank was also recognised as one of the world's top five factoring institutions by Trade Finance Magazine. News of this award was received with particular satisfaction by all of us at the Bank, especially in the light of the strategic importance we have been giving to this growing Trade Finance sector. It is relevant to mention that in the previous year, FIM Business Solutions Ltd, a fully-owned subsidiary of the FIMBank Group, had been awarded ISO 9001:2008 certification for the company's back office operations in support of our international factoring joint ventures.

During 2010, FIMBank also received the STP Excellence Award by Deutsche Bank for the fourth year in succession. This award recognises the high level of Straight Through Processing (STP) achieved by the Bank in processing both USD and EUR electronic fund transfers.

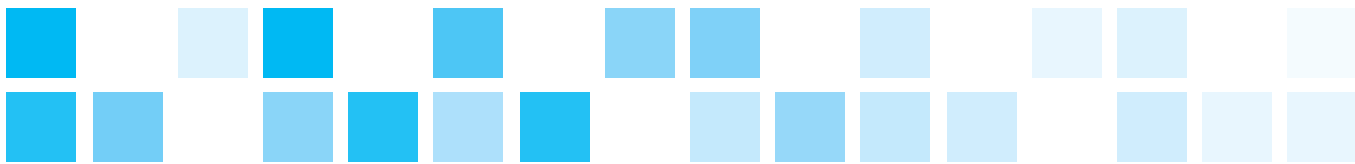
our people... our most formidable asset

Relationships are critical to the way we do business and relationships are based on people. There is no doubt that the Group's owes its growing reputation as a reliable global partner in the dynamic and specialist world of Trade Finance to its 165-strong staff members, our most formidable asset. Our qualified multi-lingual staff complement brings a wealth of experience, technical skills and specialist knowledge to the provision of services delivered with competence, courtesy, efficiency and overall proficiency.

In a bid to further strengthen our ability to meet the needs of our clients and partners across the globe, and as a result of our growth strategy, we continuously strive to engage experienced and highly skilled professionals to be part of our team. During the year in review we announced several key appointments to further enhance our level of expertise and the Bank's senior management contingent. We also



The Great Siege Monument in Valletta restored for future generations.



FIMBank President and Minister for Resources and Rural Affairs during the battery campaign award ceremony.

pursued a programme of staff development courses aimed at enhancing the technical skills and specialist knowledge of our people at all levels, which in turn will continue to strengthen our competitive edge and help us achieve our strategic objectives. Moreover, the year in review saw senior executives from our offices around the globe join us for our annual event in Malta to participate in an offsite team building session which this year – in addition to the more practical exchange of business ideas and enhancement of cross fertilisation - took the form of a highly entertaining cooking challenge.

sound, efficient management

Throughout 2010, we continued operating within a framework of a rigorous regime of risk management, choosing to preserve liquidity rather than pursue business which could have improved our revenue then but which would have presented us with future inordinate risks. We kept faith with our strong business model, remaining clearly focused on our core competence, international Trade Finance. We also benefitted from operating within the well-regulated environment of the Maltese banking system. These factors contributed to FIMBank maintaining its Fitch rating and the outlook as 'Stable, making FIMBank

one of the few banks in the world which have never been downgraded, a significant fact considering the years of crisis the sector has been facing.

the future is factoring

Factoring is taking on an increasingly important role in international trade, as more and more buyers demand open account conditions rather than letters of credit. This is particularly relevant with regard to exports from emerging markets to the more developed countries and regions. The recent crisis has brought about more awareness about Factoring and this product's ability to facilitate domestic and international trade while mitigating risks and improving cash flows. Our interest in Factoring also reflects our commitment to support SMEs, which are the backbone of international trade

The Bank actively pursues a strategy of establishing factoring joint ventures with highly professional and leading institutions in selected emerging markets. Apart from MENAFactors in Dubai and Egypt Factors in Egypt, the past year also saw FIMBank expanding its



Employees monitoring progress of the new Head Office.



Diversifying into new markets and regions with a growing network of international factoring joint ventures.

international network to include FactorRus in Russia and India Factoring in India, while it doubled its stake in Levant Factors (former LCI Factors) in Lebanon. Negotiations to establish a similar partnership in Brazil were concluded in 2010, while potential partners were also approached in Kenya and Vietnam.

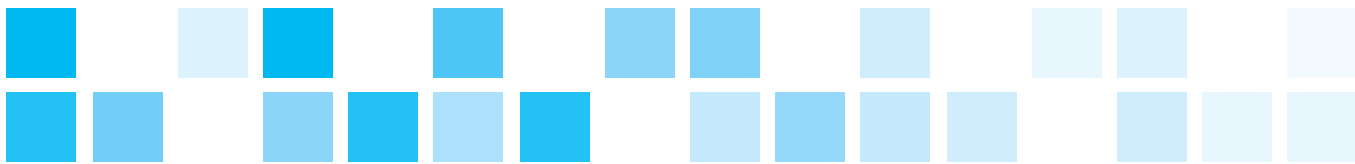
Whenever we set up a factoring JV with a local partner, FIMBank enters as the technical partner providing its expertise. Our credentials in providing support to factoring joint-ventures are tried and tested, and the international awards received, together with the achievement of ISO certification for our factoring back-office operations, which I mentioned above, is an important endorsement of the quality of these services as well as recognition of the professionalism of our in-house specialists.

part of the community

The Bank's Corporate Social Responsibility ("CSR") policy is built around our core values, thus reflecting the corporate commitments we make to our clients, shareholders, employees and the Maltese community. As a Malta-based bank with a global mission, we recognise that our social, environmental and ethical conduct has an impact on our reputation and on the community within which we operate, and we therefore take our corporate social responsibilities seriously.

As I have cause to mention whenever I get the opportunity, we have benefited greatly from basing our operations in Malta, and our intention is to continue participating in select initiatives that benefit the Island and its people in order to give something back. The National School Battery Collection Campaign and the Great Siege Monument Preservation Project, our major CSR projects for 2010, fit these criteria perfectly. While the Batterina campaign successfully reached out, motivated and raised environmental awareness among a young segment of Malta's population, the Great Siege Monument project put the spotlight back on an Antonio Sciortino masterpiece which also recalls one of Malta's finest moments. Both these projects owe their success to the contribution of numerous stakeholders, including Government ministries, public agencies, educators, NGOs and the local media. However I would particularly like to thank WasteServ Malta Limited and Din I-Art Helwa, our major partners for the Batterina campaign and the Great Siege Monument project respectively.

In 2010, we also signed up as a corporate sponsor of the Malta Chamber of Commerce, Enterprise and Industry. Apart from supporting the overall aims of the Chamber in promoting the growth of trade and enterprise on the Islands, we have also agreed to cooperate on a project aimed at enhancing regional business networks in the Euro-Med Region.



A 3D impression of FIMBank's new Head Office in St Julian's.

We are committed to pursuing policies and systems across the Group to ensure that we address and monitor all aspects of CSR that are relevant to our business, while seeking opportunities to make a difference within our host community.

we're here to stay

While we have undoubtedly faced some quite challenging times, our resilience, both financial and in terms of the way we conduct our business, has led to a robust level of profitability, and perhaps more importantly for the longer term, strengthened our bond with partners and customers worldwide. We remain focused on providing Trade Finance solutions globally, while pursuing a policy of diversification of services and markets in order to secure higher returns and to mitigate risks. Now more than ever, we remain committed to providing added value to our shareholders, our clients worldwide, our global partners and to the local community.

As a Trade Finance Bank, our mission is a global one, hence our presence in countries as diverse as the United Kingdom, Brazil, Russia and India. The fact that we are based in Malta, a country with a millennial trading tradition and a successful financial centre, further enhances our profile as a Bank which facilitates trade between emerging and developed economies.

During 2010, work on the construction of our new home at 'The Exchange' in St Julian's proceeded as scheduled. The new FIMBank headquarters will soon become a prominent feature of the St Julian's skyline, as the building will stand at over 40 metres tall from street level when completed. To date the project remains on schedule – we plan to relocate there in 2012 - and within budget. Methods of cost control and value engineering have been an important feature of the project since its inception and their diligent application has maximized value in terms of cost, quality and time. In order to ensure that these benchmarks are met, the project has been divided into a series of bid packages. This approach allows for better management and coordination of the work, especially of those items on the critical path.

Our new headquarters forms part of one of Malta's largest and most prestigious construction projects to date and this building will be a testament to the roots we have established on the Islands. The development offers over 5,000 square metres of office space, together with a further 1,000 square metres of commercial space.

Building design must not only be aesthetically pleasing but also energy efficient and environmentally friendly. The exterior cladding system chosen for our head office complies with all European standards





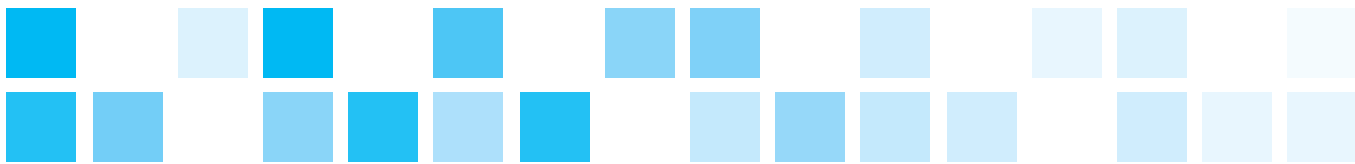
A visual element from FIMBank's corporate advertising for 2011, symbolising the organisations capability to unlock niche' emerging markets.



FIMBank's innovative, customized structured trade solutions add value and go beyond the classical off-the-shelf trade finance products.

for air permeability, weather tightness and thermal resistance. Less energy will be required to control the building's internal environment allowing for a pleasant ambient temperature. The property will be equipped with good ventilation, intelligent controls, building management systems, rain water harvesting and high performance insulation materials, while the selected glazed curtain walling system will reduce the requirement of artificial lighting and hence improve the health and well being of its occupants. The building's energy consumption will be significantly diminished by the introduction of heat recovery units that will reduce the load required to power the air conditioning, therefore lessening the environmental impact.

The architectural design of the headquarters, both internally and externally, has been crafted by some of the leading design and architecture professionals which has added to the development's iconic appeal and advanced functionality. The shell form structure of this landmark building is nearing completion and the New Head office should become fully operative by the end of the second quarter of the coming year.



FIMBank's Cocktail Party held at Palazzo Parisio which coincided with the 2010 AGM and also marked the Bank's 15 year anniversary.

the year ahead

After working our way through an international banking crisis and precarious global economic scenario, FIMBank is now looking at a period of growth, with trade finance activity gradually reverting to pre-crisis levels. While the prognosis for the global economy is still guarded and there certainly will not be an overnight solution, international trade and the funding that makes it possible may begin to see a stronger recovery than other segments of the global economy. We will therefore continue to pursue new geographic and product markets and to strengthen our presence in important trading centres, while keeping an eye on developments in the Middle East and North Africa. Although the situation in this region is one of flux, we also anticipate new opportunities arising from the individual economies' and the region's changing needs. FIMBank enjoys a corporate customer base which is ideally positioned to provide the necessary products and services to the region, and the Group has the necessary product mix, experience and expertise to assist suppliers in their financing requirements.

Given the extensive diversification of FIMBank's investments and activities, developments which could be challenging for some of the markets in which we operate will generally also tend to have positive spin-off effects in others, a factor which mitigates risks substantially. We are confident that on balance, FIMBank will continue benefiting from international trade developments, while managing its activities with the appropriate products and regional approaches.

Diversification and strengthening of funding will remain a priority area for the Group, especially for the Bank, and will continue to be an important driver of business and of revenue and profit growth.

directors' report

For the Year Ended 31 December 2010

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 2010. This report is prepared in terms of the Companies Act, 1995 (Chapter 386, Laws of Malta, "The Companies Act") and complies with the disclosure requirements of the Sixth Schedule to the same Act.

results for the year

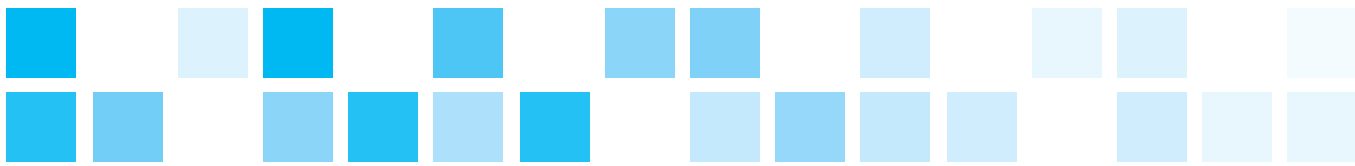
The Bank and the Group reported a profit after tax of USD2.63 million and USD6.74 million, respectively for the year under review.

Further information about the results is provided in the "Income Statements" and the "Statements of Comprehensive Income" on pages 36 to 37 and in the "Review of Performance" below.

principal activities

The FIMBank Group of Companies (the "Group") comprises FIMBank p.l.c. (the "Bank"), and its wholly owned subsidiaries, London Forfaiting Company Limited ("LFC"), FIM Business Solutions Limited ("FBS"), FIM Property Investment Limited ("FPI"), and FIMFactors B.V. ("FIMFactors"). LFC is itself a parent of a number of subsidiaries as set out in note 27.3 to the accounts whilst FIMFactors is the parent of a fully owned subsidiary Menafactors Limited ("Menafactors"). A brief description of the activities in the FIMBank Group follows (% shareholding follows after the name):

- a) 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 is principally active in providing international trade finance and to act as an intermediary to other financial institutions for international settlements, forfaiting, factoring and loan syndications. The Group is supervised on a consolidated basis by the Malta Financial Services Authority, whilst Menafactors and FIMBank's Branch in the United Arab Emirates are licensed and regulated by the Dubai Financial Services Authority.
- b) LFC (100%) 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 activities include the purchasing of bills of exchange, promissory notes, loans, deferred payment letters of credit and the provision of other financial facilities to companies and banks.
- c) Menafactors (100%) is incorporated in the United Arab Emirates and is licensed by the Dubai Financial Services Authority to provide international factoring and forfaiting services in the Gulf and MENA region. The Bank's holding in Menafactors is through FIMFactors. Menafactors, in turn, holds 25% in Levant Factors S.A.L., a company registered in Lebanon.
- d) FIMFactors B.V. (100%), registered in the Netherlands, is the corporate vehicle for FIMBank's holdings in factoring joint ventures and associated companies.
- e) FBS (100%), registered in Malta, has as its primary purpose the provision of information technology and support services to the Group and its associated companies, to correspondent banks as well as to third party factoring services providers.
- f) FPI (100%), registered in Malta has been set up with the primary objective to plan, construct and complete FIMBank's head office in Malta. FIM Property Investment Limited will also be responsible for the day-to-day management of the purposely built office block and leasing, if any, of space for commercial purposes.



directors' report - continued

The Bank also holds the following equity investments:

- a) The Egyptian Company for Factoring S.A.E. ("Egypt Factors" - 40%), a company incorporated in Egypt, where the other shareholders are Commercial International Bank (Egypt) holding 40% and International Finance Corporation ("IFC") holding 20% of the shares. Egypt Factors is active in providing factoring and forfaiting services to Egyptian companies.
- b) through its fully owned subsidiary FIMFactors in CIS Factors Holdings B.V. ("CIS Factors" - 40%), a company set-up under the laws of the Netherlands with the aim to serve as an investment vehicle for a factoring company incorporated under the laws of the Russian Federation and which will provide factoring services in Russia. CIS Factors' other shareholders are the Joint Stock Bank Transcapitalbank ("Transcapitalbank") and the International Finance Corporation ("IFC"), holding 40% and 20% respectively.
- c) also through FIMFactors in India Factoring and Finance Solutions Private Limited ("India Factoring" - 49%), a company incorporated under Indian law with the aim to provide factoring, forfaiting and trade finance related activities in India. The other shareholders are Punjab National Bank (30%), Banca IFIS (10%), Blend Financial Services Limited (1%) and India Factoring Employee Welfare Trust (10%). India Factoring was granted an operating license in December 2010 and is regulated by the Reserve Bank of India.

review of performance

Following a challenging and difficult 2009, when the impact of the global "credit crunch" was still affecting the credit profile of banks and corporates in both emerging and developed markets, besides a return of confidence in world trading flows remaining sluggish until late in the year, 2010 was a year of consolidation for the Group. As the global banking crisis started to stabilise during the year under review and liquidity became slowly more reliable, the Group cautiously renewed its appetite for business, helped by continuous improvement in emerging market conditions and steady pick-up in trade flows. This became clearly visible in an increase in the general pipeline of business at both the Bank and LFC.

For the year ended 31 December 2010, FIMBank Group delivered an after-tax profit of USD6.74 million, compared with USD1.57 million in 2009, with Group basic Earnings per Share of US cents 4.97 (2009 - US cents 1.16). In line with the decision to cease classifying Menafactors as "held for sale", the comparative results for 2009 in the Income Statement are also restated on a "line-by-line" basis. However, the comparative Statement of Financial Position for 31 December 2009 is not reclassified and the investment is shown under "Non-current assets classified as held for sale".

income statement

The Group's Operating Income after Net Impairment losses increased by 23% over the same period in 2009, from USD26.11 million to USD32.24 million. Net Interest Income increased by 15% with the net interest margin improving to 58% of Gross Interest Income (55% - 2009). Group Interest Income increased by 9% to USD22.41 million. Increases in trade-finance and discounting facilities, syndications, forfaiting and factoring business contributed to the growth in interest receivable. Financing costs increased marginally by 1% over the levels recorded in 2009, reflecting the improvements in international Interbank market liquidity as well as a result of the Group's continued efforts to grow its deposit base from banks and corporate, including longer term funding. Net Fee and Commission income declined by 7% on 2009. Improved global credit risk sentiment, the gradual return of confidence and normalisation of trade flows had a positive impact on the fair value adjustments of the Group's Trading Assets, mainly the forfaiting book, resulting in marked-to-market gains of USD0.44 million. This represents a substantial reversal of the USD6.95 million markdowns that marked the Group's performance in 2009. Realised Gains, booked on traded forfaiting assets, amounted to USD0.11 million (2009 - USD1.06 million). The Group also reported net realised and unrealised foreign exchange losses of USD2.29 million (2009 - USD1.66 million). However, realised gains on derivative instruments, mainly currency forward and swap contracts, used in hedging the Group's currency exposures, amounted to USD5.09 million, with fair value movements on outstanding derivative contracts as at financial reporting date increasing by USD0.18 million (2009 - USD0.18 million). Realised gains on other Financial assets carried at Fair value amounted to USD0.44 million, partly offset by downward mark-to-market adjustments of USD0.38 million. Net Impairment losses amounted to USD3.78 million, well below the levels reported for 2009. Collective Impairment charges increased by 50%, from USD0.99 million in 2009 to USD1.50 million, reflecting the Group's increased funded and unfunded lending portfolio. During 2010, Specific Impairment allowances and write-offs amounted to USD2.28 million, well below the USD5.15 million reported in 2009 and reflects the specific

directors' report - continued

impairment charges booked on Menafactors' factoring book in 2010 as a result of credit issues which persisted in the MENA region, especially Dubai.

Group Operating Costs amounted to USD25.02 million, marginally above the levels for the same period in 2009. Administrative costs, including staff costs, increased by 2% to USD23.30 million. 2010 marks the first financial year for the Bank since its 15-year tax Exemption Order expired on 31 December 2009, booking a tax credit of USD0.47 million for 2010 as a result of previously unrecognized deductible temporary differences. The remaining tax credits reported by the Group during 2010, were recognized by the Group's IT subsidiary.

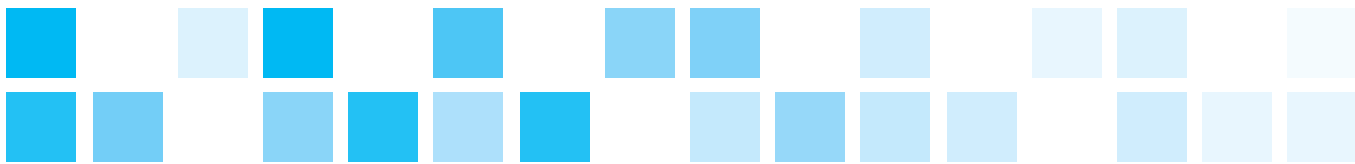
The Bank's Operating Income after Impairment Allowances increased by 7% over the same period in 2009, to USD19.8 million. Net Interest Income increased by 20%, while Net Fee and Commission income, unlike in the case of the Group, increased marginally from USD13.37 million to USD13.85 million. Realised and unrealised foreign exchange losses were reported at USD3.03 million (2009 – gain of USD1.76 million) while realised gains on derivative instruments held for risk management purposes, mainly currency forwards and swaps, amounted to USD5.17 million, with the fair values movements of outstanding derivative contracts at financial reporting date increasing to USD0.15 million. The Bank also reported realised gains on other Financial Assets carried at Fair Value of USD0.11 million, which were offset by markdowns in the fair values of these assets, amounting to USD0.14 million. Net Impairment Allowances dropped from USD4.71 million to USD1.49 million, with the increase in Collective Impairment charges of USD0.50 million, offset by a drop in the Specific Impairment Charges and Write-offs on the Bank's exposures of USD3.72 million. Total Operating costs for the Bank amounted to USD17.63 million, remaining at same levels of 2009. As a result, the Bank posted an after-tax profit for the period ended 31 December 2010 of USD2.63 million (2009 – USD1.07 million).

For LFC, despite its trading activity remaining limited by market conditions and greater emphasis being placed upon restructuring and extracting value from impaired and new assets, its profit for 2010 improved significantly to a record USD5.02 million (2009 USD1.41 million) for the year. Main drivers for this performance were better and more stable market circumstances which helped remove some of the volatility in the margins and valuations experienced on LFC's forfeiting assets held-for-trading in 2009; notwithstanding, secondary market confidence was affected by concerns over a divergence of growth and performance trends of banks in emerging markets, coupled with ongoing speculation about debt levels in developed countries like Spain, Ireland, Greece and Portugal and more challenging conditions for the larger economies of USA and China. In this challenging climate, LFC's trading income increased by 42%, from USD8.77 million in 2009 to USD12.44 million in 2010. Importantly, it should be noted that LFC has unrelieved tax trading losses of approximately USD79.5 million, of which it recognises the benefit of USD23.5 million through a deferred tax asset of USD6.6 million. The remaining unrelieved tax trading losses amount to USD56 million and are currently available to offset against its future tax liabilities.

The Group's factoring investments contributed overall losses amounting to USD1.0 million (2009 – USD0.41 million), with Egypt Factors' negative results remaining in line with 2009 and with the remainder being the share of start-up expenditure incurred in new ventures in India (49% holding), Russia (40% holding) and Lebanon (25% holding) – entities which are still in their infancy stages.

financial position developments

Total Consolidated Assets as at 31 December 2010 stood at USD861 million, an increase of 24% over end-2009 figures. Loans and Advances to Banks increased by 4%, with a wider distribution of risk among bank exposures and increases in discountings, negotiations, and advances, partially offset by drops in short-term money market loans. Loans and Advances to Customers increased to USD223 million, an increase of 32% over end-2009 and after adjusting for the factoring book of Menafactors reported under 'Non-Current Assets held for Sale' in 2009. These increases refer to corporate risks, generating funded trade-related financing facilities, discountings and factoring. Trading Assets, made up mainly of LFC's forfeiting portfolio, increased significantly from USD127 million to USD204 million, reflecting LFC's ability to capitalize on new business opportunities arising from improved marketed conditions and increased funding. Financial Assets carried at Fair Value stood at USD46 million at year-end, an increase of 21% when compared to the levels reported in 2009 and after adjusting for exposures held by Menafactors. During 2010, Menafactors reduced their investments in Financial Assets carried at Fair Value, mainly bonds, re-directing into core factoring business. Furthermore, the Bank swapped longer term dated instruments with shorter dated debt securities as well as Credit Link Notes. Investments in equity accounted investees increased to USD15 million, an increase mainly attributable to the equity investments in India Factoring as well as new equity injection of USD1.2 million in Egypt Factors. The Group, through FPI, continued with the development of its Head Office at The Exchange, Pendergardens, with an investment of USD5.8 million in 2010 referring mainly to construction and consultancy costs.



directors' report - continued

The Deferred Tax Asset increased marginally over the levels reported at end 2009, with no increase in deferred tax asset being recognised at LFC during 2010 and with minimal increases recognized at the level of the Bank and FBS.

Total Consolidated Liabilities as at financial reporting date stood at USD740 million, up by 28% on 2009. Significant increases were recorded in Amounts Owed to Banks, with the latter reporting a growth of 49% over end 2009. Notable increases were recorded in both term and collateral deposits from banks as well as in utilisations under Repurchase Agreements. Amounts Owed to Customers stood at USD291 million as at 31 December 2010, with increases being reported in term and trade-related collateral deposits generated from corporate accounts, but again partially offset by a drop in factoring creditors. During 2010, LFC again developed its own funding resources through issues of promissory notes; holdings of such instruments stood at USD13 million as at 2010, all issued by LFC. During the second half of 2010, the Bank offered Euro and US Dollar 3-year bonds, which issue was heavily over-subscribed raising the equivalent of USD43 million with investment interest coming from a wide cross-section of private, corporate and institutional investors. The Group's subordinated debt remained at the same levels reported at end-2009, with the movements resulting largely from the currency fluctuations in the Euro-denominated Bonds.

Group Equity as at 31 December 2010 stood at USD121 million, up by 5% when compared to the equity levels reported at 31 December 2009, reflecting the profit performance for the year as well as the equity retention resulting from the scrip dividend approved in May. Consolidated Basle II Capital Adequacy ratio of 20.6% (2009 – 29.3%), remained very strong and well above the regulatory minimum of 8%. Liquidity, with ratios averaging 55% during 2010, was prudently and consistently maintained above the 30% minimum regulatory requirement.

Group commitments, comprising mainly confirmed letters of credits, documentary credits, commitments to purchase forfeiting assets, factoring commitments and undrawn credit facilities, increased to USD197 million (2009 – USD192 million), with reported increases in documentary credits, commitments to purchase assets and undrawn credits, partially offset by a drop in confirmed letters of credits. Contingent liabilities stood at USD38 million at 31 December 2010, up by 49% on 2009.

For 2011 the Group will continue to eye inroads into new geographic and product markets and to strengthen its presence in important trading centres. At the same time the Group will also be prudently watching how important markets in the MENA region and African continent will emerge from the political unrest that has been marking the start of 2011 and to what extent this may affect trade with these markets. Diversification and strengthening of funding will remain a priority area for the Group, especially for the Bank, and will continue to be an important driver of business and of revenue and profit growth.

dividends and reserves

The Directors will be recommending to the Annual General Meeting of shareholders the payment of a scrip dividend amounting to USD3,371,955 (2009: USD1,565,048), representing a net dividend per ordinary share of US cents 2.480242 (2009: US cents 1.15564).

standard licence conditions and regulatory sanctions

During the year under review, no breaches of licence requirements occurred. Also, no regulatory sanctions were taken against the Bank.

approvals at the annual general meeting of shareholders

The Bank convened its Annual General Meeting on 6 May 2010. Along with the statutory Ordinary Resolutions, the Meeting also approved Ordinary Resolutions presented as special business to the shareholders, namely: the disclosure of unpublished price sensitive information under certain circumstances, a new Executive Share Option Scheme for Years 2011-2015 and a renewal of Directors' authority to issue new equity securities. Furthermore, two Extraordinary Resolutions were approved, namely: renewal of the Directors' authority to restrict or withdraw statutory pre-emption rights and authority to the Bank to acquire its own shares.

directors' report - continued

disclosure in terms of the sixth schedule to the Companies Act, 1995

Save as otherwise mentioned in this Report and in the Financial Statements, there is no further information that requires disclosure pursuant to the Sixth Schedule of the Companies Act.

disclosure in terms of the listing rules

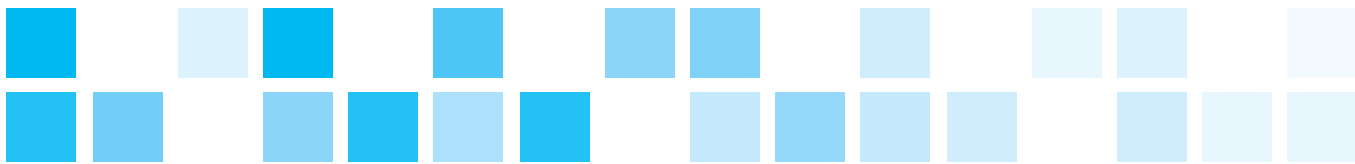
The Directors refer to the following disclosures in terms of Listing Rule 5.64:

- a. Details of the structure of the Capital, the class of shares and, the rights and obligations attaching to it and the percentage of total share capital that it represents are, unless otherwise stated in this Report, disclosed in the Notes to the Financial Statements.
- b. Except as provided for by Articles 6A and 41 of the Articles of Association of the Bank, or where the consents of the supervisory authorities may be required, there are no restrictions on the transfer of securities, or limitations on the holding of securities, or the need to obtain the approval of the Bank or other holders of securities of the Bank for any such transfer or holding.
- c. Shareholders holding 5% or more of the Share Capital as at 31 December 2010 are as follows:

	Ordinary Share of USD0.50 each	
	Number of Shares	Percentage Holding
Massaleh Investments K.S.C.C.	55,484,052	40.81%
Fouad M. T. Alghanim	8,161,205	6.00%
International Finance Corporation	7,967,738	5.86%
Astrolabe General Trading & Contracting Company	7,829,384	5.76%

- d. In accordance with Article 6A of the Articles of Association of the Bank, for a number of reserved matters, the Bank needs to obtain the prior written consent of the International Finance Corporation ("IFC"). The reserved matters are the following:
 - Reduction in the capital of the Bank;
 - Change in the nominal value of, or the rights attached to any shares of any class of the Bank, unless this is specifically required by Maltese law;
 - Merger or consolidation of the Bank;
 - Material reorganisation of the Bank;
 - Sale of all or substantially all of the Bank's assets;
 - Change in the Bank's capital structure, except for the issuance of any new shares or securities convertible into shares. In case of issue of new shares or securities convertible into shares, the Bank needs to inform the IFC 90 days prior to the issuance of such shares; and
 - Alteration or amendment to the Memorandum or Articles of Association.
- e. There is no share scheme in place which gives employees rights to any form of control.
- f. The Bank's Articles of Association do not contain more stringent provisions than the ones contained in the Companies Act governing the changes or variations in the rights attached to shares.

In terms of Article 12 of the Bank's Articles of Association the rights attached to any class of shares may be varied either with the consent in writing of the holders of not less than 80% of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of that class. However in terms of Article 6A of the Memorandum of Association of the Bank, the IFC's prior consent is to be obtained to change the rights attaching to any class of shares. The Banking Act obliges the Bank to obtain the consent of the supervisory authority (MFSA) to effect any material change in voting rights.



directors' report - continued

- g. There are no agreements between shareholders, known to the Bank, which may result in restrictions on the transfer of securities and/or voting rights.
- h. The rules and procedures governing the appointment and replacement of Board members are provided by the Articles of Association and are referred to in the "Statement of Compliance with the Principles of Good Corporate Governance". Any amendments to the Articles shall be by means of an Extraordinary Resolution in accordance with the provisions of Articles 90 and 91.
- i. At the 2010 Annual General Meeting the Bank requested and obtained a renewal authorisation from the shareholders to buy back its own shares, as indeed empowered to do so by Article 23 of the Articles of Association. Such authorisation is required in terms of the Companies Act and is valid until the Annual General Meeting in 2011. The number of shares which the Company is authorised to buy back may not exceed the maximum permissible at law, i.e. up to 10% of the issued share capital. Any prospective acquisition will be financed from profits available for distribution in terms of law. The Bank has declared that it would be its intention to acquire such shares with a view to dispose of them in an orderly manner and within a reasonable time frame; they will neither be retained as own shares for a considerable period of time nor cancelled as part of a capital reduction exercise. The price range was established on the basis of a range of up to 50% below and above the trade weighted average price of the shares for the period of seven months up to and including 28 February 2010, with discretion being given to the Directors in the use of such range. This basis was consistent with that used in the preceding Annual General Meetings.
- j. Unless otherwise disclosed in this Annual Report, there are no significant agreements to which the Bank is a party and which take effect, alter or terminate upon a change of control of the Bank following a takeover bid and the effects thereof.
- k. There are no agreements between the Bank and its Board Members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

events after the financial reporting date

There were no material events or transactions which took place after the financial reporting date which would require disclosure in or adjustment to this annual report and financial statements.

going concern

As required by Listing Rule 5.62, upon due consideration of the Bank's profitability and balance sheet, capital adequacy and solvency, the Directors confirm that, at the time of approving these financial statements, the Bank is capable of continuing to operate as a going concern for the foreseeable future.

directors

The Directors who served during the financial year (inclusive of any changes to the date of this report) were:

Najeeb Hamad MUSAAD Al-Saleh (Chairman)
John C. Grech (Vice Chairman)
Tareq M. Al-Saleh
Hamad MUSAED Bader Mohammed Al-Sayer
Fouad M.T. Alghanim
Pierre-Olivier Fragnière
John D. Freeman
Rogers David LeBaron
Jacques Leblanc
Gerard Lohier
Mohammed Ibrahim Husain Marafie
Francis J. Vassallo

directors' report - continued

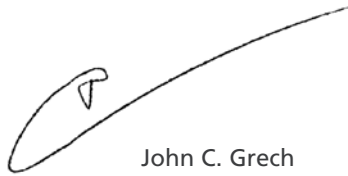
independent auditors

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 3 March 2011 and signed on its behalf by:

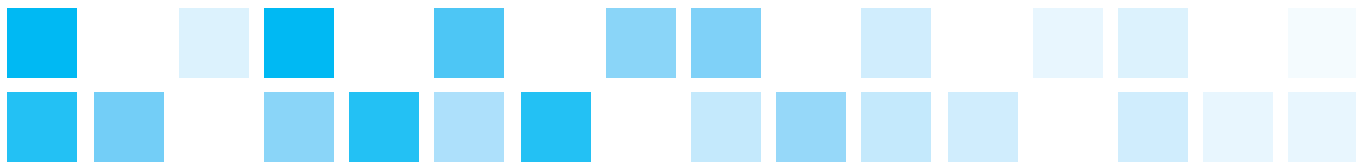


Najeeb H.M. Al-Saleh
Chairman



John C. Grech
Vice Chairman

Registered Address
7th Floor, The Plaza Commercial Centre
Bisazza Street
Sliema, SLM 1640
Malta



statement of compliance with the principles of good corporate governance

introduction

Pursuant to the requirements of Listing Rules 5.94 *et seq* of the Malta Financial Services Authority (the "MFSA") as amended on 11 January 2010, the Board of Directors (the "Board" or "Directors") of FIMBank p.l.c. (the "Bank") hereby details 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. The Board in the meantime notes that the revised Listing Rules as amended on 16 November 2010 permit that the new requirements on Corporate Governance Statements, as embodied in Chapter 5 of the revised Listing Rules, can be applied as from the financial year ending 2011. Therefore the Board has determined, and declares, that the new requirements on Corporate Governance Statements will be adopted as from the financial year ending 2011 and be presented to the Annual General Meeting of 2012.

compliance with the principles

Although the Principles are not mandatory, the MFSA has recommended that Listed Companies endeavour to adopt such Principles.

The Board strongly believes that the Principles are in the best interests of the shareholders because they commit both the Directors and the Management and employees of the Bank to internationally recognised high standards of corporate governance. Ultimate responsibility for good corporate governance is of the Directors who have therefore resolved to adopt the Principles and endorse them accordingly, except for those instances where there exist particular circumstances that warrant non-adherence thereto, or at least postponement for the time being.

These instances are as follows:

- a) the Board of Directors is composed solely of non executive directors however the Board has also constituted an Executive Committee which is composed of a majority of Directors with the balance being represented by members of management;
- b) given their background and experience, and that they are subject to comprehensive fit and proper tests by the supervisory authorities, members of the Board of Directors and the Board Committees do not, at the present time, undergo a formal evaluation procedure; and
- c) in cases where a Board Member has been absent from attending successive meetings, the Board considers the overall commitment, support and contribution of that Director aside from the mere physical attendance at meetings, especially where the Director is representing an important equity interest in the Bank.

The Board is committed to improve further its corporate governance standards and views the transition to the new Chapter 5 requirements in the revised Listing Rules, by the end of 2011 (above), as an opportunity to make progress in addressing the above situations.

roles and responsibilities

The Board is responsible for the overall long-term direction of the Group, for setting its strategy and policies 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.

statement of compliance with the principles of good corporate governance - continued

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 Committees and the conduct of their meetings.

The Members of the Board of Directors of the Bank bring to their office a mix of backgrounds and capabilities, ranging from business to financial services. This ensures a good blend of expertise and experience. Moreover, the suitability of any individual to become a Director of the Bank is, in the first place, considered by the Chairman and incumbent Board members in the context of the Board's succession planning. Subsequently, the proposal for an individual to become a Director is assessed by the MFSA, which reviews, *inter alia*, the individual's competence to serve as Director against established 'fit and proper' criteria. In this connection, the individual provides any information, including detailed personal and career questionnaires, as the competent authorities may require. Upon appointment, new directors receive general information about the Bank, its business and affairs, and queries in this regard are in the first instance handled by the Company Secretary and/or the President.

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 day of the consecutive meeting, at which 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.

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

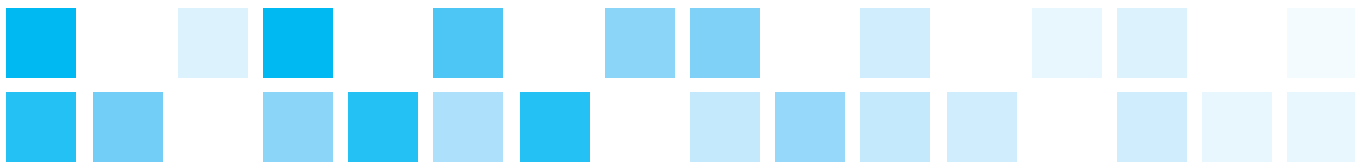
	Year when first appointed	No. of shares held in the Bank directly in his name
Najeeb H.M. Al- Saleh (<i>Chairman</i>)	1994	1,412,889
John C. Grech (<i>Vice-Chairman</i>)	2004	525,872
Tareq M. Al-Saleh	2004	Nil
Hamad Musaed Bader Mohammed Al-Sayer	2002	Nil
Fouad M. T. Alghanim	1997	8,161,205
Pierre Olivier Fragnière	2007	Nil
John D. Freeman	2008	Nil
Rogers David LeBaron	2006	Nil
Jacques Leblanc	2004	Nil
Gerard Lohier	2009	Nil
Mohamed I.H. Marafie	1994	495,765
Francis J. Vassallo	2003	Nil

Except for their involvement in Board Committees as described below, all Directors hold office in a non-executive capacity.

Other than in the case of the IFC – who has the right to appoint a Director pursuant to the Bank's Memorandum of Association - no shareholder is entitled to any automatic right to nominate or appoint a director on the Board. Details of outstanding loans, guarantees or similar facilities made available to related parties or beneficial interests thereof, including directors, are disclosed in the Notes to the Financial Statements.

proceedings of directors

The proceedings of Directors are regulated by the Bank's Articles. Meetings of the Board are held at least quarterly (unless circumstances so warrant) and are notified by the Company Secretary at least seven days before the meeting 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 of 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. The Board also might request that the meetings be attended by other employees or by professional advisors, as and when necessary.



statement of compliance with the principles of good corporate governance - continued

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.

Situations of potential conflicts of interest with Board members are in the first instance specifically regulated by clauses 119 and 120 of the Bank's Articles of Association. 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. Similar arrangements apply to management in the course of the conduct of their duties at Board Committees. Besides, where Directors and management have related party involvements it is an integral part of the Audit Committee's terms of reference to provide oversight on related party transactions.

In all other circumstances, the Directors are expected to play a full and constructive role in the Group's affairs. The Board also believes that, for the time being, a formal evaluation procedure for the Board of Directors and the Board Committees is not required.

The Board held four meetings during 2010 and the overall attendance rate for these meetings was 83%. All Directors were duly notified of each meeting and in the instances of non-attendance, Alternate Director Appointment Forms were invariably sent to the Chairman and the Company Secretary.

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. The composition of such Committees, as well as the participation of Directors on them, is decided upon by the Board. It has been the practice that all such Board Committees include at least one Director.

Accordingly, the Board has established the following committees:

- Executive Committee
- Audit Committee
- Risk 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 Executive Committee's terms of reference are included in the Executive Committee Charter.

The members of the Executive Committee are:

Gerard Lohier (*Chairman*)
Najeeb H. M. Al-Saleh
Tareq M. Al-Saleh
Pierre Olivier Fragnière
Jacques Leblanc
Francis J. Vassallo
Margrith Lütschg-Emmenegger
Armin Eckermann
Marcel Cassar
Simon Lay

The Executive Committee met on six occasions during 2010, however communication with and between Management and the Committee's members is regular and ongoing.

statement of compliance with the principles of good corporate governance - continued

Compensation Sub-Committee

The Executive Committee has delegated the review, approval and monitoring of the overall Group remuneration policy to a sub-committee, constituted from amongst its members. The Compensation Sub-Committee meets periodically to consider and monitor remuneration policy, bonuses and share options allocation to staff, within the parameters set by the Board.

The members of the Compensation Sub-Committee are:

Najeeb H.M. Al-Saleh (*Chairman*)
 Tareq M. Al-Saleh
 Pierre Olivier Fragnière
 Jacques Leblanc
 Gerard Lohier
 Francis J. Vassallo
 Margrith Lütschg-Emmenegger

During 2010, the Compensation Sub-Committee met on 4 occasions.

audit committee

The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibilities, according to detailed terms of reference included in the Audit Committee Charter and which reflect the recent requirements of the Listing Rules as well as current best practices and recommendations of good corporate governance. The terms of reference of the Audit Committee, as detailed in the Audit Committee Charter include:

- a) the monitoring of the financial reporting process, including the audit of the annual and consolidated accounts;
- b) the monitoring of the effectiveness of the Group's internal control, internal audit, compliance and risk management systems;
- c) the maintenance of communication on such matters between the Board, Management, the external Auditors and the internal Auditors;
- d) the monitoring and reviewing of the external Auditor's independence, and in particular, the provision of additional services to the Issuer;
- e) the monitoring and reviewing of proposed transactions by the Group with related parties; and
- f) the performance of the Group's Internal Audit function.

The Audit Committee also considers the arm's length nature of related party transactions that the Group carries out. Both the Audit Committee's and the Head of Internal Audit's terms of reference clearly stipulate their independence from other Board Committees and management, and such independence is also acknowledged by external regulatory verification. The Head of Internal Audit has direct access to the Audit Committee Chairman at all times, attends all meetings and acts as secretary to the Audit Committee.

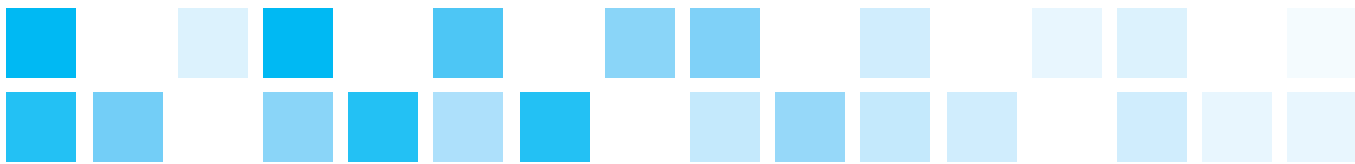
The members of the Audit Committee are:

John D. Freeman (*Chairman*)
 Hamad M.B.M. Al-Sayer
 Tareq M. Al-Saleh.

The member of the Audit Committee who, as required by the Listing Rules, is designated as independent and competent in auditing and/or accounting is John D. Freeman. Mr. Freeman served for many years as President and Managing Director of Quabbin Capital, a private equity investment firm as well as a board member of a number of its portfolio companies.

The Audit Committee normally requests members of Management to attend its meetings, and these invariably include the President.

The Audit Committee held 4 meetings during 2010, at one of which the independent external auditors were present. However, communication with and between the Secretary/Head of Internal Audit and the Committee's members



statement of compliance with the principles of good corporate governance - continued

is ongoing, and considerations that required the Committee's attention were acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

risk committees

The Board Risk Committee is responsible for overseeing the Group's credit policy and risk, for approving individual limits for banks and corporates within its delegated parameters of MFSA, and also for recommending country limits for approval by the Executive Committee. The Board Risk Committee is also responsible for the oversight of operational and legal risk matters related to credit activity.

Certain powers of the Board Risk Committee have been delegated to the Management Risk Committee. Consequently, the Management Risk Committee decides on credit applications up to and including USD10 million. Credit applications exceeding USD10 million up to the Bank's legal lending limit are decided by the Board Risk Committee. Additional limits of authority based on specific criteria and up to a maximum of USD3 million have been delegated to Management.

The Board Risk Committee members are:

Francis J. Vassallo (*Chairman*)
Margrith Lütischg-Emmenegger (*Vice Chairman*)
Gerard Lohier
Armin Eckermann
Marcel Cassar

The Management Risk Committee members are:

Margrith Lütischg-Emmenegger (*Chairman*)
Armin Eckermann (*Vice Chairman*)
Giovanni Bartolotta
Marcel Cassar
Simon Lay
Carmelo Occhipinti
Renald Theuma

Additionally, the Head of Legal has right of attendance at Committee meetings. The Head of Risk Management acts as secretary to the Risk Committee.

During 2010, the Board Risk Committee met on 29 occasions and the Management Risk Committee met on 21 occasions.

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 Asset-Liability Committee members are:

Francis J. Vassallo (*Chairman*)
Margrith Lütischg-Emmenegger
Armin Eckermann
Marcel Cassar
Carmelo Occhipinti

During 2010, the ALCO met on 3 occasions.

statement of compliance with the principles of good corporate governance - continued

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 performs periodic audits to specifically test 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 Head of Internal Audit 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. 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

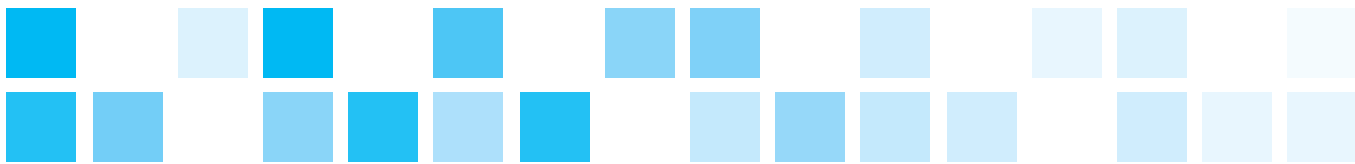
The Annual General Meeting of shareholders approves the maximum annual aggregate remuneration which the Directors may receive for the holding of their office. At the Annual General Meeting of 6 May 2010, the shareholders approved the maximum aggregate emoluments of the Directors for the financial year ended 31 December 2010 at USD350,000. Further details about the aggregate remuneration received by Directors in 2010 are 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 for 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 members of Management should reflect their responsibilities whilst taking account of (a) industry and market benchmarks, reflecting internationally established criteria, but within (b) conservative parameters establishing the relationship between fixed compensation terms and performance related bonuses. The review, approval and monitoring of the overall Group remuneration policy, as well as the implementation of the Executive Share Option Schemes, is delegated by the Board to the Executive Committee which, in turn, has established a Compensation Sub-Committee to oversee this responsibility. The Sub-Committee determines the remuneration, bonuses as well as the allocation of share options of all other members of staff, within the parameters approved by the Board.

commitment to shareholders and an informed market

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 as well as in connection with other Group developments, e.g. the Bonds Issue in October 2010.

The Board complies with the provisions of 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. Regular contact with shareholders and the general market is maintained through company announcements, which are issued in conformity with the obligations



statement of compliance with the principles of good corporate governance - continued

arising from the Listing Rules. During 2010 the Bank issued sixteen announcements. More specifically, in accordance with Listing Rules 9.51 *et seq.*, two announcements were made regarding the Interim Directors' Statements, on 21 May 2010 and 15 November 2010 respectively.

The Bank also maintains a presence on the web through www.fimbank.com, which includes an informative and comprehensive 'Investor Relations' section that contains, amongst other things, all company announcements, Annual General Meeting information, regulated information and press releases. The section was upgraded and enhanced in 2010.

dealings by directors, management and staff

The "FIMBank Financial Instruments Internal Code of Dealing" which has been drawn up in accordance with the requirements of the Listing Rules contains dealings restriction guidelines and reporting procedures to be observed by Directors, Management and Staff when dealing, or prospecting to deal, in the Bank's equity securities.

Directors and employees are also notified by the Company Secretary of their obligations to observe the restricted 'time windows' accompanying the publication of half yearly and annual financial results during which no dealings in the Bank's equity securities are allowed.

corporate social responsibility

The Board of Directors encourages that sound principles of corporate social responsibility are adhered to in the ongoing management practices of the Group. As a result, from time to time the Bank and its subsidiaries are involved in supporting initiatives at both national and community level aimed at contributing to economic and societal development. They also assist and promote small scale projects of a charitable and humanitarian nature.

Details of corporate social responsibility initiatives undertaken by the Group in 2010 are explained in other parts of the Annual Report.

Approved by the Board of Directors on 3 March 2011 and signed on its behalf by:

Najeeb H.M. Al-Saleh
Chairman

John C. Grech
Vice Chairman

directors' responsibility for the financial statements

The Companies Act, 1995 (Chapter 386, Laws of Malta) requires the directors of FIMBank p.l.c. (the "Bank") to prepare financial statements for each financial year which give a true and fair view of the financial position of the Bank and the Group as at the end of the financial year and of the profit or loss of the Bank and the Group for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the EU.

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 (Chapter 386, Laws of Malta) and the Banking Act, 1994 (Chapter 371, Laws of Malta).

The Directors are also responsible for safeguarding the assets of 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 establishes and maintains 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 maintaining policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the Group's business. This responsibility includes establishing and maintaining controls pertaining to the Bank's objective of preparing financial statements as required by the Companies Act, 1995 (Chapter 386, Laws of Malta) 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 by:



Najeeb H.M. Al-Saleh
Chairman



John C. Grech
Vice Chairman

statements of financial position

As at 31 December 2010

	Note	Group		Bank	
		2010 USD	2009 USD	2010 USD	2009 USD
ASSETS					
Balances with the Central Bank of Malta and cash	18	9,827,969	8,844,589	9,813,667	8,833,204
Trading assets	19	203,566,233	126,931,253	-	-
Derivative assets held for risk management	20	2,317,571	721,728	2,317,571	721,728
Financial assets designated at fair value through profit or loss	21	45,579,280	23,558,628	42,410,000	23,558,628
Loans and advances to banks	22	326,474,603	312,665,003	322,642,839	315,235,568
Loans and advances to customers	23	223,166,336	133,136,026	367,218,263	255,714,115
Investments available-for-sale	24	162,493	39,595	161,791	39,595
Investments in equity accounted investees	25	15,292,913	4,554,353	3,213,425	2,013,425
Non-current assets classified as held for sale	26	-	52,120,843	-	-
Investments in subsidiaries	27	-	-	64,234,312	53,412,291
Property and equipment	28	15,896,306	10,400,335	1,814,489	2,241,239
Intangible assets	29	1,522,687	1,319,006	740,651	549,270
Current tax recoverable		1,558,921	508,275	1,558,921	508,275
Deferred taxation	30	9,039,765	8,341,764	2,325,553	1,683,183
Other assets	31	3,227,678	9,779,650	2,411,528	1,870,871
Prepayments and accrued income	32	3,012,824	2,312,378	2,540,034	2,110,959
Total assets		860,645,579	695,233,426	823,403,044	668,492,351
LIABILITIES AND EQUITY					
Liabilities					
Derivative liabilities held for risk management	20	2,377,124	1,026,810	2,425,331	1,152,782
Amounts owed to banks	33	331,214,605	222,813,489	329,976,491	227,151,376
Amounts owed to customers	34	291,452,181	270,270,939	285,048,980	271,532,067
Liabilities directly associated with non-current assets classified as held for sale	26	-	11,775,785	-	-
Debt securities in issue	35	55,522,895	7,745,568	42,853,818	4,931,904
Subordinated debt	36	43,789,227	47,062,828	43,789,227	47,062,828
Provisions	37	3,052,184	2,618,708	1,733,104	1,733,104
Other liabilities		182,135	113,806	182,135	113,806
Accruals and deferred income	38	12,148,640	16,176,912	5,156,968	4,101,948
Total liabilities		739,738,991	579,604,845	711,166,054	557,779,815
Equity					
Share capital	39	67,976,317	67,713,477	67,976,317	67,713,477
Share premium	39	10,235,339	9,986,355	10,235,339	9,986,355
Currency translation reserve	39	(507,632)	(146,618)	-	-
Fair value reserve	39	(51,665)	-	(51,665)	-
Other reserve	39	8,098,579	6,495,973	2,681,041	2,681,041
Retained earnings	39	35,155,650	31,579,394	31,395,958	30,331,663
Total equity		120,906,588	115,628,581	112,236,990	110,712,536
Total liabilities and equity		860,645,579	695,233,426	823,403,044	668,492,351

statements of financial position

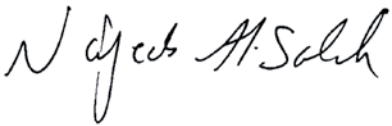
As at 31 December 2010

	Note	2010 USD	Group 2009 USD	2010 USD	Bank 2009 USD
MEMORANDUM ITEMS					
Contingent liabilities	40	38,150,984	25,565,381	43,362,797	27,021,667
Commitments	41	197,427,079	191,902,440	170,860,031	167,848,294

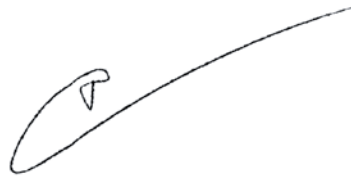
The official middle rate of exchange issued by the European Central Bank between US Dollar and Euro as at 31 December 2010 was 1.3362.

The notes on pages 40 to 107 are an integral part of these financial statements.

The financial statements on pages 32 to 107 were approved by the Board of Directors on 3 March 2011 and were signed on its behalf by:



Najeeb H.M. Al-Saleh
Chairman



John C. Grech
Vice Chairman

statements of changes in equity

For the year ended 31 December 2010

Group

	Share capital USD	Share premium USD	Currency translation reserve USD	Fair value reserve USD	Other reserve USD	Retained earnings USD	Total USD
At 1 January 2009	67,428,196	9,658,098	3,790	-	9,311,248	30,234,978	116,636,310
Total comprehensive income for the year							
Transfer to retained earnings	-	-	-	-	(2,815,275)	2,815,275	-
Profit for the year	-	-	-	-	-	1,565,048	1,565,048
	-	-	-	-	(2,815,275)	4,380,323	1,565,048
Other comprehensive income							
Currency translation reserve	-	-	(150,408)	-	-	-	(150,408)
Total other comprehensive income	-	-	(150,408)	-	-	-	(150,408)
Total comprehensive income for the year	-	-	(150,408)	-	(2,815,275)	4,380,323	1,414,640
Transactions with owners, recorded directly in equity							
Shares issued on exercise of options	15,120	4,342	-	-	-	-	19,462
Dividends to equity holders	-	-	-	-	-	(3,035,907)	(3,035,907)
Scrip issue of ordinary shares	270,161	323,915	-	-	-	-	594,076
Total contributions by and distributions to owners	285,281	328,257	-	-	-	(3,035,907)	(2,422,369)
As at 31 December 2009	67,713,477	9,986,355	(146,618)	-	6,495,973	31,579,394	115,628,581
At 1 January 2010	67,713,477	9,986,355	(146,618)	-	6,495,973	31,579,394	115,628,581
Total comprehensive income for the year							
Transfer to retained earnings	-	-	-	-	1,602,606	(1,602,606)	-
Profit for the year	-	-	-	-	-	6,743,910	6,743,910
	-	-	-	-	1,602,606	5,141,304	6,743,910
Other comprehensive income							
Change in fair value of available for-sale financial assets	-	-	-	(51,665)	-	-	(51,665)
Currency translation reserve	-	-	(361,014)	-	-	-	(361,014)
Total other comprehensive income	-	-	(361,014)	(51,665)	-	-	(412,679)
Total comprehensive income for the year	-	-	(361,014)	(51,665)	1,602,606	5,141,304	6,331,231
Transactions with owners, recorded directly in equity							
Shares issued on exercise of options	18,720	5,133	-	-	-	-	23,853
Dividends to equity holders	-	-	-	-	-	(1,565,048)	(1,565,048)
Scrip issue of ordinary shares	244,120	243,851	-	-	-	-	487,971
Total contributions by and distributions to owners	262,840	248,984	-	-	-	(1,565,048)	(1,053,224)
As at 31 December 2010	67,976,317	10,235,339	(507,632)	(51,665)	8,098,579	35,155,650	120,906,588

statements of changes in equity

For the year ended 31 December 2010

Bank	Share capital USD	Share premium USD	Fair value reserve USD	Other reserve USD	Retained earnings USD	Total USD
At 1 January 2009	67,428,196	9,658,098	-	2,681,041	32,295,085	112,062,420
Total comprehensive income for the year						
Profit for the year	-	-	-	-	1,072,485	1,072,485
Total comprehensive income for the year	-	-	-	-	1,072,485	1,072,485
Transactions with owners, recorded directly in equity						
Shares issued on exercise of options	15,120	4,342	-	-	-	19,462
Dividends to equity holders	-	-	-	-	(3,035,907)	(3,035,907)
Scrip issue of ordinary shares	270,161	323,915	-	-	-	594,076
Total contributions by and distributions to owners	285,281	328,257	-	-	(3,035,907)	(2,422,369)
As at 31 December 2009	67,713,477	9,986,355	-	2,681,041	30,331,663	110,712,536
At 1 January 2010	67,713,477	9,986,355	-	2,681,041	30,331,663	110,712,536
Total comprehensive income for the year						
Profit for the year	-	-	-	-	2,629,343	2,629,343
	-	-	-	-	2,629,343	2,629,343
Other comprehensive income						
Change in fair value of available-for-sale financial assets	-	-	(51,665)	-	-	(51,665)
Total other comprehensive income for the year	-	-	(51,665)	-	-	(51,665)
Total comprehensive income for the year	-	-	(51,665)	-	2,629,343	2,577,678
Transactions with owners, recorded directly in equity						
Shares issued on exercise of options	18,720	5,133	-	-	-	23,853
Dividends to equity holders	-	-	-	-	(1,565,048)	(1,565,048)
Scrip issue of ordinary shares	244,120	243,851	-	-	-	487,971
Total contributions by and distributions to owners	262,840	248,984	-	-	(1,565,048)	(1,053,224)
As at 31 December 2010	67,976,317	10,235,339	(51,665)	2,681,041	31,395,958	112,236,990

The notes on pages 40 to 107 are an integral part of these financial statements.

income statements

For the year ended 31 December 2010

	Note	2010 USD	Group 2009 USD	2010 USD	Bank 2009 USD
Interest income	8	22,410,004	20,652,622	14,300,606	13,321,974
Interest expense	8	(9,429,484)	(9,355,998)	(9,183,774)	(9,047,203)
Net interest income	8	12,980,520	11,296,624	5,116,832	4,274,771
Fee and commission income	9	21,386,459	22,130,246	15,237,631	14,925,150
Fee and commission expense	9	(1,983,914)	(1,288,088)	(1,387,338)	(1,556,711)
Net fee and commission income	9	19,402,545	20,842,158	13,850,293	13,368,439
Net trading (expense)/income	10	(1,743,819)	(4,207,188)	(3,028,565)	1,756,838
Net gain from other financial instruments carried at fair value	11	5,330,330	4,138,209	5,319,358	3,756,788
Dividend income	12	320	604	320	604
Profit on disposal of available-for-sale investment	24	-	46,956	-	46,956
Other operating income	13	44,162	141,355	31,572	18,013
Operating income before net impairment loss		36,014,058	32,258,718	21,289,810	23,222,409
Net impairment loss on financial assets	14	(3,777,541)	(6,148,372)	(1,493,233)	(4,712,221)
Operating income		32,236,517	26,110,346	19,796,577	18,510,188
Administrative expenses	15	(23,301,533)	(22,946,650)	(16,900,731)	(16,761,113)
Depreciation and amortisation	28/29	(1,208,687)	(1,158,129)	(731,585)	(707,771)
Provision for liabilities and charges	37	(506,281)	-	-	-
Total operating expenses		(25,016,501)	(24,104,779)	(17,632,316)	(17,468,884)
Operating profit		7,220,016	2,005,567	2,164,261	1,041,304
Share of loss of equity accounted investees (net of tax)	25	(996,549)	(406,899)	-	-
Profit before income tax		6,223,467	1,598,668	2,164,261	1,041,304
Taxation	16	520,443	(33,620)	465,082	31,181
Profit for the year		6,743,910	1,565,048	2,629,343	1,072,485
Basic earnings per share	17	4.97c	1.16c	1.94c	0.79c
Diluted earnings per share	17	4.97c	1.25c	1.94c	0.90c

The notes on pages 40 to 107 are an integral part of these financial statements.

statements of comprehensive income

For the year ended 31 December 2010

	2010 USD	Group 2009 USD	2010 USD	Bank 2009 USD
Profit for the year	6,743,910	1,565,048	2,629,343	1,072,485
Other comprehensive income:				
Exchange differences on translation of foreign operations	(361,014)	(150,408)	-	-
Fair value reserve (available for sale financial assets):				
- Net change in fair value	(79,485)	-	(79,485)	-
- Taxation	27,820	-	27,820	-
Total comprehensive income for the year	6,331,231	1,414,640	2,577,678	1,072,485

The notes on pages 40 to 107 are an integral part of these financial statements.

statements of cash flows

For the year ended 31 December 2010

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Cash flows from operating activities				
Interest and commission receipts	34,144,862	48,441,112	29,268,371	28,306,014
Exchange received	2,598,845	1,816,914	1,949,468	1,924,884
Interest and commission payments	(10,806,982)	(11,193,357)	(10,077,821)	(11,338,504)
Payments to employees and suppliers	(21,619,479)	(21,449,538)	(16,244,235)	(17,053,368)
Operating profit before changes in operating assets / liabilities	4,317,246	17,615,131	4,895,783	1,839,026
(Increase) / decrease in operating assets:				
- Financial assets at fair value through profit or loss	(81,665,692)	46,970,548	(19,240,703)	5,657,701
- Loans and advances to customers and banks	(99,394,020)	(57,726,796)	(78,556,378)	(42,077,555)
- Other assets	6,616,519	(8,281,424)	(540,657)	488,328
Increase / (decrease) in operating liabilities:				
- Amounts owed to customers and banks	63,151,841	22,554,593	61,184,839	22,345,655
- Other liabilities	68,329	111,529	156,732	122,265
- Net advances to subsidiary companies	-	-	(69,660,142)	(5,953,346)
Net cash (outflows) / inflows from operating activities before income tax	(106,905,777)	21,243,581	(101,760,526)	(17,577,926)
Income tax paid	(1,200,386)	(665,494)	(1,200,114)	(664,203)
Net cash (outflows) / inflows from operating activities	(108,106,163)	20,578,087	(102,960,640)	(18,242,129)
Cash flows from investing activities				
- Payments to acquire property and equipment	(6,076,446)	(7,604,570)	(153,597)	(1,189,397)
- Payments to acquire intangible assets	(695,848)	(415,277)	(342,619)	(87,759)
- Proceeds on disposal of property and equipment	14,016	-	-	-
- Purchase of shares in subsidiary companies	-	-	(10,822,021)	(4,017,625)
- Purchase of shares in equity accounted investees	(12,026,480)	(4,017,625)	(1,200,000)	-
- Purchase of shares in available-for-sale financial assets	(702)	-	-	-
- Increase in net assets classified as held for sale	-	(13,316,221)	-	-
- Proceeds from disposal of other investment	-	69,151	-	69,151
- Receipt of dividend	320	604	320	604
Net cash flows used in investing activities	(18,785,140)	(25,283,938)	(12,517,917)	(5,225,026)
Decrease in cash equivalents c/f	(126,891,303)	(4,705,851)	(115,478,557)	(23,467,155)

statements of cash flows

For the year ended 31 December 2010

	Note	2010 USD	Group 2009 USD	2010 USD	Bank 2009 USD
Decrease in cash equivalents b/f		(126,891,303)	(4,705,851)	(115,478,557)	(23,467,155)
Cash flows from financing activities					
- Proceeds from issue of shares on exercise of options		23,853	19,462	23,853	19,462
- Proceeds from issue of 7% subordinated bonds		-	39,061,687	-	39,061,687
- Proceeds from issue of 4.25% bonds		43,396,399	-	43,396,399	-
- Debt securities in issue		4,923,510	(17,008,922)	(4,931,905)	4,931,904
- Repayment of Subordinated Convertible Loan		(857,143)	-	(857,143)	-
- Dividends paid		(1,077,077)	(2,441,831)	(1,077,077)	(2,441,831)
Net cash flows from financing activities		46,409,542	19,630,396	36,554,127	41,571,222
(Decrease) / increase in cash and cash equivalents		(80,481,761)	14,924,545	(78,924,430)	18,104,067
Analysed as follows:					
- Effect of exchange rate changes on cash and cash equivalents		(7,942,433)	2,797,837	(7,895,910)	2,575,112
- Net (decrease) / increase in cash and cash equivalents		(72,539,328)	12,126,708	(71,028,520)	15,528,955
(Decrease) / increase in cash and cash equivalents		(80,481,761)	14,924,545	(78,924,430)	18,104,067
Cash and cash equivalents at beginning of year		105,474,073	90,549,528	103,695,367	85,591,300
Reclassification of cash and cash equivalents previously held as discontinued operation		1,137,116	-	-	-
		106,611,189	90,549,528	103,695,367	85,591,300
Cash and cash equivalents at end of year	42	26,129,428	105,474,073	24,770,937	103,695,367

The notes on pages 40 to 107 are an integral part of these financial statements.

notes to the financial statements

For the year ended 31 December 2010

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notes to the financial statements

For the year ended 31 December 2010

1 reporting entity

FIMBank p.l.c. (the "Bank") is a company domiciled in Malta. The address of the Bank's registered office is 7th Floor, The Plaza Commercial Centre, Bisazza Street, Sliema SLM 1640, Malta. The financial statements of the Bank as at and for the year ended 31 December 2010 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2 basis of preparation

2.1 statement of compliance

The financial statements have been prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU ("the applicable framework"). All references in these financial statements to IAS, IFRS or SIC / IFRIC interpretations refer to those adopted by the EU.

These financial statements have also been drawn up in accordance with the provisions of the Banking Act, 1994 (Chapter 371, Laws of Malta) and the Companies Act, 1995 (Chapter 386, Laws of Malta), to the extent that such provisions do not conflict with the applicable framework.

The financial statements were authorised for issue by the Board of Directors on 3 March 2011.

2.2 basis of measurement

The financial statements have been prepared on the historical cost basis except for the following which are measured at fair value:

- trading assets;
- derivative financial instruments;
- financial instruments at fair value through profit or loss; and
- available-for-sale financial assets.

2.3 functional and presentation currency

These financial statements are presented in United States Dollar (USD), which is the Bank's functional currency.

2.4 use of estimates and judgements

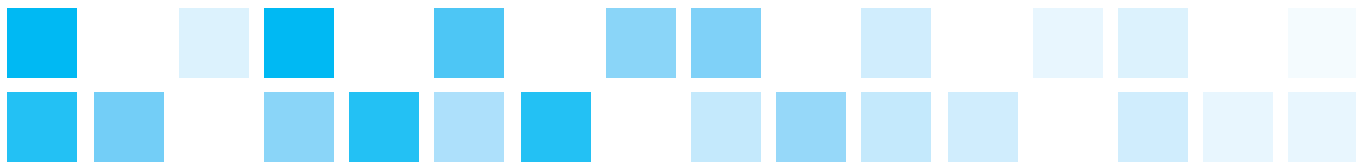
The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 4 and 5.

3 significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.



3 *significant accounting policies - continued*

3.1 *basis of consolidation*

3.1.1 *subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

3.1.2 *associates and jointly-controlled entities*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3.1.3 *transactions eliminated on consolidation*

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 *foreign currency*

3.2.1 *foreign currency transactions*

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised directly in equity. 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.

3.2.2 *foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into US Dollar at spot exchange rates at the reporting date. The income and expenses of foreign operations, are translated into US Dollar at spot exchange rates at the dates of the transactions.

Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income. When a foreign operation is disposed of, the relevant amount in the currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary

3 significant accounting policies - continued

that includes a foreign operation, the relevant proportion of such cumulative amount is attributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in other comprehensive income in the currency translation reserve.

3.3 interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees and commissions paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on available-for-sale investment securities calculated on an effective interest basis;
- interest on trading assets and liabilities;
- interest on financial assets designated at fair value through profit or loss.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net gain/(loss) from other financial instruments at fair value through profit or loss in the statement of comprehensive income.

3.4 fees and commissions

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

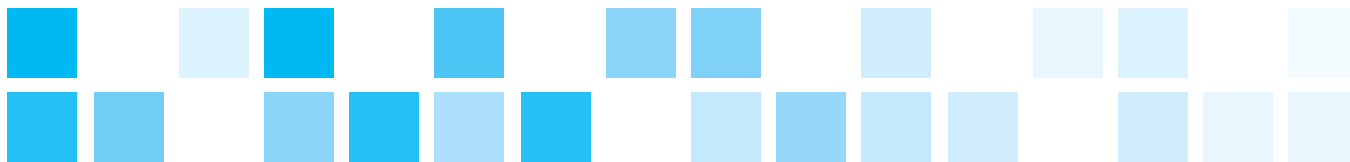
Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

3.5 net trading income or expense

Net trading income or expense comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes on trading assets and foreign exchange differences.

3.6 net gain or loss from other financial instruments at fair value through profit or loss

Net gain or loss from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes and financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes on trading assets and foreign exchange differences.



3 *significant accounting policies - continued*

3.7 *dividends*

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

3.8 *lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3.9 *income tax*

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.10 *financial assets and liabilities*

3.10.1 *recognition*

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

3.10.2 *classification*

See accounting policies 3.11, 3.12, 3.13, 3.14 and 3.15.

3.10.3 *derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and

3 *significant accounting policies - continued*

rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3.10.4 *offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.10.5 *amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.10.6 *fair value measurement*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.



3 *significant accounting policies - continued*

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

3.10.7 *identification and measurement of impairment*

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

3 significant accounting policies - continued

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

The Group writes off certain loans and advances and investment securities when they are determined to be uncollectible (see note 4).

3.10.8 designation at fair value through profit or loss

The Group has designated financial assets and liabilities at fair value through profit or loss in the following circumstances:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; and
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Note 7 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

3.11 cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Loans and advances to banks and amounts owed to banks that are repayable on demand or have a contractual maturity of three months or less and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows. Subsequent to initial recognition cash and cash equivalents are measured at amortised cost.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.12 trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income or expense in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, except that non-derivative trading assets, other than those designated at fair value through profit or loss upon initial recognition, may be reclassified out of the fair value through profit or loss (i.e. trading) category if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity;
- If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in 'rare circumstances'.



3 *significant accounting policies - continued*

3.13 derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. The Group did not designate any derivatives as hedging instruments in qualifying hedging relationships. As a result, all changes in fair value of derivatives are recognised immediately in profit or loss as a component of net gain or loss from other financial instruments at fair value through profit or loss.

3.14 loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (“reverse repo” or “stock borrowing”), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group’s financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3.15 investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss, or available-for-sale.

The Group has investments classified as available-for-sale and designated at fair value through profit or loss.

3.15.1 *designated at fair value through profit or loss*

The Group designates some investment securities at fair value, with fair value changes recognised immediately in profit or loss as described in accounting policy 3.10.8.

3.15.2 *available-for-sale*

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost. All other available-for-sale investments are carried at fair value. Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

3.16 investments in subsidiaries, associates and jointly-controlled entities

Investments in subsidiaries, associates and joint ventures are shown in the separate statement of financial position at cost less impairment losses.

3 significant accounting policies - continued

3.17 property and equipment

3.17.1 recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within other income or expense in profit or loss.

3.17.2 subsequent costs

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

3.17.3 depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Improvements to leasehold premises are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Freehold premises 50 years
- Computer system 7 years
- Computer equipment 5 years
- Others 4 – 14 years

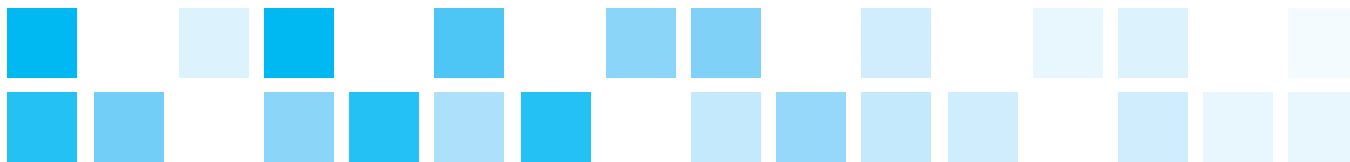
Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

3.18 intangible assets

3.18.1 goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain gain was recognised immediately in profit or loss. Transaction costs, other than those associated with



3 significant accounting policies - continued

the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisitions.

Goodwill is measured at cost less any accumulated impairment losses.

3.18.2 software

Software acquired by the Group is stated at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software 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.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is seven years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.19 leased assets – lessee

Leases in terms of which the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases.

Leased assets held under operating lease are not recognised in the Group's statement of financial position.

3.20 impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of any goodwill is estimated at each reporting date.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

3 significant accounting policies - continued

3.21 deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date ("repo" or "stock lending"), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. The Group did not choose to carry any non-derivative liabilities at fair value through profit or loss.

3.22 provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3.23 financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

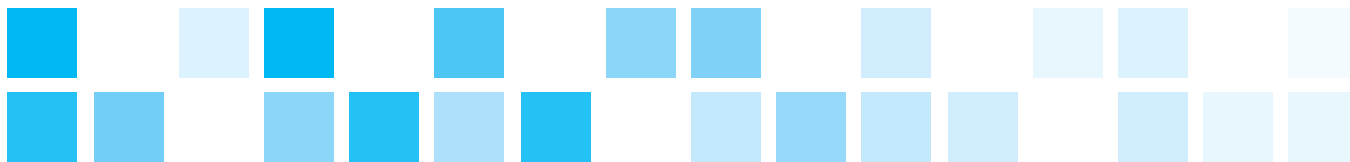
3.24 employee benefits

3.24.1 defined contribution plans

The Malta-registered Group entities contribute towards a defined contribution state pension plan in accordance with Maltese legislation. Other 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 employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3.24.2 share-based payment transactions

The grant date fair value of equity-settled share-based payment awards (i.e. stock options) granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date.



3 *significant accounting policies - continued*

3.25 [share capital](#)

3.25.1 [ordinary shares](#)

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

3.25.2 [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.

3.26 [earnings per share](#)

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.27 [discontinued operations](#)

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is represented as if the operation had been discontinued from the start of the comparative period.

3.28 [segment reporting](#)

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by Executive Management (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to Executive Management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

3.29 [new standards and interpretations not yet adopted](#)

A number of new standards, amendments to standards and interpretations that are effective for the periods starting on or after 1 January 2011 have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements.

4 financial risk management

4.1 introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

risk management framework

The risk factors associated with the financial services industry are multiple and varied. Exposure to credit risk, liquidity risk, and market risk arises in the normal course of both the Bank's and the Group's business. As the Group is mainly engaged in trade finance business, control over contingent liabilities and commitments is fundamental since the risks involved are substantively the same as with on-balance sheet items. The Board of Directors (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 controls 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 of the Group. The internal auditor periodically reviews and tests the internal systems of control independently from management, adopting a risk-based approach. The internal auditor reports to the Audit Committee (a Board Committee). All reports are circulated and copied to the Chairman of the Board of Directors.

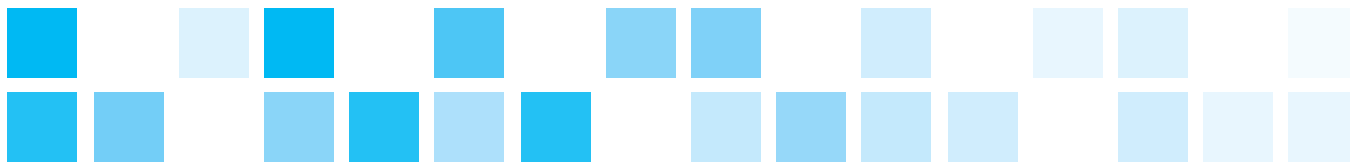
Adherence to the various banking directives and rules issued by the regulatory authorities from time to time and applicable to credit institutions licensed in Malta is and shall continue to form the basis of the risk control environment of the Group. The Group is committed to ensure strict compliance with the thresholds established by the regulatory framework in relation to capital adequacy, solvency ratios, liquidity ratios, credit management, quality of assets and financial reporting.

4.2 credit risk

Credit risk is the risk that one party to a financial transaction might fail to discharge an obligation and cause the other party to incur a financial loss. As illustrated above, the Group finances international trade in many countries worldwide, especially emerging markets, which in turn entails an exposure to sovereign, bank and corporate credit risk. Credit risk is not only akin to loans but also to other on- and off- balance sheet exposures such as letters of credit, guarantees, acceptances and money market products.

Strict credit assessment and control procedures are in place in order to monitor such exposures. The Group also complies with regulatory guidelines as defined by the Malta Financial Services Authority ("MFSA") and a limit of 25% of Own Funds applies to any particular customer or group of connected customers. The Risk Committees (Board Committees) are responsible for overseeing the Group's credit policy and risk, for approving individual limits for banks and corporates within their delegated parameters of authority and also for recommending country limits for approval by the Executive Committee (another Board Committee). The Risk Committees are also responsible for the oversight of operational, legal and reputational risk related to credit activity. Further information on the composition and function of the Risk Committees is noted in the "Statement of Compliance with the Principles of Good Corporate Governance".

The Group also ensures that it has a reasonable mix of loans to customers. This diversification of credit among different economic sectors is a policy adopted by the Group to mitigate such risks. The Group also 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 arise from the normal course of banking operations. In the case of risks associated with inter-bank participants under letters of credit, the Group exercises the same credit controls as those applied to on-balance sheet exposures.



4 financial risk management - continued

All on- and off- balance sheet exposures are approved after a thorough review of the counterparties' credit worthiness. This is done by primarily evaluating the risk rating of the counterparty by reference to established Rating Agencies. In the absence of this and when it is deemed appropriate to do so, review is also done by means of other assessment criteria, including but not limited to, financial statement review.

maximum exposure

Amounts that best represents the Bank and Group's maximum exposure to credit risk at the financial reporting date, without taking account of any collateral held or other credit enhancements are as follows:

Group

	Loans and advances to banks		Loans and advances to customers	
	2010 USD	2009 USD	2010 USD	2009 USD
Individually impaired	46,952	46,952	2,019,508	784,786
Neither past due nor impaired	326,427,651	312,618,051	221,146,828	132,351,240
Total carrying amount	326,474,603	312,665,003	223,166,336	133,136,026

Bank

	Loans and advances to banks		Loans and advances to customers	
	2010 USD	2009 USD	2010 USD	2009 USD
Individually impaired	46,952	46,952	916,380	784,786
Neither past due nor impaired	322,595,887	315,188,616	366,301,883	254,929,329
Total carrying amount	322,642,839	315,235,568	367,218,263	255,714,115

For the Group, amounts of USD162,493 (2009: USD39,595) representing "Investments available-for-sale", and USD15,292,913 (2009: USD4,554,353) representing "Investments in associates" are classified as "Neither past due nor impaired".

For the Bank, amounts of USD161,791 (2009: USD39,595) representing "Investments available-for-sale", USD64,234,312 (2009: USD53,412,291) representing "Investments in subsidiaries" and USD3,213,425 (2009: USD2,013,425) representing "Investments in associates" are classified as "Neither past due nor impaired".

4 financial risk management - continued

credit quality of neither past due nor impaired

The table below presents an analysis of financial assets, which are neither past due nor impaired, by rating agency designation at 31 December, based on Fitch ratings or their equivalent:

Group	Loans and advances to banks		Loans and advances to customers		Trading assets and financial assets designated at fair value through profit or loss	
	2010 USD	2009 USD	2010 USD	2009 USD	2010 USD	2009 USD
AAA/AA	31,527,480	47,629,031	19,052,950	-	1,049,445	-
A/BBB	93,386,185	113,027,442	10,000,000	29,750,200	45,132,102	24,642,059
BB/C	17,700,992	41,301,729	-	-	134,406,638	56,133,187
Unrated	183,812,994	110,659,849	192,093,878	102,601,040	68,557,328	69,714,635
	326,427,651	312,618,051	221,146,828	132,351,240	249,145,513	150,489,881

Bank	Loans and advances to banks		Loans and advances to customers		Financial assets designated at fair value through profit or loss	
	2010 USD	2009 USD	2010 USD	2009 USD	2010 USD	2009 USD
AAA/AA	31,034,851	45,861,706	19,052,950	-	-	-
A/BBB	91,960,658	113,027,442	10,000,000	29,750,200	16,550,000	-
BB/C	17,700,992	41,301,729	-	-	25,860,000	23,558,628
Unrated	181,899,386	114,997,739	337,248,933	225,179,129	-	-
	322,595,887	315,188,616	366,301,883	254,929,329	42,410,000	23,558,628

impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

past due but not impaired loans

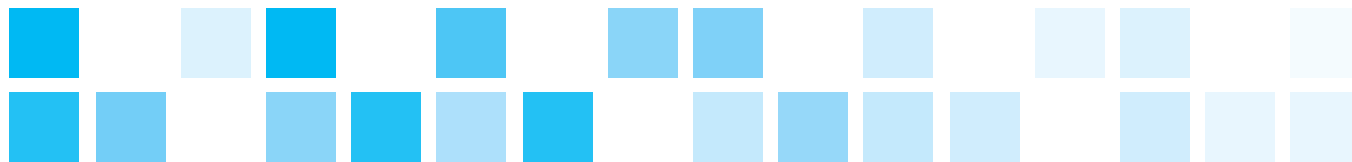
Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group. The Group did not have any exposures that at financial reporting date were past due but not impaired.

loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. No renegotiated term loans were carried by the Group and the Bank as at 31 December 2010.

allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous



4 *financial risk management - continued*

assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Efforts at recovering losses incurred in past financial periods are continuous. To this purpose, legal proceedings have been undertaken in the courts of competent jurisdiction.

write-off policy

The Group writes off a loan/security balance (and any related allowances for impairment losses) when it has been unequivocally determined that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, that proceeds from collateral will not be sufficient to pay back the entire exposure, or that future recoverability efforts are deemed unfeasible.

collaterals

Loans are typically secured either by property (including shipping vessels), pledged goods, cash collateral, credit insurance cover or by personal or bank guarantees. These collaterals are reviewed periodically by management both in terms of exposure to the Bank and the Group and to ensure the validity and enforceability of the security taken.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2010 and 2009.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

Group	Loans and advances to banks		Loans and advances to customers	
	2010 USD	2009 USD	2010 USD	2009 USD
Against neither past due nor impaired				
Cash or quasi cash	10,051,902	14,533,858	20,769,386	18,312,914
Property	-	-	26,223,599	18,284,391
Other	15,687,598	644,877	65,461,566	2,363,939
Against impaired				
Cash or quasi cash	46,952	46,963	-	274,310
Property	-	-	414,442	604,816
Other	-	-	1,224,807	-
	25,786,452	15,225,698	114,093,800	39,840,370
Bank				
Against neither past due nor impaired				
Cash or quasi cash	10,051,902	14,533,858	20,769,386	18,312,914
Property	-	-	26,223,599	18,284,391
Other	15,687,598	644,877	43,561,915	2,363,939
Against impaired				
Cash or quasi cash	46,952	46,963	-	274,310
Property	-	-	414,442	604,816
Other	-	-	407,969	-
	25,786,452	15,225,698	91,377,311	39,840,370

concentration of credit risk by sector

The following industry concentrations of loans and advances to banks and to customers before impairment are considered significant:

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Industrial raw materials	75,843,274	17,640,121	55,040,297	17,640,121
Ship pre-demolition	25,646,920	17,583,291	25,646,920	17,583,291
Wholesale and retail trade	98,277,853	52,936,395	84,797,472	52,936,395
Financial intermediation	339,852,396	317,048,632	527,801,082	446,066,113
Other services	30,718,998	57,363,476	13,474,483	53,494,649
	570,339,441	462,571,915	706,760,254	587,720,569

concentration of credit risk by region

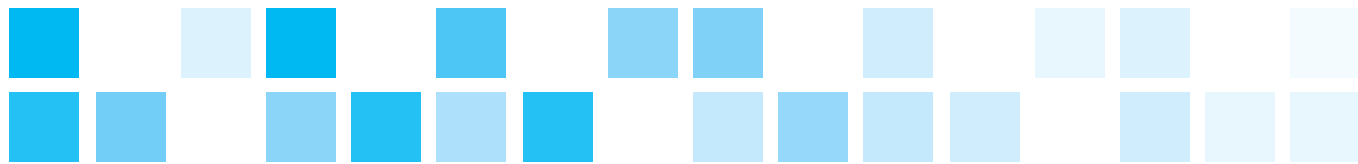
The Group monitors concentrations of credit risk by geographic location based on the exposure country of the borrower ("Country risk").

Country risk refers to risks associated with the economic, social and political environment of the obligor's exposure country. A component of country risk is transfer risk which arises when a borrower's obligation is not denominated in the respective local currency. The currency of the obligation may become unavailable to the borrower regardless of its particular condition.

As the Group carries out activities with counter-parties in emerging markets, there are certain risk factors which are particular to such activities and which require careful consideration by prospective investors since they are not usually associated with activities in more developed markets. Such exposure relates to the risks of major political and economic changes including but not limited to, higher price volatility, the effect of exchange control regulations and the risks of expropriation, nationalisation and/or confiscation of assets. The ineffectiveness of the legal and judicial systems in some of the emerging markets, including those in which the Group is carrying out activities, may pose difficulties for the Group in preserving its legal rights.

The Executive Committee approves country limits after these are presented with reports covering the political and economic situations for each of the countries to which a limit is issued. Senior officials of the Bank pay regular visits to those countries in which it is already doing business and in those countries where it seeks to develop business, in order to provide a deeper understanding of the risks posed by any such countries.

Group	Loans and advances to banks		Loans and advances to customers		Trading assets and Financial assets designated at fair value through profit or loss		Investments available-for-sale	
	2010 USD	2009 USD	2010 USD	2009 USD	2010 USD	2009 USD	2010 USD	2009 USD
Europe	153,727,742	198,090,026	95,711,184	59,884,776	64,365,528	48,299,553	17,148	17,148
Sub-Sahara Africa (SSA)	74,826,860	61,635,290	7,653,348	-	10,555,730	10,800,422	-	-
Middle East and North Africa (MENA)	20,400,782	12,410,764	81,906,218	21,020,986	22,219,705	7,290,928	-	-
Commonwealth of Independent States (CIS)	18,537,907	18,380,432	25	-	85,043,060	46,241,717	145,345	22,447
Others	62,072,218	24,489,336	39,485,843	53,075,240	66,961,490	37,857,261	-	-
	329,565,509	315,005,848	224,756,618	133,981,002	249,145,513	150,489,881	162,493	39,595
Collective impairment	(3,090,906)	(2,340,845)	(1,590,282)	(844,976)	-	-	-	-
	326,474,603	312,665,003	223,166,336	133,136,026	249,145,513	150,489,881	162,493	39,595



4 financial risk management - continued

Bank

	Loans and advances to banks		Loans and advances to customers		Trading assets and Financial assets designated at fair value through profit or loss		Investments available-for-sale	
	2010	2009	2010	2009	2010	2009	2010	2009
	USD	USD	USD	USD	USD	USD	USD	USD
Europe	151,981,703	200,660,591	251,367,016	152,648,019	8,750,000	-	17,147	17,148
Sub-Sahara Africa (SSA)	74,826,860	61,635,290	7,653,348	-	-	-	-	-
Middle East and North Africa (MENA)	18,315,059	12,410,764	70,302,312	50,835,832	7,800,000	-	-	-
Commonwealth of Independent States (CIS)	18,537,907	18,380,432	25	-	21,260,000	19,698,189	144,644	22,447
Others	62,072,216	24,489,336	39,485,844	53,075,240	4,600,000	3,860,439	-	-
	325,733,745	317,576,413	368,808,545	256,559,091	42,410,000	23,558,628	161,791	39,595
Collective impairment	(3,090,906)	(2,340,845)	(1,590,282)	(844,976)	-	-	-	-
	322,642,839	315,235,568	367,218,263	255,714,115	42,410,000	23,558,628	161,791	39,595

For region exposure on "Investments in equity accounted investees" and "Investments in subsidiaries" please refer to note 25 and note 27 respectively.

settlement risk

The Group faces settlement risk due to the fact that few financial transactions are settled simultaneously or on a same day basis. Consequently, the Group could suffer a loss if the counter-party fails to deliver on settlement date.

The Group monitors exposures regularly to ensure that any settlement risk is identified immediately and that real-time action is taken to rectify any problematic situation.

4.3 liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

Liquidity risk is the risk that the Group may be unable to meet its obligations as they become due because of an inability to liquidate assets or obtain adequate funding ("funding liquidity risk") or that it cannot easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions ("market liquidity risk").

Liquidity risk arises in the general funding of the Group's activities and 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 (by means of loans and money market placements), by issuing promissory notes and similar paper and through increases in share capital and plough back of profits.

management of liquidity risk

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.

The Group's Assets-Liabilities Committee ("ALCO") (a Board Committee) is responsible for establishing appropriate asset and liability management policies, monitoring their application and reviewing financial

4 *financial risk management - continued*

information on the basis of which investment and funding decisions are taken. The daily application of the asset and liability management policies rests with the Treasury Unit of the Group.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Treasury Unit receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

When an operating subsidiary is subject to a liquidity limit imposed by its local regulator, the subsidiary is responsible for managing its overall liquidity within the regulatory limit in co-ordination with Treasury. Treasury monitors compliance of all operating subsidiaries with local regulatory limits on a daily basis.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of both the Group and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from Banks and Customers. For this purpose net liquid assets are computed by reference to Banking Rule 5, "Liquidity Requirements of Credit Institutions Authorised under the Banking Act 1994" issued by the Malta Financial Services Authority. Details of the reported Group liquidity ratio at the reporting date and during the reporting period were as follows:

	2010	2009
At 31 December	38.7%	62.4%
Average for the year	55.5%	63.2%
Maximum for the year	75.0%	89.3%
Minimum for the year	34.0%	39.9%

residual contractual maturities of financial assets and liabilities

Group – 31 December 2010

	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	Between 1 & 3 months	Between 3 & 6 months	Between 6 months & 1 year	Between 1 & 2 years	More than 2 years
	USD	USD	USD	USD	USD	USD	USD	USD
Balances with the Central Bank of Malta and cash	9,827,969	9,827,969	9,827,969	-	-	-	-	-
Trading assets	203,566,233	203,566,233	203,566,233	-	-	-	-	-
Derivative assets held for risk management	2,317,571	2,317,571	1,399,645	904,083	8,519	5,324	-	-
Financial assets designated at fair value through profit or loss	45,579,280	45,579,280	45,579,280	-	-	-	-	-
Loans and advances to banks	326,474,603	341,524,890	218,668,094	26,695,411	50,998,028	22,950,328	978,110	21,234,919
Loans and advances to customers	223,166,336	259,267,068	56,870,687	109,778,769	36,486,919	14,001,208	1,463,954	40,665,531
Derivative liabilities held for risk management	(2,377,124)	(2,377,124)	(1,110,739)	(734,433)	(526,909)	(5,043)	-	-
Amounts owed to banks	(331,214,605)	(332,687,584)	(134,366,485)	(135,360,554)	(35,328,902)	(22,425,249)	(78,252)	(5,128,142)
Amounts owed to customers	(291,452,181)	(293,620,820)	(208,671,749)	(33,733,493)	(15,059,766)	(29,651,057)	(2,627,221)	(3,877,534)
Debt securities in issue	(55,522,895)	(61,690,308)	-	(5,000,000)	(946,064)	(8,966,583)	(1,892,130)	(44,885,531)
Subordinated debt	(43,789,227)	(68,135,328)	(73,037)	-	(1,402,057)	(1,475,094)	(2,950,187)	(62,234,953)

Group – 31 December 2009

	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	Between 1 & 3 months	Between 3 & 6 months	Between 6 months & 1 year	Between 1 & 2 years	More than 2 years
	USD	USD	USD	USD	USD	USD	USD	USD
Balances with the Central Bank of Malta and cash	8,844,589	8,844,589	8,844,589	-	-	-	-	-
Trading assets	126,931,253	126,931,253	126,931,253	-	-	-	-	-
Derivative assets held for risk management	721,728	721,728	29,270	275,692	333,888	82,878	-	-
Financial assets designated at fair value through profit or loss	23,558,628	23,558,628	23,558,628	-	-	-	-	-
Loans and advances to banks	312,665,003	326,407,355	232,728,889	32,366,821	33,938,909	4,734,458	955,960	21,682,318
Loans and advances to customers	133,136,026	168,409,361	38,846,819	55,497,578	7,766,191	7,142,375	2,958,793	56,197,605
Derivative liabilities held for risk management	(1,026,810)	(1,026,810)	(131,504)	(248,686)	(644,780)	(1,840)	-	-
Amounts owed to banks	(222,813,489)	(224,297,386)	(121,536,209)	(26,710,693)	(33,092,880)	(40,607,179)	(1,152,433)	(1,197,992)
Amounts owed to customers	(270,270,939)	(271,986,691)	(185,857,152)	(37,151,649)	(22,396,812)	(24,221,431)	(2,359,647)	-
Debt securities in issue	(7,745,568)	(7,884,754)	-	-	(5,000,000)	(2,884,754)	-	-
Subordinated debt	(47,062,828)	(76,182,929)	(90,927)	-	(1,490,521)	(1,589,637)	(3,171,085)	(69,840,759)

4 financial risk management - continued

Bank – 31 December 2010

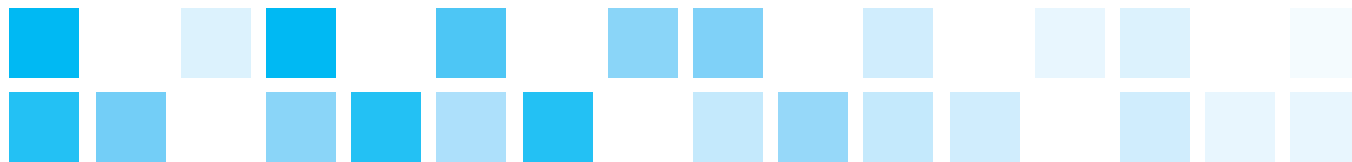
	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	Between 1 & 3 months	Between 3 & 6 months	Between 6 months & 1 year	Between 1 & 2 years	More than 2 years
	USD	USD	USD	USD	USD	USD	USD	USD
Balances with the Central Bank of Malta and cash	9,813,667	9,813,667	9,813,667	-	-	-	-	-
Derivative assets held for risk management	2,317,571	2,317,571	1,399,645	904,083	8,519	5,324	-	-
Financial assets designated at fair value through profit or loss	42,410,000	42,410,000	42,410,000	-	-	-	-	-
Loans and advances to banks	322,642,839	337,652,567	216,890,244	26,031,441	51,608,081	20,909,772	978,110	21,234,919
Loans and advances to customers	367,218,263	377,872,143	24,087,570	129,471,003	13,382,141	27,447,643	142,956,103	40,527,683
Derivative liabilities held for risk management	(2,425,331)	(2,425,330)	(1,158,946)	(734,433)	(526,909)	(5,042)	-	-
Amounts owed to banks	(329,976,491)	(331,409,149)	(134,506,795)	(135,360,554)	(35,938,956)	(20,396,450)	(78,252)	(5,128,142)
Amounts owed to customers	(285,048,980)	(287,217,619)	(203,506,486)	(33,159,524)	(14,395,797)	(29,651,057)	(2,627,221)	(3,877,534)
Debt securities in issue	(42,853,818)	(48,669,791)	-	-	(946,065)	(946,065)	(1,892,130)	(44,885,531)
Subordinated debt	(43,789,227)	(68,135,328)	(73,037)	-	(1,402,057)	(1,475,094)	(2,950,187)	(62,234,953)

Bank – 31 December 2009

	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	Between 1 & 3 months	Between 3 & 6 months	Between 6 months & 1 year	Between 1 & 2 years	More than 2 years
	USD	USD	USD	USD	USD	USD	USD	USD
Balances with the Central Bank of Malta and cash	8,833,204	8,833,204	8,833,204	-	-	-	-	-
Derivative assets held for risk management	721,728	721,728	29,270	275,692	333,888	82,878	-	-
Financial assets designated at fair value through profit or loss	23,558,628	23,558,628	23,558,628	-	-	-	-	-
Loans and advances to banks	315,235,568	328,977,920	232,894,304	34,339,244	34,371,636	4,734,458	955,960	21,682,318
Loans and advances to customers	255,714,115	290,987,449	39,271,770	55,497,578	7,766,191	129,295,512	2,958,793	56,197,605
Derivative liabilities held for risk management	(1,152,782)	(1,152,782)	(212,889)	(248,686)	(644,781)	(46,426)	-	-
Amounts owed to banks	(227,151,376)	(228,635,354)	(123,469,028)	(28,683,116)	(33,525,606)	(40,607,179)	(1,152,433)	(1,197,992)
Amounts owed to customers	(271,532,067)	(273,248,035)	(187,118,495)	(37,151,650)	(22,396,812)	(24,221,431)	(2,359,647)	-
Debt securities in issue	(4,931,904)	(5,000,000)	-	-	(5,000,000)	-	-	-
Subordinated debt	(47,062,828)	(76,182,929)	(90,927)	-	(1,490,521)	(1,589,637)	(3,171,085)	(69,840,759)

The previous table shows the undiscounted cash flows on the Group's financial assets and liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments vary significantly from this analysis.

As at 31 December 2010, the Group and Bank had outstanding guarantees incurred on behalf of third parties amounting to USD38,150,984 and USD43,362,797 (2009: USD25,565,381 and USD27,021,667) respectively which are callable upon the request of the third party.



4.4 market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

foreign exchange risk

Foreign exchange risk is attached to those monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the Group. Transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement. Currency risk is mitigated by a closely monitored currency position policy and is managed through matching within the foreign currency portfolio. Mismatches, which are allowed temporarily and for small amounts, are continuously monitored and regularised immediately. The Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies spot or forward when considered appropriate.

Group - 31 December 2010

All amounts are expressed in USD

	USD	EUR	GBP	Other Currencies	Total
Balances with the Central Bank of Malta and cash	82,277	9,711,584	30,039	4,069	9,827,969
Trading assets	163,423,866	36,237,948	3,904,419	-	203,566,233
Derivative assets held for risk management	18,485	2,286,200	6,794	6,092	2,317,571
Financial assets designated at fair value through profit or loss	45,579,280	-	-	-	45,579,280
Loans and advances to banks	104,731,669	185,375,185	19,145,726	17,222,023	326,474,603
Loans and advances to customers	164,650,198	49,619,878	2,945,716	5,950,544	223,166,336
Other assets	13,267,447	2,177,092	(15,234)	418,135	15,847,440
Derivative liabilities held for risk management	(18,657)	(2,285,527)	(4,972)	(67,968)	(2,377,124)
Amounts owed to banks	(120,539,871)	(203,662,277)	(1,030,019)	(5,982,438)	(331,214,605)
Amounts owed to customers	(116,607,722)	(146,369,124)	(26,579,701)	(1,895,634)	(291,452,181)
Debt securities in issue	(21,982,573)	(33,540,322)	-	-	(55,522,895)
Subordinated debt	(12,278,470)	(31,510,757)	-	-	(43,789,227)
Other liabilities	(9,619,687)	(4,553,241)	(1,026,005)	(184,026)	(15,382,959)
Net on balance sheet financial position	210,706,242	(136,513,361)	(2,623,237)	15,470,797	87,040,441
Derivative instruments held for risk management	(123,024,757)	136,143,522	1,207,286	(14,326,051)	-

4 financial risk management - continued

Group - 31 December 2009

All amounts are expressed in USD

	USD	EUR	GBP	Other Currencies	Total
Balances with the Central Bank of Malta and cash	94,263	8,723,568	25,430	1,328	8,844,589
Trading assets	70,311,107	42,534,691	-	14,085,455	126,931,253
Derivative assets held for risk management	721,728	-	-	-	721,728
Financial assets designated at fair value through profit or loss	22,051,050	-	1,507,578	-	23,558,628
Loans and advances to banks	56,978,488	240,129,491	9,893,731	5,663,293	312,665,003
Loans and advances to customers	98,352,089	31,416,473	2,905,092	462,372	133,136,026
Other assets	19,213,572	697,462	134,145	172,099	20,217,278
Derivative liabilities held for risk management	(990,030)	(8,059)	(28,721)	-	(1,026,810)
Amounts owed to banks	(66,677,921)	(151,176,028)	(423,429)	(4,536,111)	(222,813,489)
Amounts owed to customers	(101,688,472)	(153,131,837)	(14,340,107)	(1,110,523)	(270,270,939)
Debt securities in issue	(4,931,904)	(2,813,664)	-	-	(7,745,568)
Subordinated debt	(13,052,299)	(34,010,529)	-	-	(47,062,828)
Other liabilities	(14,776,791)	(3,058,692)	(683,577)	(390,366)	(18,909,426)
Net on balance sheet financial position	65,604,880	(20,697,124)	(1,009,858)	14,347,547	58,245,445
Derivative instruments held for risk management	(4,539,012)	13,135,385	-	(8,596,373)	-

Bank - 31 December 2010

All amounts are expressed in USD

	USD	EUR	GBP	Other Currencies	Total
Balances with the Central Bank of Malta and cash	76,153	9,707,021	27,318	3,175	9,813,667
Derivative assets held for risk management	18,485	2,286,200	6,794	6,092	2,317,571
Financial assets designated at fair value through profit or loss	42,410,000	-	-	-	42,410,000
Loans and advances to banks	101,041,594	185,370,809	19,254,376	16,976,060	322,642,839
Loans and advances to Customers	278,225,040	76,244,489	6,798,190	5,950,544	367,218,263
Other assets	6,377,226	1,647,257	(25,551)	192,176	8,191,108
Derivative liabilities held for risk management	(88,939)	(2,263,451)	(4,972)	(67,969)	(2,425,331)
Amounts owed to banks	(119,051,393)	(203,662,277)	(1,280,382)	(5,982,439)	(329,976,491)
Amounts owed to customers	(109,912,412)	(146,369,124)	(26,579,701)	(2,187,743)	(285,048,980)
Debt securities in issue	(17,110,666)	(25,743,152)	-	-	(42,853,818)
Subordinated debt	(12,278,470)	(31,510,757)	-	-	(43,789,227)
Other liabilities	(5,542,046)	(1,411,489)	(127,741)	9,070	(7,072,206)
Net on balance sheet financial position	164,164,572	(135,704,474)	(1,931,669)	14,898,966	41,427,395
Derivative instruments held for risk management	(123,024,757)	136,143,522	1,207,286	(14,326,051)	-

4 financial risk management - continued

Bank - 31 December 2009

All amounts are expressed in USD

	USD	EUR	GBP	Other Currencies	Total
Balances with the Central Bank of Malta and cash	91,016	8,719,153	22,036	999	8,833,204
Derivative assets held for risk management	721,728	-	-	-	721,728
Financial assets designated at fair value through profit or loss	22,051,050	-	1,507,578	-	23,558,628
Loans and advances to banks	60,166,510	239,661,387	9,744,378	5,663,293	315,235,568
Loans and advances to customers	165,176,986	78,461,324	3,038,141	9,037,664	255,714,115
Other assets	4,732,761	644,760	122,796	155,680	5,655,997
Derivative liabilities held for risk management	(1,131,398)	7,337	(28,721)	-	(1,152,782)
Amounts owed to banks	(70,638,867)	(151,552,969)	(423,429)	(4,536,111)	(227,151,376)
Amounts owed to customers	(102,685,031)	(153,131,837)	(14,340,107)	(1,375,092)	(271,532,067)
Debt securities in issue	(4,931,904)	-	-	-	(4,931,904)
Subordinated debt	(13,052,299)	(34,010,529)	-	-	(47,062,828)
Other liabilities	(4,343,679)	(1,520,539)	(78,974)	(5,666)	(5,948,858)
Net on balance sheet financial position	56,156,873	(12,721,913)	(436,302)	8,940,767	51,939,425
Derivative instruments held for risk management	(4,539,012)	13,135,385	-	(8,596,373)	-

The following exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2010	2009	2010	2009
USD				
1 EUR	1.3250	1.3913	1.3362	1.4424
1 GBP	1.5444	1.5600	1.5477	1.6124

A 7 percent strengthening of the following currencies against the US Dollar at 31 December would have increased/(decreased) equity and/or profit or loss by amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Bank	
	Equity USD	Profit or loss USD	Equity USD	Profit or loss USD
31 December 2010				
EUR	(25,889)	(25,889)	30,733	30,733
GBP	(99,117)	(99,117)	(50,707)	(50,707)
Other	80,132	80,132	40,104	40,104
31 December 2009				
EUR	(529,322)	(529,322)	28,943	28,943
GBP	(70,690)	(70,690)	(30,541)	(30,541)
Other	402,582	402,582	24,108	24,108

A 7 percent weakening of the above currencies against the US Dollar at 31 December would have equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

4 financial risk management - continued

interest rate risk

Interest rate risk refers to the exposure of the Bank's and Group's financial instruments to movements in interest rates. The risk impacts the earnings of the Group as a result of changes in the economic value of its assets, liabilities and off-balance sheet instruments. The Group's operations are subject to 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, interest rate risk is managed through the matching of the interest resetting dates on assets and liabilities.

Group - 31 December 2010

	Less than 1 month	Between 1 & 3 months	Between 3 & 6 months	Between 6 months & 1 year	More than 1 year	Non- interest bearing	Total
	USD	USD	USD	USD	USD	USD	USD
Assets							
Balances with the Central Bank of Malta and cash	9,456,813	-	-	-	-	371,156	9,827,969
Trading assets	22,634,586	47,170,599	118,729,343	2,437,207	11,485,953	1,108,545	203,566,233
Derivative assets held for risk management	-	-	-	-	-	2,317,571	2,317,571
Financial assets designated at fair value through profit or loss	-	37,810,000	4,600,000	-	3,169,280	-	45,579,280
Loans and advances to banks	161,289,017	15,250,542	60,316,578	44,576,383	-	45,042,083	326,474,603
Loans and advances to customers	113,492,748	8,209,854	51,056,976	6,306,183	19,052,950	25,047,625	223,166,336
Other assets	-	-	-	-	-	49,713,587	49,713,587
Total assets	306,873,164	108,440,995	234,702,897	53,319,773	33,708,183	123,600,567	860,645,579

Liabilities & equity

Derivative liabilities held for risk management	-	-	-	-	-	2,377,124	2,377,124
Amounts owed to banks	84,297,739	106,786,680	39,682,611	38,304,781	-	62,142,794	331,214,605
Amounts owed to customers	199,051,754	18,295,086	17,560,431	32,432,935	12,552,215	11,559,760	291,452,181
Debt securities in issue	-	-	-	12,669,078	43,790,851	(937,034)	55,522,895
Subordinated debt	-	-	-	5,142,857	39,618,557	(972,187)	43,789,227
Other liabilities	-	-	-	-	-	15,382,959	15,382,959
Equity	-	-	-	-	-	120,906,588	120,906,588
Total liabilities and equity	283,349,493	125,081,766	57,243,042	88,549,651	95,961,623	210,460,004	860,645,579

	Less than 3 months	Between 3 & 6 months	Between 6 months 1 year	More than 1 year	Non- interest bearing	Total
	USD	USD	USD	USD	USD	USD
Assets	415,314,159	234,702,897	53,319,773	33,708,183	123,600,567	860,645,579
Liabilities	(408,431,259)	(57,243,042)	(88,549,651)	(95,961,623)	(210,460,004)	(860,645,579)
Interest sensitivity gap	6,882,900	177,459,855	(35,229,878)	(62,253,440)	(86,859,437)	-
Cumulative gap	6,882,900	184,342,755	149,112,877	86,859,437	-	-

change in interest rate for the period

100bps increase	51,622	887,299	(18,801)	
100bps decrease	(51,622)	(887,299)	18,801	

Group - 31 December 2009

	Less than 1 month	Between 1 & 3 months	Between 3 & 6 months	Between 6 months & 1 year	More than 1 year	Non- interest bearing	Total
	USD	USD	USD	USD	USD	USD	USD
Assets							
Balances with the Central Bank of Malta and cash	8,619,718	-	-	-	-	224,871	8,844,589
Trading assets	22,266,909	28,610,566	47,110,262	18,556,009	10,387,507	-	126,931,253
Derivative assets held for risk management	-	-	-	-	-	721,728	721,728
Financial assets designated at fair value through profit or loss	-	13,000,000	8,750,276	110,163	1,698,189	-	23,558,628
Loans and advances to banks	194,847,892	26,059,895	49,095,936	8,381,418	-	34,279,862	312,665,003
Loans and advances to customers	76,585,837	-	-	7,909,957	29,750,200	18,890,032	133,136,026
Other assets	-	-	-	-	-	89,376,199	89,376,199
Total assets	302,320,356	67,670,461	104,956,474	34,957,547	41,835,896	143,492,692	695,233,426
Liabilities & equity							
Derivative liabilities held for risk management	-	-	-	-	-	1,026,810	1,026,810
Amounts owed to banks	100,950,251	12,133,074	2,884,754	46,136,721	-	60,708,689	222,813,489
Amounts owed to customers	171,956,380	29,123,540	21,261,483	35,051,877	7,037,231	5,840,428	270,270,939
Debt securities in issue	-	-	-	7,745,568	-	-	7,745,568
Subordinated debt	-	-	6,000,000	-	41,062,828	-	47,062,828
Other liabilities	-	-	-	-	-	30,685,211	30,685,211
Equity	-	-	-	-	-	115,628,581	115,628,581
Total liabilities and equity	272,906,631	41,256,614	30,146,237	88,934,166	48,100,059	213,889,719	695,233,426
	Less than 3 months	Between 3 & 6 months	Between 6 months 1 year	More than 1 year	Non- interest bearing	Total	
	USD	USD	USD	USD	USD	USD	
Assets	369,990,817	104,956,474	34,957,547	41,835,896	143,492,692	695,233,426	
Liabilities	(314,163,245)	(30,146,237)	(88,934,166)	(48,100,059)	(213,889,719)	(695,233,426)	
Interest sensitivity gap	55,827,572	74,810,237	(53,976,619)	(6,264,163)	(70,397,027)	-	
Cumulative gap	55,827,572	130,637,809	76,661,190	70,397,027	-	-	
change in interest rate for the period							
100bps increase	418,707	374,051	(44,981)				
100bps decrease	(418,707)	(374,051)	44,981				

4 financial risk management - continued

Bank - 31 December 2010

	Less than 1 month	Between 1 & 3 months	Between 3 & 6 months	Between 6 months & 1 year	More than 1 year	Non- interest bearing	Total
	USD	USD	USD	USD	USD	USD	USD
Assets							
Balances with the Central Bank of Malta and cash	9,456,812	-	-	-	-	356,855	9,813,667
Derivative assets held for risk management	-	-	-	-	-	2,317,571	2,317,571
Financial assets designated at fair value through profit or loss	-	37,810,000	4,600,000	-	-	-	42,410,000
Loans and advances to banks	159,944,828	15,250,542	60,316,578	41,338,444	-	45,792,447	322,642,839
Loans and advances to customers	310,393,691	1,697,307	7,772,952	4,491,680	19,052,950	23,809,683	367,218,263
Other assets	-	-	-	-	-	79,000,704	79,000,704
Total assets	479,795,331	54,757,849	72,689,530	45,830,124	19,052,950	151,277,260	823,403,044

Liabilities & equity

Derivative liabilities held for risk management	-	-	-	-	-	2,425,331	2,425,331
Amounts owed to banks	84,297,739	106,786,680	39,682,611	36,316,304	-	62,893,157	329,976,491
Amounts owed to customers	199,791,945	18,295,086	17,560,431	32,432,935	12,552,216	4,416,367	285,048,980
Debt securities in issue	-	-	-	-	43,790,851	(937,033)	42,853,818
Subordinated debt	-	-	-	5,142,857	39,618,558	(972,188)	43,789,227
Other liabilities	-	-	-	-	-	7,072,207	7,072,207
Equity	-	-	-	-	-	112,236,990	112,236,990
Total liabilities and equity	284,089,684	125,081,766	57,243,042	73,892,096	95,961,625	187,134,831	823,403,044

	Less than 3 months	Between 3 & 6 months	Between 6 months 1 year	More than 1 year	Non- interest bearing	Total
	USD	USD	USD	USD	USD	USD
Assets	534,553,180	72,689,530	45,830,124	19,052,950	151,277,260	823,403,044
Liabilities	(409,171,450)	(57,243,042)	(73,892,096)	(95,961,625)	(187,134,831)	(823,403,044)
Interest sensitivity gap	125,381,730	15,446,488	(28,061,972)	(76,908,675)	(35,857,571)	-
Cumulative gap	125,381,730	140,828,218	112,766,246	35,857,571	-	-

change in interest rate

for the period						
100bps increase	940,363	77,232	(23,385)			
100bps decrease	(940,363)	(77,232)	23,385			

Bank - 31 December 2009

	Less than 1 month	Between 1 & 3 months	Between 3 & 6 months	Between 6 months & 1 year	More than 1 year	Non- interest bearing	Total
	USD	USD	USD	USD	USD	USD	USD
Assets							
Balances with the Central Bank of Malta and cash	8,619,718	-	-	-	-	213,486	8,833,204
Derivative assets held for risk management	-	-	-	-	-	721,728	721,728
Financial assets designated at fair value through profit or loss	-	13,000,000	8,750,276	110,163	1,698,189	-	23,558,628
Loans and advances to banks	193,080,569	26,059,895	49,095,936	8,381,418	-	38,617,750	315,235,568
Loans and advances to customers	199,163,925	-	-	7,909,957	29,750,200	18,890,033	255,714,115
Other assets	-	-	-	-	-	64,429,108	64,429,108
Total assets	400,864,212	39,059,895	57,846,212	16,401,538	31,448,389	122,872,105	668,492,351

Liabilities & equity

Derivative liabilities held for risk management	-	-	-	-	-	1,152,782	1,152,782
Amounts owed to banks	100,950,251	12,133,074	2,884,754	46,136,721	-	65,046,576	227,151,376
Amounts owed to customers	171,956,380	29,273,540	21,261,483	35,051,877	7,037,231	6,951,556	271,532,067
Debt securities in issue	-	-	-	4,931,904	-	-	4,931,904
Subordinated debt	-	-	6,000,000	-	41,062,828	-	47,062,828
Other liabilities	-	-	-	-	-	5,948,858	5,948,858
Equity	-	-	-	-	-	110,712,536	110,712,536
Total liabilities and equity	272,906,631	41,406,614	30,146,237	86,120,502	48,100,059	189,812,308	668,492,351

	Less than 3 months	Between 3 & 6 months	Between 6 months 1 year	More than 1 year	Non- interest bearing	Total
	USD	USD	USD	USD	USD	USD
Assets	439,924,107	57,846,212	16,401,538	31,448,389	122,872,105	668,492,351
Liabilities	(314,313,245)	(30,146,237)	(86,120,502)	(48,100,059)	(189,812,308)	(668,492,351)
Interest sensitivity gap	125,610,862	27,699,975	(69,718,964)	(16,651,670)	(66,940,203)	-
Cumulative gap	125,610,862	153,310,837	83,591,873	66,940,203	-	-

change in interest rate

for the period			
100bps increase	942,081	138,500	(58,099)
100bps decrease	(942,081)	(138,500)	58,099

4 financial risk management - continued

cash flow sensitivity analysis for repricing instruments

An increase of 100 basis points at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Bank	
	Equity	Profit or loss	Equity	Profit or loss
	USD	USD	USD	USD
31 December 2010				
Repricing instruments	920,120	920,120	994,210	994,210
31 December 2009				
Repricing instruments	747,777	747,777	1,022,482	1,022,482

A decrease of 100 basis points at the reporting date would have equal but opposite effect on the above instruments to the amounts shown above, on the basis that all other variables remain constant.

other price risk

	Group		Bank	
	2010	2009	2010	2009
	USD	USD	USD	USD
Non-derivative financial assets at fair value				
Bonds	3,169,280	1,808,628	-	1,808,628
Credit link notes	42,410,000	21,750,000	42,410,000	21,750,000
	45,579,280	23,558,628	42,410,000	23,558,628

In the case of forfeiting assets, price risk is considered to be a less relevant variable. Notwithstanding this, the Group endeavours to mitigate any price risk by building a diversified forfeiting portfolio with an ultimately different geographical exposure.

cash flow sensitivity analysis for market risk

An increase in the price of bonds and credit linked notes at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

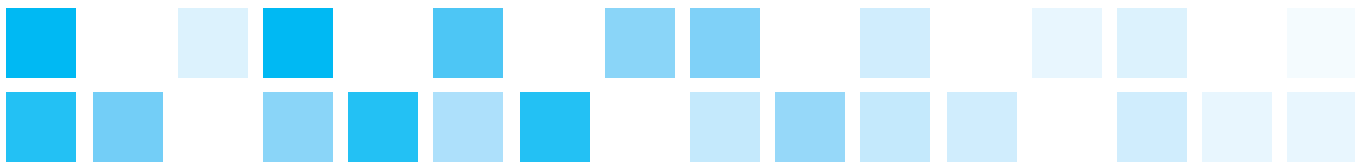
	Group		Bank	
	2010	2009	2010	2009
	USD	USD	USD	USD
10% increase in price for Bonds	316,928	180,863	-	180,863
1% increase in price for Credit Linked Notes	424,100	217,500	424,100	217,500

A decrease in the price of bonds and credit linked notes at the reporting date would have had an equal but opposite effect to that shown above, on the basis that all other variables remain constant.

4.5 operational risk

Operational risk arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses.

Operational risk events can be broadly categorised as (a) losses arising from internal and external frauds, as well as human errors and omissions; (b) losses arising from a defective transaction or a claim being made;



(c) losses arising from loss of key personnel; (d) losses arising from breaches of fiduciary duty by employees, misuse of confidential customer information, money laundering activities and other improper conducts by employees; (e) losses arising from technological failures, telecommunication problems and utility outages; and (f) losses arising from insurance arrangements not adequately addressing the risk these are intended to cover. Such breakdowns can lead to financial losses through error, fraud, or failure to perform in a timely manner or cause the interests of the Group to be compromised in some other way. Other aspects of operational risk include major failure of information technology systems or events such as major fires or other disasters.

The Group has invested heavily in information technology, disaster recovery and contingency systems to assist its management to control this risk.

4.6 *capital management regulatory capital*

FIMBank p.l.c. is a credit institution registered and authorised to conduct banking and other financial services by the Malta Financial Services Authority (MFSA). Under local regulations, the MFSA regulates the Group on both “solo” and “consolidated” basis, with the Banking Act, 1994 and Banking Rules forming the basis of the Group’s capital requirements.

In implementing current capital requirements, the MFSA requires the Group to maintain a minimum prescribed ratio of total capital to total risk-weighted on- and off- balance sheet assets.

The Group adopted the standardised approach to allocate capital against credit risk under Banking Rule (BR04) “Capital Requirements of Credit Institutions Authorised under the Banking Act 1994”, which rule also introduces capital requirements for market risk and operational risk calculated under the basic indicator approach.

The second pillar of Basel II (Supervisory Review and Evaluation Process) involves both banks and regulators taking a view on whether a bank should hold additional capital against risks not covered in Pillar 1. Part of the Pillar 2 process is the Internal Capital Adequacy Assessment Process (“ICAAP”) which is the bank’s self assessment of risks not captured by Pillar 1.

Appendix V to this Annual Report and Financial Statements includes additional regulatory disclosures (Pillar 3) in terms of Banking Rule BR/07 “Publication of annual report and audited financial statements of credit institutions authorised under the Banking Act, 1994”.

The Group’s capital base is divided in two categories, as defined in Banking Rule (BR03) “Own Funds of Credit Institutions Authorised under the Banking Act, 1994”.

- “Original own funds” comprise share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and intangible assets, 50% of the regulated associated companies, the depositor compensation scheme and recommended dividends are deducted in arriving at original own funds calculations.
- “Additional own funds” comprise qualifying subordinated loan capital and collective impairment allowance. The remaining 50% of the regulated associated companies are deducted in arriving at additional own funds calculations. Additional own funds also include reserves arising from the revaluation of properties.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders’ return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

4 financial risk management - continued

capital adequacy

Group

	Exposure Amount 2010 USD	Notional Risk Weight 2010 USD
Type of Exposure:		
Sovereign	33,823,914	19,495,085
Institutions (Banks)	619,123,596	317,941,726
Corporates	353,440,460	283,960,343
Retail	4,738,812	532,501
Retail secured by real estate	2,558,995	1,549,873
Other items	87,892,773	38,546,538
	1,101,578,550	662,026,066
Operational risk		61,649,013
Foreign exchange risk		1,297,104
		724,972,183
Original Own Funds:		
Capital and reserves		114,162,678
Profit for the year		6,743,910
		120,906,590
Intangible assets		(1,522,687)
50% of investment in regulated entities		(5,980,967)
Market value of assets pledged in favour of the Depositor Compensation Scheme (refer to Note 22)		(922,931)
Recommended dividend		(3,371,955)
Total original own funds		109,108,050
Additional own funds:		
Subordinated debt		41,191,028
General provisions		4,681,188
50% of investment in regulated entities		(5,980,966)
Total additional own funds		39,891,250
Total original own funds		148,999,298
Capital adequacy ratio		20.6%
Regulatory minimum		8%

4 financial risk management - continued

Bank

	Exposure Amount 2010 USD	Notional Risk Weight 2010 USD
Type of Exposure:		
Government	26,792,286	14,063,457
Institutions (Banks)	462,576,680	195,571,521
Corporates	428,494,953	373,195,690
Retail	4,738,812	532,501
Retail secured by real estate	2,558,995	1,549,873
Other items	117,947,647	77,364,221
	1,043,109,373	662,277,263
Operational risk		44,461,494
Foreign exchange risk		1,297,104
		708,035,861
Original Own Funds:		
Capital and reserves		109,607,647
Profit for the year		2,629,343
		112,236,991
Intangible assets		(740,651)
50% of investment in regulated entities		(1,606,713)
Market value of assets pledged in favour of the Depositor Compensation Scheme (refer to Note 22)		(922,931)
Recommended dividend		(3,371,955)
Total original own funds		105,594,741
Additional own funds:		
Subordinated debt		41,191,028
General provisions		4,681,188
50% of investment in regulated entities		(1,606,713)
Total additional own funds		44,265,503
Total own funds		149,806,243
Capital adequacy ratio		21.2%
Regulatory minimum		8%

The capital adequacy ratio of the Group and the Bank for the year ended 31 December 2009 stood at 29.3% and 30.1% respectively.

5 use of 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.

These disclosures supplement the commentary on financial risk management (see note 4).

5.1 key sources of estimation uncertainty

5.1.1 allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.10.7.

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Risk Management function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

5.1.2 determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3.10.6. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below. The fair value hierarchy that reflects the significance of the inputs used in measuring financial instruments is set out in note 5.2.3 below.

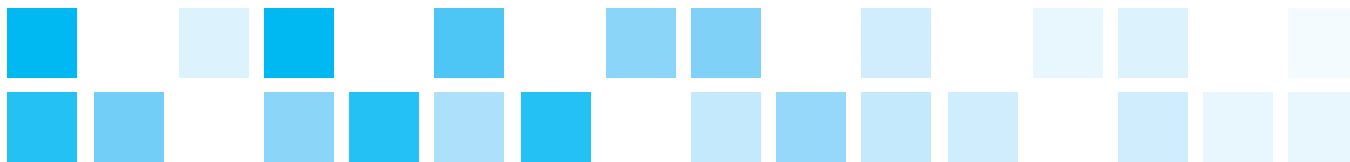
5.2 critical accounting judgements in applying the Group's accounting policies

5.2.1 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.

5.2.2 impairment of investments available-for-sale

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. If a decline in the fair value of an equity security is not significant or prolonged, then group considers if there are additional factors that indicate an impairment has occurred.



5 *use of estimates and judgements - continued*

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.

5.2.3 *valuation of financial instruments*

The Group's accounting policy on fair value measurements is discussed in accounting policy 3.10.6.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities and exchange traded derivatives and simple over the counter derivatives like currency rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain over the counter structured derivatives, certain loans and securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

5 use of estimates and judgements - continued

The table below analyses financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group - 31 December 2010

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Trading assets	19	-	-	203,566,233	203,566,233
Derivative assets held for risk management	20	-	2,317,571	-	2,317,571
Financial assets designated at fair value through profit or loss	21	3,169,280	-	42,410,000	45,579,280
		3,169,280	2,317,571	245,976,233	251,463,084
Derivative liabilities held for risk management	20	-	2,377,124	-	2,377,124
		-	2,377,124	-	2,377,124

Group - 31 December 2009

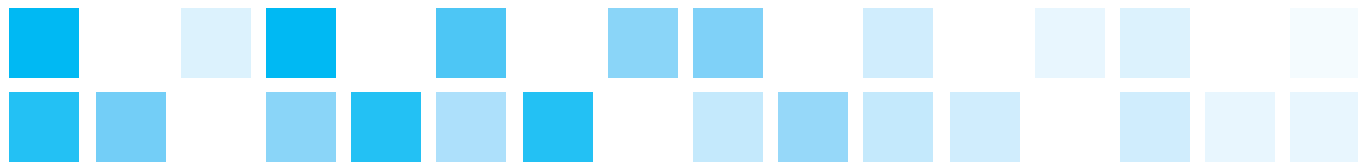
	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Trading assets	19	-	-	126,931,253	126,931,253
Derivative assets held for risk management	20	-	721,728	-	721,728
Financial assets designated at fair value through profit or loss	21	1,808,628	-	21,750,000	23,558,628
		1,808,628	721,728	148,681,253	151,211,609
Derivative liabilities held for risk management	20	113,917	912,893	-	1,026,810
		113,917	912,893	-	1,026,810

Bank - 31 December 2010

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Derivative assets held for risk management	20	-	2,317,571	-	2,317,571
Financial assets designated at fair value through profit or loss	21	-	-	42,410,000	42,410,000
		-	2,317,571	42,410,000	44,727,571
Derivative liabilities held for risk management	20	-	2,425,331	-	2,425,331
		-	2,425,331	-	2,425,331

Bank - 31 December 2009

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Derivative assets held for risk management	20	-	721,728	-	721,728
Financial assets designated at fair value through profit or loss	21	1,808,628	-	21,750,000	23,558,628
		1,808,628	721,728	21,750,000	24,280,356
Derivative liabilities held for risk management	20	195,303	957,479	-	1,152,782
		195,303	957,479	-	1,152,782



5 *use of estimates and judgements - continued*

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

Group	Trading Assets	Financial assets designated at fair value through profit or loss	Total
	USD	USD	USD
Balance at 1 January 2009	177,329,309	21,250,000	198,579,309
Total gains and losses in trading income	(5,937,744)	-	(5,937,744)
Purchases	312,787,380	13,000,000	325,787,380
Settlements	(357,247,692)	(12,500,000)	(369,747,692)
Balance at 31 December 2009	126,931,253	21,750,000	148,681,253
Balance at 1 January 2010	126,931,253	21,750,000	148,681,253
Total gains and losses in trading income	3,243,423	(140,000)	3,103,423
Purchases	284,735,386	25,800,000	310,535,386
Settlements	(211,343,829)	(5,000,000)	(216,343,829)
Balance at 31 December 2010	203,566,233	42,410,000	245,976,233
Bank		Financial assets designated at fair value through profit or loss	Total
		USD	USD
Balance at 1 January 2009		21,250,000	21,250,000
Purchases		13,000,000	13,000,000
Settlements		(12,500,000)	(12,500,000)
Balance at 31 December 2009		21,750,000	21,750,000
Balance at 1 January 2010		21,750,000	21,750,000
Total gains and losses in trading income		(140,000)	(140,000)
Purchases		25,800,000	25,800,000
Settlements		(5,000,000)	(5,000,000)
Balance at 31 December 2010		42,410,000	42,410,000

For Level 3 "Trading Assets", the Group establishes fair value using a valuation technique based on the discounted expected future principal and interest cash flows. The discount rate is an estimate based on current expected credit margin spreads and interest rates at the reporting date. Inputs to valuation technique reasonably represent market expectation and measures of risk-return factors inherent in the financial instrument. The effect of an estimated general increase of one percentage point in interest rates as at 31 December 2010 would reduce the Group profit before tax by approximately USD585,714 (2009: USD454,447).

For Level 3 "Financial Assets designated at Fair Value through Profit or Loss", fair value is calculated using a valuation technique based on the current credit worthiness of the counter parties by reference to specialised dealer price quotations. All these instruments have a floating-interest rate characteristic and the impact of interest rates on the value of the instrument is therefore limited to the interest re-pricing period which generally occurs on a quarterly or half-yearly basis. The effect on profit or loss is disclosed in note 4.4 to these financial statements.

6 operating segments

The Group has 4 significant reportable segments, Trade Finance, Forfaiting, Factoring and IT Solutions which are represented by different Group entities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by Executive Management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

information about operating segments

Group - 2010

USD

	Trade Finance	Forfaiting	Factoring	IT Solutions	Other	Total
External revenue:						
Interest income	11,390,375	7,299,991	3,719,638	-	-	22,410,004
Fee and commission income	14,897,570	4,437,848	1,746,687	292,408	11,946	21,386,459
Trading income	(3,023,865)	678,708	72,953	6,303	522,082	(1,743,819)
	23,264,080	12,416,547	5,539,278	298,711	534,028	42,052,644
Intersegment revenue:						
Interest income	2,656,481	-	-	114	-	2,656,595
Fee and commission income	-	355,810	-	263,759	-	619,569
	2,656,481	355,810	-	263,873	-	3,276,164
Reportable segment profit/(loss) before income tax	2,137,143	5,275,629	(366,685)	33,084	421,743	7,500,914
Reportable segment assets	807,399,110	212,495,764	71,990,635	1,111,788	39,280,154	1,132,277,451
Reportable segment liabilities	707,162,280	162,427,844	49,532,527	497,374	14,864,728	934,484,753

Group - 2009

USD

	Trade Finance	Forfaiting	Factoring	IT Solutions	Other	Total
External revenue:						
Interest income	9,216,808	7,967,282	3,468,532	-	-	20,652,622
Fee and commission income	14,645,428	6,324,222	899,448	260,128	1,020	22,130,246
Trading income	1,756,838	(5,849,204)	60,271	(4,702)	(170,391)	(4,207,188)
	25,619,074	8,442,300	4,428,251	255,426	(169,371)	38,575,180
Intersegment revenue:						
Interest income	3,709,063	-	-	2,851	-	3,711,914
Fee and commission income	-	502,624	-	360,833	-	863,457
	3,709,063	502,624	-	363,684	-	4,575,371
Reportable segment (loss)/profit before income tax	1,041,303	1,408,291	74,282	176,892	(197,442)	2,503,326
Reportable segment assets	668,492,351	145,063,940	-	1,583,358	23,212,822	838,352,471
Reportable segment liabilities	557,779,815	100,271,649	-	1,057,388	12,352,636	671,461,488

reconciliations of reportable segment revenues, profit or loss and assets and liabilities

	2010 USD	2009 USD
REVENUES		
Total revenue for reportable segments	44,794,780	43,305,212
Other revenue	534,028	(169,371)
	45,328,808	43,135,841
Elimination of inter-segment revenue	(3,276,164)	(4,575,371)
Effect of other consolidation adjustments on segment results	-	15,210
Consolidated revenue	42,052,644	38,575,680
PROFIT OR LOSS		
Total profit or loss for reportable segments	7,079,171	2,700,768
Other profit or loss	421,743	(197,442)
	7,500,914	2,503,326
Share of loss of equity accounted investee	(996,549)	(388,193)
Effect of other consolidation adjustments on segment results	(280,898)	(516,465)
Consolidated profit before income tax	6,223,467	1,598,668
ASSETS		
Total assets for reportable segments	1,092,997,297	815,139,650
Other assets	39,280,154	23,212,821
	1,132,277,451	838,352,471
Elimination of inter-segment assets	(269,050,642)	(195,448,100)
Discontinued operations	-	52,120,843
Effect of other consolidation adjustments on segment results	(2,236,130)	-
Unallocated amounts	(345,100)	208,212
Consolidated assets	860,645,579	695,233,426
LIABILITIES		
Total liabilities for reportable segments	919,620,025	659,108,852
Other assets	14,864,728	12,352,636
	934,484,753	671,461,488
Elimination of inter-segment assets	(194,392,703)	(104,222,292)
Discontinued operations	-	11,775,785
Unallocated amounts	(353,059)	589,864
Consolidated liabilities	739,738,991	579,604,845

6 operating segments - continued

geographical areas

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers and assets are based on the geographical location of the assets:

Group

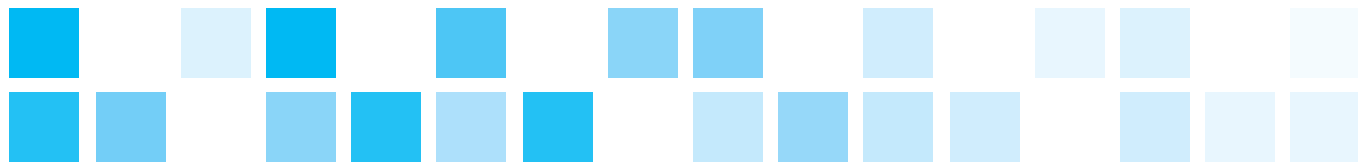
	Malta		Other Countries		Total	
	2010 USD	2009 USD	2010 USD	2009 USD	2010 USD	2009 USD
External revenues	3,143,459	2,700,585	38,909,185	35,875,095	42,052,644	38,575,680
Non-current assets	17,088,496	11,435,000	330,497	284,341	17,418,993	11,719,341

7 financial assets and liabilities

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

Group

	Trading	Designated at fair value	Loans and receivables	Available - for-sale	Liabilities at amortised cost	Total carrying amount	Fair value
	USD	USD	USD	USD	USD	USD	USD
31 December 2010							
Balances with the Central Bank of Malta and cash	-	-	9,827,969	-	-	9,827,969	9,827,969
Trading assets	203,566,233	-	-	-	-	203,566,233	203,566,233
Derivative assets held for risk management	2,317,571	-	-	-	-	2,317,571	2,317,571
Financial assets designated at fair value through profit or loss	-	45,579,280	-	-	-	45,579,280	45,579,280
Loans and advances to banks	-	-	326,474,603	-	-	326,474,603	326,474,603
Loans and advances to customers	-	-	223,166,336	-	-	223,166,336	223,166,336
Investments available-for-sale	-	-	-	162,493	-	162,493	162,493
Derivative liabilities held for risk management	2,377,124	-	-	-	-	2,377,124	2,377,124
Amounts owed to banks	-	-	-	-	331,214,605	331,214,605	331,214,605
Amounts owed to customers	-	-	-	-	291,452,181	291,452,181	291,452,181
Debt securities in issue	-	-	-	-	55,522,895	55,522,895	55,522,895
Subordinated debt	-	-	-	-	43,789,227	43,789,227	43,789,227



7 *financial assets and liabilities - continued*

	Trading	Designated at fair value	Loans and receivables	Available - for-sale	Liabilities at amortised cost	Total carrying amount	Fair value
	USD	USD	USD	USD	USD	USD	USD
31 December 2009							
Balances with the Central Bank of Malta and cash	-	-	8,844,589	-	-	8,844,589	8,844,589
Trading assets	126,931,253	-	-	-	-	126,931,253	126,931,253
Derivative assets held for risk management	721,728	-	-	-	-	721,728	721,728
Financial assets designated at fair value through profit or loss	-	23,558,628	-	-	-	23,558,628	23,558,628
Loans and advances to banks	-	-	312,665,003	-	-	312,665,003	312,665,003
Loans and advances to customers	-	-	133,136,026	-	-	133,136,026	133,136,026
Investments available-for-sale	-	-	-	39,595	-	39,595	39,595
Derivative liabilities held for risk management	1,026,810	-	-	-	-	1,026,810	1,026,810
Amounts owed to banks	-	-	-	-	222,813,489	222,813,489	222,813,489
Amounts owed to customers	-	-	-	-	270,270,939	270,270,939	270,270,939
Debt securities in issue	-	-	-	-	7,745,568	7,745,568	7,745,568
Subordinated debt	-	-	-	-	47,062,828	47,062,828	47,062,828

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

Bank	Trading	Designated at fair value	Loans and receivables	Available - for-sale	Liabilities at amortised cost	Total carrying amount	Fair value
	USD	USD	USD	USD	USD	USD	USD
31 December 2010							
Balances with the Central Bank of Malta and cash	-	-	9,813,667	-	-	9,813,667	9,813,667
Derivative assets held for risk management	2,317,571	-	-	-	-	2,317,571	2,317,571
Financial assets designated at fair value through profit or loss	-	42,410,000	-	-	-	42,410,000	42,410,000
Loans and advances to banks	-	-	322,642,839	-	-	322,642,839	322,642,839
Loans and advances to customers	-	-	367,218,263	-	-	367,218,263	367,218,263
Investments available-for-sale	-	-	-	161,791	-	161,791	161,791
Derivative liabilities held for risk management	2,425,331	-	-	-	-	2,425,331	2,425,331
Amounts owed to banks	-	-	-	-	329,976,491	329,976,491	329,976,491
Amounts owed to customers	-	-	-	-	285,048,980	285,048,980	285,048,980
Debt securities in issue	-	-	-	-	42,853,818	42,853,818	42,853,818
Subordinated debt	-	-	-	-	43,789,227	43,789,227	43,789,227

7 financial assets and liabilities - continued

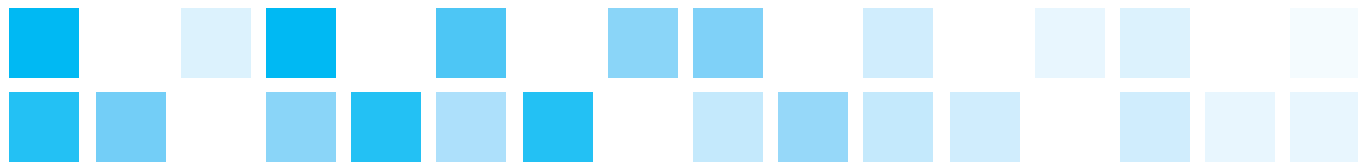
	Trading	Designated at fair value	Loans and receivables	Available - for-sale	Liabilities at amortised cost	Total carrying amount	Fair value
	USD	USD	USD	USD	USD	USD	USD
31 December 2009							
Balances with the Central Bank of Malta and cash	-	-	8,833,204	-	-	8,833,204	8,833,204
Derivative assets held for risk management	721,728	-	-	-	-	721,728	721,728
Financial assets designated at fair value through profit or loss	-	23,558,628	-	-	-	23,558,628	23,558,628
Loans and advances to banks	-	-	315,235,568	-	-	315,235,568	315,235,568
Loans and advances to customers	-	-	255,714,115	-	-	255,714,115	255,714,115
Investments available-for-sale	-	-	-	39,595	-	39,595	39,595
Derivative liabilities held for risk management	1,152,782	-	-	-	-	1,152,782	1,152,782
Amounts owed to banks	-	-	-	-	227,151,376	227,151,376	227,151,376
Amounts owed to customers	-	-	-	-	271,532,067	271,532,067	271,532,067
Debit securities in issue	-	-	-	-	4,931,904	4,931,904	4,931,904
Subordinated debt	-	-	-	-	47,062,828	47,062,828	47,062,828

Financial assets not at fair value through profit or loss comprise loans and advances and balances with Central Bank. Loans and advances are reported net of impairment allowances to reflect the estimated recoverable amounts as at the financial reporting date. In the case of loans and advances which are repriceable in the short term, the carrying value approximates to fair value. 58% of the Group's (78% of the Bank's) loans and advances to customers are repriceable within six months. 86% of the Group's (85% of the Bank's) loans and advances to banks are repriceable within six months.

Financial liabilities at amortised cost comprise debt securities in issue, subordinated debt and amounts owed to banks and customers. 69% of the Group's (68% of the Bank's) amounts owed to banks and customers are repriceable within 6 months. The Group's debt securities in issue are subject to fixed and variable interest rates. Interest rates on debt securities are further disclosed in note 35. 87% of the Bank's and Group's subordinated debt is subject to fixed interest rates.

8 net interest income

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Interest income				
On loans and advances to banks	1,893,404	1,512,040	1,806,044	1,496,135
On loans and advances to customers	8,689,945	6,155,008	5,734,529	3,643,313
On loans and advances to subsidiary companies	-	-	2,656,481	3,709,063
On balances with Central Bank of Malta	98,892	105,708	98,892	105,708
	10,682,241	7,772,756	10,295,946	8,954,219
On financial instruments carried at fair value	1,282,429	2,151,089	846,757	1,590,355
On forfeiting assets	7,287,431	7,951,377	-	-
On other trade finance activities	3,157,903	2,777,400	3,157,903	2,777,400
	22,410,004	20,652,622	14,300,606	13,321,974
Interest expense				
On amounts owed to banks	2,851,949	3,054,919	2,819,827	2,489,485
On amounts owed to customers	2,942,318	3,709,921	2,942,432	4,258,229
On debt securities in issue	609,075	332,473	395,373	40,804
On subordinated debt	3,026,142	2,258,685	3,026,142	2,258,685
	9,429,484	9,355,998	9,183,774	9,047,203
Net interest income	12,980,520	11,296,624	5,116,832	4,274,771



9 net fee and commission income

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Fee and commission income				
Credit related fees and commission	2,030,179	1,826,692	2,030,179	1,826,692
On letters of credit	9,422,493	8,845,597	9,191,289	8,845,597
On factoring	1,420,552	899,448	305,130	279,722
On financial instruments	117,083	1,104,264	117,083	1,104,264
On forfaiting activities	4,437,848	6,324,221	-	-
On IT Solutions	292,408	260,128	-	-
Other fees	3,665,896	2,869,896	3,593,950	2,868,875
	21,386,459	22,130,246	15,237,631	14,925,150
Fee and commission expense				
Credit related fees	16,691	230,881	16,691	230,881
Correspondent banking fees	596,355	493,958	434,603	449,726
On forfaiting activities	113,343	145,380	-	-
Other fees	1,257,525	417,869	936,044	876,104
	1,983,914	1,288,088	1,387,338	1,556,711
Net fee and commission income	19,402,545	20,842,158	13,850,293	13,368,439

10 net trading (expense)/income

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Net trading income from assets				
held for trading	551,058	(5,871,823)	-	-
Foreign exchange rate fluctuations	(2,294,877)	1,664,635	(3,028,565)	1,756,838
	(1,743,819)	(4,207,188)	(3,028,565)	1,756,838

11 net gain from other financial instruments carried at fair value

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Net income on derivatives				
held for risk management purposes	5,268,746	188,346	5,349,534	163,575
Investment securities designated at fair value through profit or loss	61,584	3,949,863	(30,176)	3,593,213
	5,330,330	4,138,209	5,319,358	3,756,788

12 dividend income

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Dividend from an available-for-sale investment				
	320	604	320	604
	320	604	320	604

13 other operating income

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Profit on disposal of equipment	12,590	62,983	-	-
Support fees receivable	19,578	15,000	19,578	15,000
Other non-trading income	11,994	63,372	11,994	3,013
	44,162	141,355	31,572	18,013

14 net impairment loss on financial assets

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Loans and advances to banks				
- specific impairment allowances	(2,222)	(1,274)	(2,222)	(1,274)
- collective impairment allowances	(750,061)	(932,526)	(750,061)	(932,526)
- write-offs	-	(2,623,901)	-	(2,623,901)
	(752,283)	(3,557,701)	(752,283)	(3,557,701)
Loans and advances to customers				
- specific impairment allowances	(914,985)	(2,472,603)	1,369,323	(1,036,453)
- collective impairment allowances	(745,306)	(61,669)	(745,306)	(61,669)
- write-offs	(1,382,199)	(56,398)	(1,382,199)	(56,398)
- recoveries	17,232	-	17,232	-
	(3,025,258)	(2,590,670)	(740,950)	(1,154,520)
Net impairment losses	(3,777,541)	(6,148,371)	(1,493,233)	(4,712,221)

15 administrative expenses

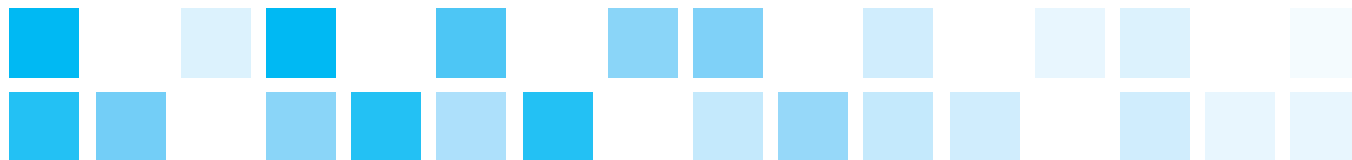
15.1 administrative expenses incurred during the year are analysed as follows:

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Personnel expenses	13,970,035	13,583,133	9,064,481	8,948,593
Operating lease rentals	1,284,817	1,188,240	730,250	784,917
Other administrative expenses	8,046,681	8,175,277	5,929,062	5,771,925
Recharge of services by subsidiaries	-	-	1,176,938	1,255,678
	23,301,533	22,946,650	16,900,731	16,761,113

Included in other administrative expenses of the Group are fees charged by auditors as follows:

	Audit services	Other assurance services	Tax advisory services	Other non-audit services
	USD	USD	USD	USD
By the auditors of the parent	142,118	24,167	55,162	29,107
Other auditors	227,898	41,375	31,813	-

All fees are inclusive of indirect taxes.



15 administrative expenses - continued

15.2 personnel expenses incurred during the year

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Directors' emoluments	282,659	291,381	282,659	291,381
Staff costs				
- wages, salaries and allowances	13,089,505	12,667,415	8,475,409	8,331,010
- defined contribution costs	597,871	624,337	306,413	326,202
	13,970,035	13,583,133	9,064,481	8,948,593

15.3 average number of employees

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

	Group		Bank	
	2010 No. of employees	2009 No. of employees	2010 No. of employees	2009 No. of employees
Executive and senior managerial	36	17	16	14
Other managerial, supervisory and clerical	168	142	110	103
Other staff	8	5	5	4
	212	164	131	121

15.4 The Bank has in place Executive Share Option Schemes that are approved by the shareholders by extraordinary resolutions at different General Meetings. The rules for these Schemes 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 the exercise price established at grant date. When the options are exercised, equity is increased by the amount of the proceeds received based on the market price determined on grant date. As at 31 December 2010, there were four schemes under which awarded options are still unexercised.

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

	Group and Bank	
	2010 No. of share options	2009 No. of share options
As at 1 January	1,854,320	1,473,360
Exercised	(37,440)	(30,240)
Awarded	-	500,000
Forfeited due to termination of employment	-	(88,800)
Forfeited due to expiry of exercise period (2003 scheme)	(64,800)	-
As at 31 December	1,752,080	1,854,320

15 administrative expenses - continued

15.5 details of share options granted

	Total	2008 scheme 01/01/11 to 31/12/15	2007 scheme 01/01/10 to 31/12/14	exercise period 2006 scheme 01/01/09 to 31/12/13	2005 scheme 01/01/08 to 31/12/12	2003 scheme 01/01/06 to 31/12/10
Exercise price per USD0.50 share	USD	USD1.6926	USD1.3778	USD1.4841	USD0.6462	USD0.6371
Number of share options unexercised at 1 January 2010	1,854,320	476,000	571,200	564,000	140,880	102,240
Exercised	(37,440)	-	-	-	-	(37,440)
Forfeited due to expiry of exercise period	(64,800)	-	-	-	-	(64,800)
Number of share options unexercised at 31 December 2010	1,752,080	476,000	571,200	564,000	140,880	-

	Total	2008 scheme 01/01/11 to 31/12/15	2007 scheme 01/01/10 to 31/12/14	exercise period 2006 scheme 01/01/09 to 31/12/13	2005 scheme 01/01/08 to 31/12/12	2003 scheme 01/01/06 to 31/12/10
Exercise price per USD0.50 share	USD	USD1.6926	USD1.3778	USD1.4841	USD0.6462	USD0.6371
Number of share options unexercised at 1 January 2009	1,473,360	-	600,000	600,000	162,480	110,880
Exercised	(30,240)	-	-	-	(21,600)	(8,640)
Awarded	500,000	500,000	-	-	-	-
Forfeited due to termination of employment	(88,800)	(24,000)	(28,800)	(36,000)	-	-
Number of share options unexercised at 31 December 2009	1,854,320	476,000	571,200	564,000	140,880	102,240

15.6 During the year, the Board authorised the award of 500,000 options at an exercise price of USD1.1620. This award is subject to the attainment of a Performance Target as laid down in the Executive Share Option Scheme Rules (2011 – 2015, Applicable Year 2011).

In accordance with the applicable Scheme Rules, the Board has determined that for the year ended 31 December 2010, no share options will be allocated to qualifying executives.

15.7 The share option scheme approved in 2003 expired during the financial year ended 31 December 2010 and all unexercised options as at the expiry date were forfeited in accordance with the applicable scheme rules.

16 taxation

16.1 Taxation, which is based on the taxable profit for the year comprises:

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Current tax - current year	(149,738)	(368,026)	(149,468)	(366,747)
Deferred tax - origination and reversal of temporary differences	670,181	334,406	614,550	397,928
	670,181	334,406	614,550	397,928
Taxation in income statement	520,443	(33,620)	465,082	31,181

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

16.2 Taxation for the year and the result of the accounting profit multiplied by the tax rate applicable in Malta, are reconciled as follows:

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Profit before tax	6,223,467	1,598,668	2,164,261	1,041,304
Tax expense income using the domestic income tax rate of 35%	(2,178,213)	(559,534)	(757,491)	(364,456)
Tax effect of:				
Non deductible expenses	(286,194)	(228,906)	(110,341)	(6,686)
Temporary differences previously not recognised	2,807,737	403,049	1,332,914	(2,491)
Exemption order in terms of the Income Tax Act	-	400,649	-	400,649
Investment tax credit	71,701	3,464	-	-
Non taxable income	84,416	(18,586)	-	-
Share of loss from equity accounted investees	(346,410)	(135,867)	-	-
Different tax rates	367,406	102,464	-	4,165
Under provision of taxation in prior years	-	(353)	-	-
Taxation	520,443	(33,620)	465,082	31,181

17 earnings per share

17.1 basic earnings per share

The calculation of the Group's and Bank's earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of USD6,743,910 and USD2,629,343 (2009: USD1,565,048 and USD1,072,485) for the Group and Bank respectively divided by the weighted average number of ordinary shares in issue during the year ended 31 December 2010 of 135,752,709 (2009: 135,230,947).

17 earnings per share - continued

17.2 diluted earnings per share

The calculation of the Group's and Bank's diluted earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of USD6,743,910 and USD2,629,343 (2009: USD1,765,535 and USD1,272,972) for the Group and Bank respectively divided by the weighted average number of ordinary shares outstanding during the year ended 31 December 2010 of 135,805,238 (2009: 141,496,487).

Diluted profit attributable to ordinary shareholders and weighted average number of ordinary shares are calculated as follows:

Profit attributable to ordinary shareholders (diluted):

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Profit attributable to ordinary shareholders	6,743,910	1,565,048	2,629,343	1,072,485
After tax effect of interest on subordinated convertible loan	-	200,487	-	200,487
Profit attributable to ordinary shareholders (diluted)	6,743,910	1,765,535	2,629,343	1,272,972

Weighted average number of ordinary shares (diluted):

	2010 No. of shares	2009 No. of shares
Weighted average number of ordinary shares at 31 December	135,752,709	135,230,947
Effect of conversion of subordinated convertible loan	-	6,146,663
Effect of share options on issue	52,529	118,877
Weighted average number of ordinary shares (diluted) at 31 December	135,805,238	141,496,487

18 balances with the central bank of malta and cash

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Balances with the Central Bank of Malta	9,456,812	8,619,718	9,456,812	8,619,718
Cash	371,157	224,871	356,855	213,486
	9,827,969	8,844,589	9,813,667	8,833,204

Balances with the Central Bank of Malta include a reserve deposit in terms of Regulations (EC) No: 1745/2003 of the European Central Bank

19 trading assets

Trading assets represent forfeiting assets held by London Forfeiting Company Limited (a Group subsidiary) and comprise bills of exchange, promissory notes and transferable trade related loans. These assets are held for short-term trading.

20 derivatives held for risk management

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Derivative assets held for risk management - foreign exchange	2,317,571	721,728	2,317,571	721,728
	2,317,571	721,728	2,317,571	721,728
Derivative liabilities held for risk management				
- interest rate	-	113,917	48,207	195,303
- foreign exchange	2,377,124	912,893	2,377,124	957,479
	2,377,124	1,026,810	2,425,331	1,152,782

21 financial assets designated at fair value through profit or loss

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Designated at fair value through profit or loss				
- foreign listed debt securities	3,169,280	1,808,628	-	1,808,628
- unlisted debt securities	42,410,000	21,750,000	42,410,000	21,750,000
	45,579,280	23,558,628	42,410,000	23,558,628

21.1 Unlisted debt securities consist of credit linked notes, whereby the Group is funding the risk of default with respect to specified borrowers. The notes have an embedded instrument linked to the credit risk of the reference basket. In view that the embedded derivative modifies significantly the cash flows of the underlying host contract, the credit linked note is measured at fair value with changes in fair value recognised in the income statement. As a result, the embedded credit derivative is not required to be separated from the host contract represented by the debt instrument. The financial asset was therefore not bifurcated but accounted for as one 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 financial reporting date taking into account current market conditions and the current credit worthiness of the counter parties by reference to dealer price quotations.

21.2 Financial assets designated at fair value through profit or loss include assets amounting to USD25,800,000 (2009: Nil) pledged in favour of third parties.

22 loans and advances to banks

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Repayable on call and at short notice	62,387,135	41,938,360	61,042,946	40,171,037
Term loans and advances	270,323,902	276,210,794	267,836,327	280,548,682
Total loans and advances	332,711,037	318,149,154	328,879,273	320,719,719
Specific impairment	(3,145,528)	(3,143,306)	(3,145,528)	(3,143,306)
Collective impairment	(3,090,906)	(2,340,845)	(3,090,906)	(2,340,845)
Net loans and advances	326,474,603	312,665,003	322,642,839	315,235,568

Loans and advances to banks include blocked funds amounting to USD113,096 (2009: USD113,096) pursuant to US Sanctions. The balances also include pledged funds amounting to USD949,591 (2009: USD232,679), of which an amount of USD922,931 (2009: Nil) represents pledged funds in favour of the Depositor Compensation Scheme Reserve.

The aggregate amount of impaired loans to banks for the Group and Bank amounted to USD4,699,362 (2009: USD4,528,404). Individual impairment is exclusive of USD1,478,084 (2009: USD1,309,347) in respect of suspended interest not recognised in interest receivable.

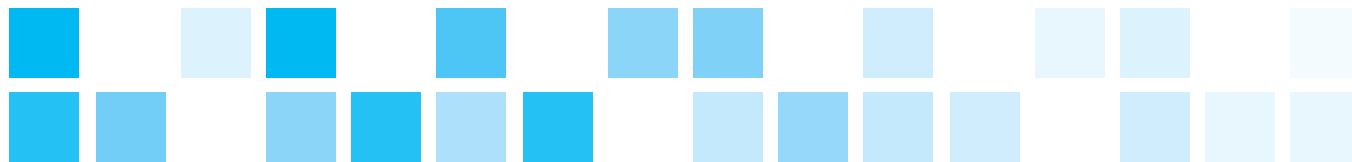
23 loans and advances to customers

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Repayable on call and at short notice	77,053,903	49,906,693	77,704,574	49,906,693
Term loans and advances	160,574,501	94,516,068	108,395,956	94,516,068
	237,628,404	144,422,761	186,100,530	144,422,761
Amounts owed by subsidiary companies	-	-	191,780,451	122,578,089
Total loans and advances	237,628,404	144,422,761	377,880,981	267,000,850
Specific impairment	(12,871,786)	(10,441,759)	(9,072,436)	(10,441,759)
Collective impairment	(1,590,282)	(844,976)	(1,590,282)	(844,976)
Net loans and advances	223,166,336	133,136,026	367,218,263	255,714,115

The movement in allowances for uncollectibility for the year is detailed in note 14.

Loans and advances to customers include assets amounting to USD19,052,950 (2009: USD29,750,200) pledged in favour of third parties.

The aggregate amount of impaired loans and advances to customers for the Group amounted to USD19,570,321 (2009: USD20,025,105) for the bank. Individual impairment is exclusive of USD for the group USD9,425,495 (2008: USD8,822,551) for the bank in respect of suspended interest not recognised in interest receivable.



24 investments available-for-sale

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

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Foreign unlisted	162,493	39,595	161,791	39,595
	162,493	39,595	161,791	39,595

Whilst there is no active market for these investments, fair value has been determined by reference to broker prices, with fair value movement recognised net of deferred tax in fair value reserve.

In 2009, the Bank disposed of its investment in a local unlisted company, LB Factors Limited, for a profit on disposal of USD46,956.

25 investments in equity accounted investees

25.1 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	
					2010 USD	2009 USD
CIS Factors Holdings B.V. ("CIS Factors")	The Netherlands	Holding Company	Ordinary Shares	40.0	3,256,491	3,861,977
India Factoring and Finance Solutions Private Limited ("India Factoring")	India	Factoring	Ordinary Shares	49.0	10,541,078	-
Levant Factors S.A.L. (formerly LCI Factors S.A.L.) ("Levant Factors")	Lebanon	Factoring	Ordinary Shares	25.0	74,489	-
The Egyptian Company for Factoring S.A.E. ("Egypt Factors")	Egypt	Factoring	Ordinary Shares	40.0	1,420,855	692,376
					15,292,913	4,554,353
At 1 January					4,554,353	1,073,715
Investment in CIS Factors					-	4,013,166
Investment in Egypt Factors					1,200,000	-
Investment in India Factoring					10,822,021	-
Reclassification of investment in Levant Factors held through Menafactors Limited (see note 26)					81,295	-
Net share of losses					(996,549)	(388,193)
Currency translation difference					(368,207)	(144,335)
At 31 December					15,292,913	4,554,353

25 investments in equity accounted investees - continued

25.2 the bank's investment in associate entities is analysed as follows:

Name of Company	Country of incorporation	Nature of business	Class of shares	Current equity interest %	Bank	
					2010	2009
					USD	USD
The Egyptian Company for Factoring S.A.E. ("Egypt Factors")	Egypt	Factoring	Ordinary Shares	40.0	3,213,425	2,013,425
					3,213,425	2,013,425
At 1 January					2,013,425	2,013,425
Investment in Egypt Factors					1,200,000	-
At 31 December					3,213,425	2,013,425

25.3 CIS Factors Holdings B.V. ("CIS Factors")

In November 2009, the Group, through its fully owned subsidiary FIMFactors B.V., incorporated CIS Factors Holdings B.V. ("CIS Factors"), a newly established company set-up under the laws of the Netherlands with the aim to serve as an investment vehicle for a factoring company to be incorporated under the laws of the Russian Federation and provides factoring services in Russia. The Group has a 40% holding in CIS Factors, with the other shareholders being Joint Stock Bank Transcapitalbank ("Transcapital Bank") and the International Finance Corporation ("IFC"), each holding 40% and 20% respectively.

In addition, as part of the above transaction, a put option agreement has been entered between FIMFactors, Transcapitalbank and the IFC (the "Put Option Agreement"). By virtue of this Put Option Agreement, FIMFactors and Transcapitalbank (together the "Sponsors") have granted an option to IFC for the latter to sell to both Sponsors, on one or more occasions, all or a part of the shares owned by IFC in CIS Factors, subject to such terms and conditions as are specified in the Put Option Agreement. The exercise of the option by IFC creates a corresponding joint and several obligations on the Sponsors to purchase such shares in CIS Factors.

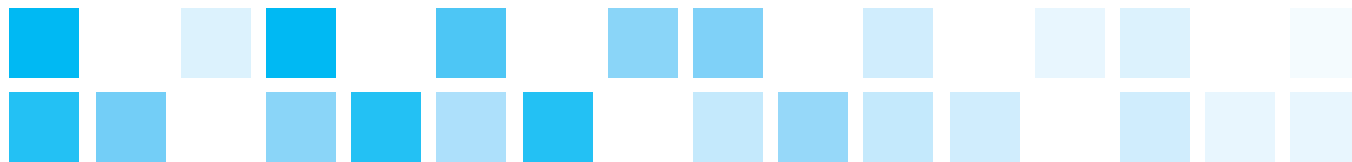
The "Put Period" is defined as the period beginning on the fifth anniversary of the date on which IFC first subscribes for shares in CIS Factors under the Subscription Agreement, and ending on the date on which IFC shall have delivered to the Sponsors and CIS Factors a notice stating that all of the requirements set out below have been met:

- a Listing has occurred on a Relevant Market;
- at least twenty five percent (25%) of the issued and outstanding ordinary shares of CIS Factors are held by Persons other than Affiliates (including IFC) and are tradable without restriction on such Relevant Market;
- the average trading volume of the ordinary shares of CIS Factors (excluding direct or indirect trading by the Sponsors, CIS Factors or their respective Affiliates) on such Relevant Market, during any period of six consecutive months is not less than two times the total number of the ordinary shares of CIS Factors owned by IFC at that date;
- the average price per share of the ordinary shares of CIS Factors traded on such Relevant Market during any period of six consecutive months is not lower than the price per share as of the date of the Listing;
- IFC has received a certificate executed by the Sponsors and CIS Factors certifying that the conditions stated in sub-sections (c) and (d) have been met; and
- all shares of CIS Factors and all Share Equivalents held by IFC are immediately convertible, exercisable or exchangeable into ordinary shares of the CIS Factors and can be traded without restriction on such Relevant Market;

The "Put Price" is defined, in relation to any given exercise of the Put Option, the higher of:

- the Investment Cost of those Put Shares; and
- the aggregate of the Book Value Put Price Per Share multiplied by the number of Put Shares, provided that in the event that the Put Price would be less than zero, the Put Price shall be zero.

In the opinion of the Directors, the fair value of the put option at the financial reporting date (and on initial recognition) is close to zero.



25 *investments in equity accounted investees - continued*

25.4 India Factoring and Finance Solutions Private Limited ("India Factoring")

In 2010, the Group, through its fully owned subsidiary FIMFactors B.V., incorporated India Factoring and Finance Solutions Private Limited ("India Factoring"), a company incorporated under Indian law and with its registered office in Mumbai, India. The Group holds a 49% shareholding with Punjab National Bank (30% ownership), Banca IFIS (10% ownership) and Blend Financial Services Limited (1% ownership). Key management personnel that were recruited have been incentivised by giving them a stake of 10%. India Factoring was granted an operating license in December 2010 and is regulated by the Reserve Bank of India. India Factoring provides factoring, forfaiting and trade finance related activities in India.

25.5 Levant Factors S.A.L. ("Levant Factors")

In March 2009, the Group, through its fully owned subsidiary Menafactors, acquired 25% of Levant Factors S.A.L. (formerly LCI Factors S.A.L.), a factoring company incorporated in Beirut, Lebanon. The other major shareholder (73.86%) in Levant Factors is The Lebanese Credit Insurer S.A.L, a joint venture between ATRADIUS Re and a group of local and regional insurance companies and investors.

25.6 The Egyptian Company for Factoring S.A.E. ("Egypt Factors")

In November 2006, the Bank incorporated Egypt Factors, a company which provides factoring services in Egypt. The Bank has a 40% investment in Egypt Factors with the other shareholders being Commercial International Bank ("CIB") and International Finance Corporation ("IFC") (holding 40% and 20% equity respectively).

On the same day of incorporating Egypt Factors, the Bank entered into a put option agreement (the "Put Option Agreement") with CIB and IFC. The Put Option Agreement gives the right to IFC, by sending a notice of exercise to CIB and/or FIMBank, at any time during the exercise period, to sell to CIB and/or FIMBank, jointly and severally, all or part of IFC's shareholding in Egypt Factors at the exercise price.

The "Exercise Period" is defined as the period commencing on the fifth anniversary from the receipt of the licence by Egypt Factors from the local regulators (i.e. 26 April 2007) and terminating on the tenth anniversary of such date, unless an event of default (as defined in the Put Option Agreement) has occurred before such fifth anniversary, in which case the exercise period commences on the date of that event of default.

The "Exercise Price" has been fixed at the higher of:

- (a) The coefficient multiplied by the number of shares subject to the put option; and
- (b) The investment costs per share (i.e. the total investment by IFC from time to time in Egypt Factors until the date of notice of exercise divided by the total number of shares subject to the put option).

In the opinion of the Directors, the fair value of the put option at the financial reporting date (and on initial recognition) is close to zero.

25.7 Summary of financial information for equity accounted investees not adjusted for the percentage ownership of the Group:

		Total assets	Total liabilities	Total revenue	Total expenses	Loss for the year
31 December 2010						
CIS Factors	USD	6,877,612	528,620	-	(342,744)	(342,744)
India Factoring ¹	USD	19,525,398	235,984	517,520	(1,088,226)	(570,706)
Levant Factors	USD	3,888,655	3,754,899	176,933	(204,166)	(27,233)
Egypt Factors	USD	33,339,041	29,820,462	3,614,787	(4,793,590)	(1,178,803)
31 December 2009						
CIS Factors	USD	7,745,154	24,626	-	(17,135)	(17,135)
Egypt Factors	USD	19,949,973	18,252,547	1,100,546	(2,057,550)	(957,004)

¹ Revenue, expenses and results for the year are for the period 1 April 2010 to 31 December 2010

26 non-current assets classified as held for sale

During the financial year ended 31 December 2010, the Group re-assessed its decision to dispose of its controlling interest in Menafactors Limited ("Menafactors") and the consequential disclosure of the investment in this subsidiary undertaking as a "Non-current asset classified as held for sale". Whilst the Group is still determined to seek a strategic partner for Menafactors, this disposal is not highly probable to take place within a year, and is therefore ceasing to classify it as "held for sale". Based on this assessment, the financial position and the result of operations of Menafactors are being consolidated on a "line-by-line" basis whilst the result of operations of the subsidiary for the year ended 31 December 2009 have been reclassified and included in income from continuing operations. In line with IFRS 5 no reclassification was made for non-current assets and liabilities classified as held for sale at 31 December 2009.

27 investments in subsidiaries

27.1 capital subscribed

	2010 USD	Bank 2009 USD
At 1 January	53,412,291	49,394,666
Additional investment in FIMFactors B.V.	10,822,021	4,017,625
At 31 December	64,234,312	53,412,291

27.2 investments in subsidiaries

Name of Company	Registered office	Nature of business	Current equity interest %	Bank	
				2010 USD	2009 USD
London Forfaiting Company Limited	UK	Forfaiting	100	37,366,435	37,366,435
FIMFactors B.V.	The Netherlands	Holding	100	26,860,877	16,038,856
FIM Business Solutions Limited	Malta	IT Services Provider	100	5,000	5,000
FIM Property Investment Limited	Malta	Property Management	100	2,000	2,000
				64,234,312	53,412,291

27.3 The Bank, indirectly through London Forfaiting Company Limited, controls the following subsidiaries:

Name of Company	Country of incorporation	Nature of business	Current equity interest	
			2010	2009
London Forfaiting International Limited	UK	Holding company	100%	100%
London Forfaiting Americas Inc. *	United States of America	Marketing	100%	100%
London Forfaiting do Brasil Ltda. *	Brazil	Marketing	100%	100%
London Forfaiting Deutschland GmbH * #	Germany	Marketing	-	100%
London Forfaiting a Paris S.A. * #	France	Marketing	-	100%

* A wholly owned subsidiary of London Forfaiting International Limited

Liquidated during the financial year ended 31 December 2010

27.4 The Bank, indirectly through FIMFactors B.V., controls the following subsidiary:

Name of Company	Country of incorporation	Nature of business	Current equity interest	
			2010	2009
Menafactors Limited	United Arab Emirates	Factoring Company	100%	100%

28 property and equipment

Group	Freehold land	Freehold premises	Computer system	Improvement to leasehold	Computer equipment premises	Others	Total
	USD	USD	USD	USD	USD	USD	USD
Cost							
At 1 January 2009	-	221,708	888,196	882,954	2,223,135	3,988,452	8,204,445
Reclassification to freehold land	1,409,166	-	-	-	-	(1,409,166)	-
Acquisitions during year	5,482,891	-	1,024,391	59,194	274,028	764,066	7,604,570
Disposals during the year	-	-	-	-	-	(664)	(664)
At 31 December 2009	6,892,057	221,708	1,912,587	942,148	2,497,163	3,342,688	15,808,351
At 1 January 2010	6,892,057	221,708	1,912,587	942,148	2,497,163	3,342,688	15,808,351
Reclassification of Menafactors (refer to Note 26)	-	-	-	-	48,714	227,926	276,640
Acquisitions during year	-	-	42,424	168,336	132,883	5,847,510	6,191,153
Disposals during the year	-	-	-	(163,928)	(215,919)	(149,885)	(529,732)
At 31 December 2010	6,892,057	221,708	1,955,011	946,556	2,462,841	9,268,239	21,746,412
Depreciation							
At 1 January 2009	-	28,453	770,089	483,104	1,756,286	1,635,013	4,672,945
Charge for the year	-	4,434	108,286	161,180	268,655	193,180	735,735
Disposals during the year	-	-	-	-	-	(664)	(664)
At 31 December 2009	-	32,887	878,375	644,284	2,024,941	1,827,529	5,408,016
At 1 January 2010	-	32,887	878,375	644,284	2,024,941	1,827,529	5,408,016
Reclassification of Menafactors (refer to Note 26)	-	-	-	-	26,321	100,087	126,408
Charge for the year	-	4,434	177,042	148,204	249,711	234,066	813,457
Disposals during the year	-	-	-	(133,518)	(214,492)	(149,765)	(497,775)
At 31 December 2010	-	37,321	1,055,417	658,970	2,086,481	2,011,917	5,850,106
Carrying amounts							
At 1 January 2009	-	193,255	118,107	399,850	466,849	2,353,439	3,531,500
At 31 December 2009	6,892,057	188,821	1,034,212	297,864	472,222	1,515,159	10,400,335
At 1 January 2010	6,892,057	188,821	1,034,212	297,864	472,222	1,515,159	10,400,335
At 31 December 2010	6,892,057	184,387	899,594	287,586	376,360	7,256,322	15,896,306

28 *property and equipment - continued*

Bank	Freehold premises	Computer system	Improvement to leasehold premises	Computer equipment	Others	Total
	USD	USD	USD	USD	USD	USD
Cost						
At 1 January 2009	221,708	888,196	639,197	1,718,355	1,622,394	5,089,850
Acquisitions during year	-	1,024,391	82,320	75,847	6,839	1,189,397
Disposals during the year	-	-	-	-	(664)	(664)
At 31 December 2009	221,708	1,912,587	721,517	1,794,202	1,628,569	6,278,583
At 1 January 2010	221,708	1,912,587	721,517	1,794,202	1,628,569	6,278,583
Acquisitions during year	-	42,424	10,111	102,627	28,845	184,007
Disposals during the year	-	-	(30,410)	-	-	(30,410)
At 31 December 2010	221,708	1,955,011	701,218	1,896,829	1,657,414	6,432,180
Depreciation						
At 1 January 2009	28,452	770,088	294,424	1,302,825	1,062,762	3,458,551
Charge for the year	4,435	108,287	130,092	191,932	144,711	579,457
Disposals during the year	-	-	-	-	(664)	(664)
At 31 December 2009	32,887	878,375	424,516	1,494,757	1,206,809	4,037,344
At 1 January 2010	32,887	878,375	424,516	1,494,757	1,206,809	4,037,344
Charge for the year	4,436	177,042	107,100	168,577	123,192	580,347
At 31 December 2010	37,323	1,055,417	531,616	1,663,334	1,330,001	4,617,691
Carrying amounts						
At 1 January 2009	193,256	118,108	344,773	415,530	559,632	1,631,299
At 31 December 2009	188,821	1,034,212	297,001	299,445	421,760	2,241,239
At 1 January 2010	188,821	1,034,212	297,001	299,445	421,760	2,241,239
At 31 December 2010	184,385	899,594	169,602	233,495	327,413	1,814,489

29 intangible assets

Group

	Software licences USD
Cost	
At 1 January 2009	1,723,703
Additions	415,277
At 31 December 2009	2,138,980
At 1 January 2010	2,138,980
Reclassification of Menafactors (refer to Note 26)	178,593
Additions	517,255
At 31 December 2010	2,834,828
Amortisation	
At 1 January 2009	530,310
Charge for the year	289,664
At 31 December 2009	819,974
At 1 January 2010	819,974
Reclassification of Menafactors (refer to Note 26)	96,937
Charge for the year	395,230
At 31 December 2010	1,312,141
Carrying Amount	
At 1 January 2009	1,193,393
At 31 December 2009	1,319,006
At 1 January 2010	1,319,006
At 31 December 2010	1,522,687

Bank

	Software licences USD
Cost	
At 1 January 2009	835,517
Additions	87,759
At 31 December 2009	923,276
At 1 January 2010	923,276
Additions	342,619
At 31 December 2010	1,265,895
Amortisation	
At 1 January 2009	245,692
Charge for the year	128,314
At 31 December 2009	374,006
At 1 January 2010	374,006
Charge for the year	151,238
At 31 December 2010	525,244
Carrying Amount	
At 1 January 2009	589,825
At 31 December 2009	549,270
At 1 January 2010	549,270
At 31 December 2010	740,651

30 deferred taxation

30.1 deferred taxation is analysed as follows:

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Tax effect of temporary differences relating to:				
- excess of capital allowances over depreciation	(395,538)	(178,706)	(241,151)	(18,512)
- allowances for uncollectibility	2,551,553	1,655,013	2,551,553	1,655,013
- unabsorbed capital allowances	-	51,392	-	46,682
- changes in fair value of financial instruments	15,151	-	15,151	-
- investment tax credits	296,919	242,385	-	-
- unabsorbed tax losses	6,571,680	6,571,680	-	-
	9,039,765	8,341,764	2,325,553	1,683,183

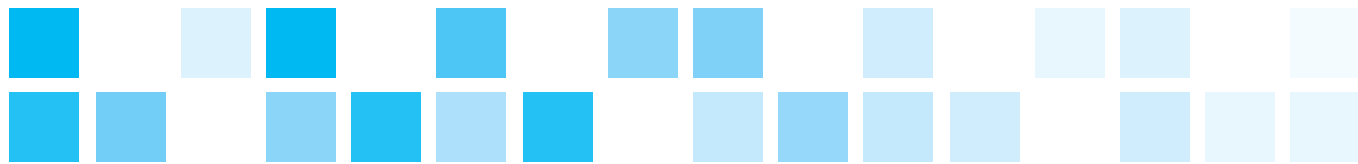
30.2 unrecognised deferred taxation

At financial reporting date the Bank had unrecognised temporary differences amounting to USD23.5 million. In addition Group subsidiaries had unrecognised and unutilised tax losses and tax credits amounting to USD55.8 million and USD0.5m respectively available against future taxable profits. A deferred tax asset amounting to USD1,511,812 (2009: USD1,540,345) was utilised during the year by the Group 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.

30.3 movements in temporary differences during the year:

Group

	Opening balance USD	Recognised in other comprehensive income USD	Recognised in profit or loss USD	Closing balance USD
2009				
Excess of capital allowances over depreciation	(117,886)	-	(60,820)	(178,706)
Allowances for uncollectibility	1,276,853	-	378,160	1,655,013
Investment tax credits	238,921	-	3,464	242,385
Unabsorbed capital allowances	37,790	-	13,602	51,392
Unabsorbed tax losses	6,571,680	-	-	6,571,680
	8,007,358	-	334,406	8,341,764
2010				
Excess of capital allowances over depreciation	(178,706)	-	(216,832)	(395,538)
Allowances for uncollectibility	1,655,013	-	896,540	2,551,553
Changes in fair values of financial instruments	-	27,820	(12,669)	15,151
Investment tax credits	242,385	-	54,534	296,919
Unabsorbed capital allowances	51,392	-	(51,392)	-
Unabsorbed tax losses	6,571,680	-	-	6,571,680
	8,341,764	27,820	670,181	9,039,765



30 deferred taxation - continued

Bank	Opening balance	Recognised in other comprehensive income	Recognised in profit or loss	Closing balance
	USD	USD	USD	USD
2009				
Excess of capital allowances over depreciation	(7,840)	-	(10,672)	(18,512)
Allowances for uncollectibility	1,276,853	-	378,160	1,655,013
Unabsorbed capital allowances	16,242	-	30,440	46,682
	1,285,255	-	397,928	1,683,183
2010				
Excess of capital allowances over depreciation	(18,512)	-	(222,639)	(241,151)
Allowances for uncollectibility	1,655,013	-	896,540	2,551,553
Changes in fair values of financial instruments	-	27,820	(12,669)	15,151
Unabsorbed capital allowances	46,682	-	(46,682)	-
	1,683,183	27,820	614,550	2,325,553

31 other assets

	Group		Bank	
	2010	2009	2010	2009
	USD	USD	USD	USD
Operational debtors and other recoverable amounts	1,826,416	9,516,109	2,078,901	1,708,356
Indirect taxation	1,393,136	261,179	332,627	162,515
Work-in-progress balances	8,126	2,362	-	-
	3,227,678	9,779,650	2,411,528	1,870,871

32 prepayments and accrued income

	Group		Bank	
	2010	2009	2010	2009
	USD	USD	USD	USD
Accrued income	2,021,076	1,587,589	1,895,107	1,593,669
Prepayments	991,748	724,789	644,927	517,290
	3,012,824	2,312,378	2,540,034	2,110,959

33 amounts owed to banks

	Group		Bank	
	2010	2009	2010	2009
	USD	USD	USD	USD
Term deposits	275,072,416	176,147,408	273,834,302	180,485,295
Repayable on demand	56,142,189	46,666,081	56,142,189	46,666,081
	331,214,605	222,813,489	329,976,491	227,151,376

34 amounts owed to customers

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Term deposits	122,888,452	123,831,987	122,888,452	123,831,987
Repayable on demand	168,563,729	146,438,952	161,420,336	146,438,952
	291,452,181	270,270,939	284,308,788	270,270,939
Amounts owed to subsidiaries	-	-	740,192	1,261,128
	291,452,181	270,270,939	285,048,980	271,532,067

Included in customer accounts are deposits amounting to USD34,513,029 (2009: USD14,676,487) held as collateral for irrevocable commitments.

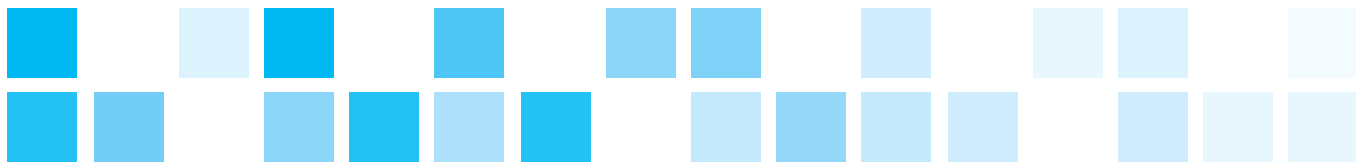
Amounts owed to customers include deposits by a shareholder having more than 10% of the shares in the Bank, which at financial reporting date amounted to USD130,735 (2009: USD51,850). No interest (2009: USD7,269) was credited to this shareholder during the year.

35 debt securities in issue

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Unsecured promissory notes (Note 35.1)	12,669,077	7,745,568	-	4,931,904
Bonds (Note 35.2)	42,853,818	-	42,853,818	-
	55,522,895	7,745,568	42,853,818	4,931,904

35.1 unsecured promissory notes

Unsecured promissory notes are issued by the Bank and a subsidiary company. At 31 December 2010, notes issued by the subsidiary company have a tenor of one year with interest payable semi-annually in arrears. The Group's effective interest rate for 2010 is 3.01% (2009: 1.24%).



35 *debt securities in issue - continued*

35.2 bonds

During the year ended 31 December 2010, the Bank made an offer for an aggregate of EUR35 million Bonds 2013 in a combination of 4.25% EUR Bonds of a nominal value of EUR100 per bond and 4.25% USD Bonds of a nominal value of USD100 per bond. The Bonds were issued as follows:

	Group and Bank 2010 USD
4.25% EUR Bonds 2013	25,743,151
4.25% USD Bonds 2013	18,047,700
	43,790,851
Unamortised issue costs	(937,033)
Carrying amount as at 31 December	42,853,818

The Bonds are redeemable at par on 30 November 2013, are listed on the Malta Stock Exchange and trade on its Official List. The Bonds, which are unsecured, rank before the subordinated debt of the Bank and have a general claim on the assets of the Bank except where assets are pledged in favour of specific creditors.

36 subordinated debt

	Group and Bank 2010 USD	2009 USD
Subordinated convertible loan (Note 36.1)	5,142,857	6,000,000
Subordinated bonds (Note 36.2)	38,646,370	41,062,828
	43,789,227	47,062,828

36.1 subordinated convertible loan

	Group and Bank 2010 USD	2009 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 (refer to note below)	(4,000,000)	(4,000,000)
Repayment	(857,143)	-
Carrying amount as at 31 December	5,142,857	6,000,000

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.

36 *subordinated debt - continued*

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 which option expired on 29 September 2010.

At 31 December 2010, the loan carried interest at 2.734% (2009: 2.97%) and is repayable in full by 15 July 2013.

36.2 *subordinated bonds*

The Bank has in issue an aggregate of EUR30 million Subordinated Bonds 2012-2019 in a combination of 7% EUR Bonds of a nominal value of EUR100 per bond and 7% USD Bonds of a nominal value of USD100 per bond. The Subordinated Bonds are redeemable at par on 30 April 2019 or earlier, at the Bank's option, starting from 1 May 2012 up to maturity date. The Subordinated Bonds are listed on the Malta Stock Exchange and trade on its Official List.

	Group and Bank	
	2010 USD	2009 USD
7% EUR Subordinated Bonds 2012-2019	31,510,758	34,010,529
7% USD Subordinated Bonds 2012-2019	8,107,800	8,107,800
	39,618,558	42,118,329
Unamortised issue costs	(972,188)	(1,055,501)
Carrying amount as at 31 December	38,646,370	41,062,828

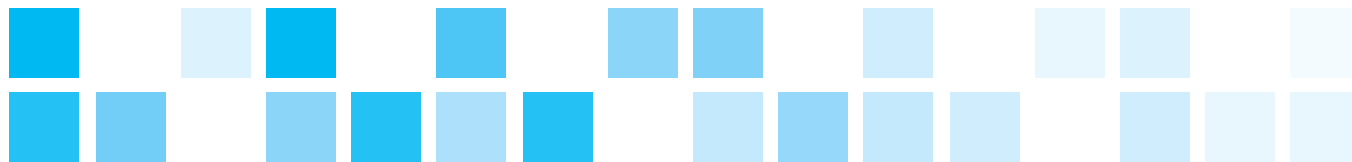
The movement between 2009 and 2010 in principal outstanding balance represents unrealised foreign exchange fluctuations recognized in profit or loss.

36.3 The above liabilities are unsecured and subordinated to other outstanding unsubordinated and unsecured obligations of the Bank and the Group. The Group did not have any defaults of interest or other breaches with respect to the subordinated liabilities during the current and comparative periods.

37 *provisions*

	Group USD	Bank USD
Balance at 1 January 2009	2,600,320	1,733,104
Exchange difference	18,388	-
Balance at 31 December 2009	2,618,708	1,733,104
Balance at 1 January 2010	2,618,708	1,733,104
Additional charges during the year	506,281	-
Exchange difference	(72,805)	-
Balance at 31 December 2010	3,052,184	1,733,104
Non-current balance at 31 December 2009	2,618,708	1,733,104
Non-current balance at 31 December 2010	3,052,184	1,733,104

Provisions represent the best estimate of future economic cash flows which may be required as a result of pending court cases. Management believes that adequate provisions have been made against these pending court cases on the basis of legal advice as to the timing and amount of the economic outflows.



38 accruals and deferred income

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Accrued interest	2,352,367	1,895,717	2,236,233	1,893,945
Other accruals	9,796,273	14,281,195	2,920,735	2,208,003
	12,148,640	16,176,912	5,156,968	4,101,948

Other accruals comprise an amount payable to a subsidiary company amounting to USD246,966 (2009:USD333,808).

39 equity

39.1 share capital

	2010		2009	
	Shares of 50 cents Shares	USD	Shares of 50 cents Shares	USD
Authorised Ordinary shares at 31 December	400,000,000	200,000,000	400,000,000	200,000,000
Issued and fully paid up Ordinary shares at 31 December	135,952,634	67,976,317	135,426,954	67,713,477

	Ordinary Shares	
	2010 No of shares	2009 No of shares
On issue at 1 January	135,426,954	134,856,392
Share options issued for cash (see note 15.4)	37,440	30,240
Scrip dividend	488,240	540,322
On issue at 31 December	135,952,634	135,426,954

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. All shares rank equally with regard to the Bank's residual assets.

Scrip dividend

In May 2010, the Annual General Meeting approved the payment of a scrip dividend amounting to USD1,565,048, representing a net dividend per Ordinary Share of US cents 1.155640. Shareholders were given the option to receive the dividend either in the form of Cash or new Ordinary Shares at the attribution price of USD1.00. Consequent to the Scrip Issue, the Bank's capital was increased by a further USD244,120.

39.2 share premium

The share premium represents proceeds from rights issues, net of share issue costs, together with the premium arising on the exercise of executive share option schemes, the option granted on the subordinated convertible loan and premium from scrip dividends paid. This reserve is non-distributable.

39.3 currency translation reserve

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

39 equity - continued

39.4 fair value reserve

This reserve consists of changes in the fair value of available-for-sale financial instruments.

39.5 other reserve

The reserve includes an amount of USD2,681,041 representing the difference between the net proceeds received on the sale of own shares net of the relative acquisition costs. In addition USD5,417,538 represents the appropriation from Retained Earnings for any unforeseen future risks which may affect the Group's financial assets held-for-trading.

39.6 dividends

The following dividends were declared and paid by the Group:

	2010 USD	2009 USD
Dividends declared and paid during the year	1,565,048	3,035,907

After the financial reporting date the following dividends were proposed by the Directors. The dividends have not been provided for in these financial statements.

	2010 USD	2009 USD
US cents 2.480242 per qualifying ordinary share (2009: 1.155640)	3,371,955	1,565,048

39.7 availability of reserves for distribution

The Bank's retained earnings as at financial reporting date include an amount of USD31,395,958 (2009: USD30,331,663) that is available for distribution.

40 contingent liabilities

40.1

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Guarantee obligations incurred on behalf of third parties	38,150,984	25,565,381	43,362,797	27,021,667



40.2 Global Trade Finance Limited ("GTF")

During 2008, the Bank disposed of an equity investment in Global Trade Finance Limited ("GTF"). As a result of the disposal of shares, the Bank provided State Bank of India with an indemnity for any future tax claims against GTF pertaining to the period prior to the disposal of the investment. The Bank's indemnity, which is given severally with that of the other seller EXIMBank as well as GTF, is capped at 10% of the sale consideration, i.e. INR216,810,000 and with the first INR50,000,000 of any future claims to be met separately by GTF. The indemnity specifically covers any claim/s which are made to State Bank of India within six years from 28 March 2008, representing the disposal date.

The probability that this claim may arise was assessed on 31 December 2010 in the light of a likelihood that such a claim may arise under a future assessment. The Bank deems that, albeit it is still possible that a claim may arise in the future, the probability of this occurring is remote. However, this event still represents a contingent liability since the indemnity constitutes a present obligation that does not however meet the criteria to be recognised as a provision. The maximum amount the contingent liability remains INR216,810,000 (USD4,839,000) at 31 December 2010 (31 December 2009: USD4,614,000).

40.3 other contingencies

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. Up to the date of issue of these financial statements, no judicial proceedings have commenced against the Bank.

41 commitments

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Undrawn credit facilities	37,013,147	39,406,146	37,013,147	39,406,146
Commitment to purchase assets	32,306,169	26,958,373	-	-
Factoring commitments	2,896	52,451	2,896	52,451
Documentary credits	31,402,091	13,461,445	31,402,091	13,461,445
Confirmed letters of credit	96,702,776	112,024,025	102,441,897	114,928,252
	197,427,079	191,902,440	170,860,031	167,848,294

The Bank has total sanctioned limits to customers amounting to USD354,384,503 (2009: USD259,690,421).

In addition, as at financial reporting date the Bank had open back-to-back documentary credits amounting to USD21,750,577 (2009: USD34,214,260).

42 cash and cash equivalents

Balances of cash and cash equivalents as shown on the statement of financial position are analysed as follows:

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Balances with the Central Bank of Malta and cash	9,827,969	8,844,589	9,813,667	8,833,204
Loans and advances to banks	195,674,807	219,695,377	194,330,618	217,928,056
Amounts owed to banks	(179,373,348)	(123,065,893)	(179,373,348)	(123,065,893)
Cash and cash equivalents	26,129,428	105,474,073	24,770,937	103,695,367
Adjustment to reflect balances with contractual maturity of more than three months	(21,041,461)	(6,777,970)	(22,290,922)	(6,777,971)
Per statements of financial position	5,087,967	98,696,103	2,480,015	96,917,396
Analysed as follows:				
Balances with the Central Bank of Malta and cash	9,827,969	8,844,589	9,813,667	8,833,204
Loans and advances to banks	326,474,603	312,665,003	322,642,839	315,235,568
Amounts owed to banks	(331,214,605)	(222,813,489)	(329,976,491)	(227,151,376)
	5,087,967	98,696,103	2,480,015	96,917,396

43 operating leases

leases as lessee

The Group leases motor vehicles and office premises under operating lease arrangements. During the year ended 31 December 2010, operating lease charges amounting to USD1,284,817 (2009: USD1,188,240) were recognised as an expense in the income statement of the Group, while operating lease charges amounting to USD730,250 (2009: USD784,917) were recognised as an expense in the income statement of the Bank.

Non-cancellable operating lease rentals are payable as follows:

	Group		Bank	
	2010 USD	2009 USD	2010 USD	2009 USD
Less than one year	1,309,420	1,152,958	696,151	754,639
Between one and five years	1,331,365	3,647,218	490,371	2,967,153
More than five years	-	5,535	-	-
	2,640,785	4,805,711	1,186,522	3,721,792

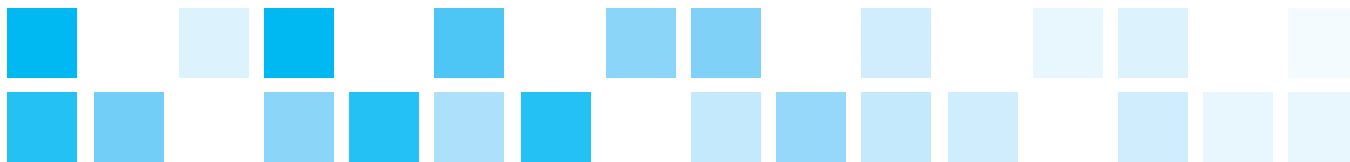
44 related parties

44.1 identity of related parties

The Bank has a related party relationship with its subsidiaries, associates and jointly-controlled entities, directors and executive officers.

44.2 transactions with key management personnel

Directors of the Group control 8 per cent of the voting shares of the Bank and the Group respectively. Details of directors having beneficial interest in shareholders of the group are disclosed in the Directors' Report. There were no loans and advances to Directors as at 31 December 2010 and as at 31 December 2009.



44 *related parties - continued*

On 31 December 2010, an amount of USD289,015 (2009: USD308,097) was receivable from executive officers. Interest earned from executive officers during the financial year ending 31 December 2010 amounted to USD459 (2009: USD866).

Deposits by Directors as at 31 December 2010 amounted to USD172,637 (2009: USD156,284) and are included in "amounts owed to customers". No interest was paid to Directors for the period ended 31 December 2010 (2009: no interest was paid during the year).

Deposits by Executive Officers as at 31 December 2010 amounted to USD205,673 (2009: USD170,746) and are included in "amounts owed to customers". Interest paid to Executive Officers during the financial year ending 31 December 2010 amounted to USD6,569 (2009: USD4,851). Furthermore, Guarantees in favour of Executive Officers as at 31 December 2010 amounted to USD3,113 (2009: USD3,360).

Directors of the Group hold a nominal value of 10,000 7% EUR Subordinated Bonds 2012-2019, 18,300 7% USD Subordinated Bonds 2012-2019, 7,000 4.25% EUR Bonds 2013 and 26,000 4.25% USD Bonds 2013. Interest paid to Directors on these bonds during the financial year ending 31 December 2010 amounted to EUR710 and USD1,299. Executive Officers hold a nominal value of 10,000 7% USD Subordinated Bonds, 30,000 4.25% EUR Bonds 2013 and 6,000 4.25% EUR Bonds 2013. Interest paid to Executive Officers on these bonds during the financial year ending 31 December 2010 amounted to USD710.

In addition to their salaries, the Group also provides non-cash benefits to Directors and Executive Officers. Directors' compensations are disclosed in note 15.2 to these financial statements. Total remuneration payable to executive officers amounting to USD1,470,520 (2009: USD1,285,000) is included in "personnel expenses" (see note 15.2). This amount includes salary of an Executive Vice President who was appointed with effect from 1 March 2009.

As at 31 December 2010, executive officers had a total of 533,000 unexercised share options.

44.3 [other related party transactions](#)

On 31 December 2010 deposits by shareholders having significant influence amounted to USD130,735 (2009: USD51,850).

Amounts equivalent to USD73,686 (2009: USD53,505) and USD113,411 (2009: USD97,766) were charged by a shareholding company and Directors respectively for travelling and accommodation expenses in connection with the Board and Board Committee meetings of the Bank. Insurance services and consultancy and professional fees amounting to USD2,724 (2009: USD3,131) and USD590,257 (2009: USD516,676) respectively were charged by companies owned, directly and indirectly by the Bank's Directors and key management personnel.

Moreover, the Group has in place a consultancy agreement with a company owned indirectly by a Bank's Director with an outstanding committed value of EUR 204,822 (USD273,716 as at financial reporting date, 2009: USD 683,603).

44.4 [related party balances](#)

Information on amounts due to/by subsidiary companies, associated companies and jointly-controlled entities are set out in notes 23, 25, 26 and 34 to these financial statements. Amounts due to/by Key Management Personnel are disclosed in note 44.2 above. Amounts due to/by shareholders are disclosed in note 34 to these financial statements.

45 [financial commitments](#)

For 2011, the Board approved capital injections of up to USD12 million to be invested in new factoring joint ventures as well as to provide additional support to existing entities by way of additional capital.

46 capital commitments

At financial reporting date the Group had the following capital commitments:

	2010 USD	Group 2009 USD
Authorised and contracted for	5,875,539	10,597,932
Authorised but not contracted for	8,424,543	10,726,405
	14,300,082	21,324,337

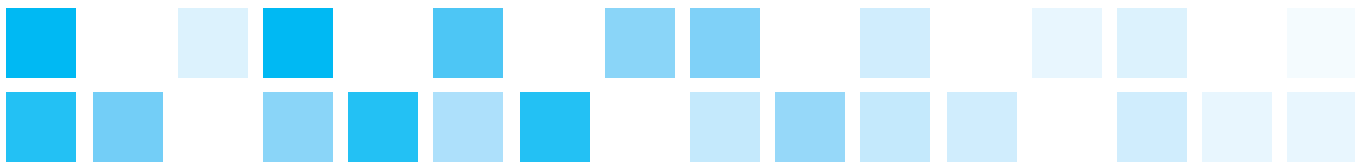
Group capital commitments relate to the development of a plot of land in Pendergardens, St Julian's, Malta into a building where the Group intends to house its head office. The expected completion year for this project is 2012.

47 subsequent events

There were no material events or transactions which took place after the financial reporting date and which would require disclosure in this annual report and financial statements.

48 comparative information

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



statement of the directors pursuant to listing rule 5.68

For the year ended 31 December 2010

We, the undersigned, declare that to the best of our knowledge, the financial statements set out on pages 32 to 107 prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and its subsidiaries included in the consolidation taken as a whole and that this report includes a fair review of the development and performance of the business and the position of the Bank and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board of Directors on 3 March 2011 by:

Najeeb H.M. Al-Saleh
Chairman

John C. Grech
Vice Chairman

report of the independent auditors

to the members of FIMBank p.l.c.

report on the financial statements

We have audited the financial statements of FIMBank p.l.c. (the "Bank") and of the Group of which the Bank is the parent, as set out on pages 32 to 107, which comprise the statements of financial position as at 31 December 2010 and the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

directors' responsibility for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act"), and the Banking Act, 1994 (Chapter 371, Laws of Malta), and, as regards the financial statements of the Group, Article 4 of the IAS Regulation, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 179 of the Act, and Article 31 of the Banking Act, 1994 (Chapter 371, Laws of Malta), and may not be appropriate for any other purpose.

In addition, we read the other information contained in the Annual Report 2010 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 material misstatements of fact or material inconsistencies with the financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

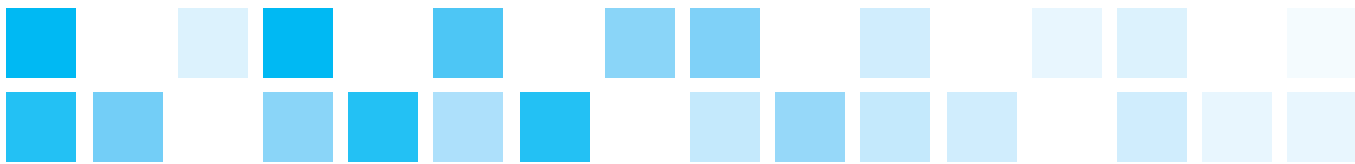
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the Group's and the Bank's financial position as at 31 December 2010, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been properly prepared in accordance with the Companies Act, 1995 (Chapter 386, Laws of Malta), the Banking Act, 1994 (Chapter 371, Laws of Malta), and, as regards the financial statements of the Group, Article 4 of the IAS Regulation.



report on other legal and regulatory requirements

Matters on which we are required to report by the Banking Act, 1994 (Chapter 371, Laws of Malta)

In our opinion:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- proper books of account have been kept by the Bank so far as appears from our examination thereof;
- the Bank's financial statements are in agreement with the books of account; and
- to the best of our knowledge and belief and, on the basis of the explanations given to us, the financial statements give the information required by law in force in the manner so required.

Matters on which we are required to report by exception by the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act"), other than those reported upon above

We have nothing to report in respect of the following matters where the Act requires us to report to you if, in our opinion:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- certain disclosures of directors' remuneration specified by the Act are not made.

Report required by Listing Rule 5.98 issued by the Listing Authority in Malta on the Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance (the "Principles") outlined in Appendix 5.1 to Chapter 5 (Continuing Obligations) of the Listing Rules (the "Appendix").

Listing Rule 5.97 requires an Issuer whose securities are admitted to trading on a Regulated Market operating in Malta to prepare a corporate governance statement. In addition, as an Issuer registered in Malta, Listing Rule 5.94 requires that the Bank endeavours to adopt the Principles and to prepare a report explaining how it has complied with the provisions of the Appendix.

Our responsibility as independent auditors of the Bank, is laid down by Listing Rule 5.98, which requires us to issue a report on the Directors' Statement of Compliance with the Principles, which is set out on pages 24 to 30.

We review the Directors' Statement of Compliance, and report as to whether this Statement provides the disclosures required by Listing Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control and risk management systems cover all the risks and controls in relation to the financial reporting process, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risks and control procedures, nor on the ability of the Group to continue in operational existence.

In our opinion, the Directors' Statement of Compliance set out on pages 24 to 30 provides the disclosures required by Listing Rule 5.97 issued by the Listing Authority of Malta.

Noel Mizzi (Partner) for and on behalf of

KPMG
Registered Auditors

3 March 2011

schedule I

income statement

Five Year Summary

Bank

	2010 USD	2009 USD	2008 USD	2007 USD	2006 USD
Interest income	14,300,606	13,321,974	26,111,791	22,870,430	17,800,866
Interest expense	(9,183,774)	(9,047,203)	(17,606,671)	(16,858,192)	(12,728,467)
Net interest income	5,116,832	4,274,771	8,505,120	6,012,238	5,072,399
Fee and commission income	15,237,631	14,925,150	16,128,175	12,420,609	10,326,421
Fee and commission expense	(1,387,338)	(1,556,711)	(1,288,088)	(946,703)	(1,011,842)
Net fee and commission income	13,850,293	13,368,439	14,840,087	11,473,906	9,314,579
Net trading income/(expense)	2,290,793	5,513,626	(4,858,802)	1,143,384	1,336,923
Dividend income	320	604	1,530,101	600,123	1,167,161
Profit on disposal of available-for-sale investment	-	46,956	-	-	-
Profit on disposal of associate	-	-	43,085,785	-	-
Other operating income	31,572	18,013	69,788	51,537	22,122
Operating income before net impairment losses	21,289,810	23,222,409	63,172,079	19,281,188	16,913,184
Net impairment loss on financial assets	(1,493,233)	(4,712,221)	(1,079,697)	(732,089)	(884,565)
Operating income	19,796,577	18,510,188	62,092,382	18,549,099	16,028,619
Administrative expenses	(16,900,731)	(16,761,113)	(19,324,672)	(14,528,885)	(11,826,533)
Depreciation and amortisation	(731,585)	(707,771)	(534,636)	(517,125)	(388,855)
Provision for liabilities and charges	-	-	(1,733,104)	-	-
Total operating expenses	(17,632,316)	(17,468,884)	(21,592,412)	(15,046,010)	(12,215,388)
Profit before income tax	2,164,261	1,041,304	40,499,970	3,503,089	3,813,231
Taxation	465,082	31,181	(9,963,462)	(394,689)	(335,671)
Profit for the year	2,629,343	1,072,485	30,536,508	3,108,400	3,477,560

schedule 11

statement of financial position

Five Year Summary

Bank

	2010 USD	2009 USD	2008 USD	2007 USD	2006 USD
ASSETS					
Balances with the Central Bank of Malta and cash	9,813,667	8,833,204	8,811,029	15,137,885	93,322
Financial assets at fair value through profit or loss	44,727,571	24,280,356	26,349,315	37,336,214	20,739,111
Loans and advances to banks	322,642,839	315,235,568	264,614,667	234,875,967	200,848,606
Loans and advances to customers	367,218,263	255,714,115	229,640,248	205,566,411	166,021,629
Investments available-for-sale	161,791	39,595	61,789	149,029	149,029
Investments in equity accounted investees	3,213,425	2,013,425	2,013,425	13,567,359	8,553,93
Investments in subsidiaries	64,234,312	53,412,291	49,394,666	37,392,666	37,392,666
Property and equipment	1,814,489	2,241,239	1,631,305	1,441,827	1,261,650
Intangible assets	740,651	549,270	589,825	463,678	397,782
Current tax recoverable	1,558,921	508,275	210,811	-	-
Deferred tax	2,325,553	1,683,183	1,285,255	1,206,759	734,945
Other assets	2,411,528	1,870,871	2,359,199	1,134,150	965,444
Prepayments and accrued income	2,540,034	2,110,959	2,044,412	1,503,348	1,203,991
Total assets	823,403,044	668,492,351	589,005,946	549,775,293	438,362,109
LIABILITIES AND EQUITY					
Liabilities					
Financial liabilities at fair value through profit or loss	2,425,331	1,152,782	1,159,079	255,540	263,248
Amounts owed to banks	329,976,491	227,151,376	211,163,939	272,381,082	246,296,826
Amounts owed to customers	285,048,980	271,532,067	252,147,811	180,034,363	121,995,315
Debt securities in issue	42,853,818	4,931,904	-	1,000,000	-
Subordinated debt	43,789,227	47,062,828	6,000,000	6,000,000	6,000,000
Provisions	1,733,104	1,733,104	1,733,104	-	-
Other liabilities	182,135	113,806	2,280	638,913	44,727
Accruals and deferred income	5,156,968	4,101,948	4,737,313	3,359,395	4,072,521
	711,166,054	557,779,815	476,943,526	463,669,293	378,672,637
Equity					
Share capital	67,976,317	67,713,477	67,428,196	54,946,953	43,084,340
Share premium	10,235,339	9,986,355	9,658,098	18,136,923	3,654,479
Fair value reserve	(51,665)	-	-	-	-
Other reserve	2,681,041	2,681,041	2,681,041	2,681,041	2,681,041
Retained earnings	31,395,958	30,331,663	32,295,085	10,341,083	10,269,612
	112,236,990	110,712,536	112,062,420	86,106,000	59,689,472
Total liabilities and equity	823,403,044	668,492,351	589,005,946	549,775,293	438,362,109
MEMORANDUM ITEMS					
Contingent liabilities	43,362,797	27,021,667	74,548,490	19,804,574	26,339,473
Commitments	170,860,031	167,848,294	197,444,877	239,187,505	214,271,759

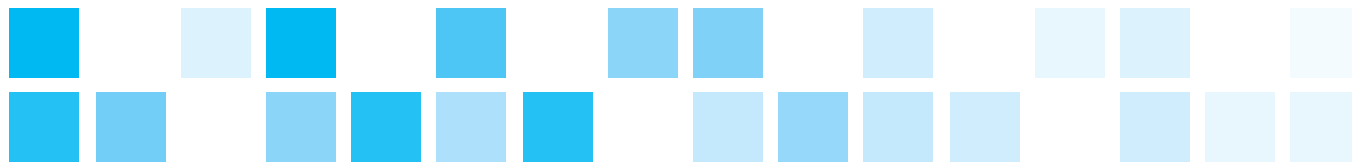
schedule III

cash flow statement

Five Year Summary

Bank

	2010 USD	2009 USD	2008 USD	2007 USD	2006 USD
Net cash flows from operating activities	(102,960,640)	(18,242,129)	56,618,404	(43,226,381)	(7,761,251)
Cash flows from investing activities					
Net payments to acquire property and equipment	(153,597)	(1,189,397)	(616,906)	(591,182)	(253,983)
Payments to acquire intangible assets	(342,619)	(87,759)	(226,765)	(166,076)	(442,674)
Purchase of equity shares	(1,200,000)	-	(8,300,000)	(5,013,425)	(2,294,746)
Investment in subsidiary	(10,822,021)	(4,017,625)	(2,000)	-	-
Proceeds from disposal of shares in equity accounted investees	-	-	41,173,634	-	-
Purchase of other investment	-	-	-	-	(15,429)
Proceeds from other investments	-	69,151	87,239	-	-
Receipt of dividend	320	604	1,530,101	600,123	1,167,161
Cash flows (used in) / generated from investing activities	(12,517,917)	(5,225,026)	33,645,303	(5,170,560)	(1,839,671)
Cash flows from financing activities					
Proceeds from issue of share capital	23,853	19,462	551,112	25,205,753	241,630
Debt securities in issue	(4,931,905)	4,931,904	(1,000,000)	1,000,000	(944,102)
Proceeds from issue of 4.25% bonds	43,396,399	-	-	-	-
Proceeds from issue of Subordinated debt	-	39,061,687	-	-	-
Repayment of Subordinated Convertible Loan	(857,143)	-	-	-	-
Dividends paid	(1,077,077)	(2,441,831)	(5,131,200)	(1,897,625)	(132,991)
Net cash flows from / (used in) financing activities	36,554,127	41,571,222	(5,580,088)	24,308,128	(835,463)
Increase / (decrease) in cash and cash equivalents	(78,924,430)	18,104,067	84,683,619	(24,088,813)	(10,436,385)
Cash and cash equivalents at beginning of year	103,695,367	85,591,300	907,681	24,996,494	35,432,879
Cash and cash equivalents at end of year	24,770,937	103,695,367	85,591,300	907,681	24,996,494



schedule I V

accounting ratios

Five Year Summary

Bank	2010 %	2009 %	2008 %	2007 %	2006 %
Net interest income and other operating income to total assets	2.75	3.71	10.94	3.68	4.09
Operating expenses to total assets	2.14	2.61	3.67	2.91	3.02
Profit before tax to total assets	0.26	0.16	6.88	0.64	0.87
Pre-tax return on capital employed	1.93	0.94	36.14	4.07	6.39
Profit after tax to equity	2.34	0.97	27.25	3.61	5.83
	2010	2009	2008	2007	2006
Weighted average number of shares in issue (000's)	135,753	135,231	133,235	88,487	85,986
Net assets per share (cents)*	82.56	81.75	84.11	81.09	57.85
Basic earnings per share (cents) *					
Basic	1.94c	0.79	22.92	2.93	3.37
Diluted	1.94c	0.90	21.94	3.12	3.49

* Ratios for 2006 to 2007 have been restated to reflect the number of shares in issue.

schedule V

additional regulatory disclosures

in terms of Banking Rule BR/07 "Publication of annual report and audited financial statements of credit institutions authorised under the Banking Act, 1994"

for the year ended 31 December 2010

1 introduction

1.1 background

This document comprises the Additional Regulatory Disclosures required by BR/07 as at 31 December 2010 for FIMBank plc (the "Bank") and its subsidiary undertakings (the "Group").

The Basel II framework was implemented in the European Union through the Capital Requirement Directive ("CRD"). The framework is based around three Pillars;

- Pillar 1 caters for the minimum capital requirements which define the rules for calculation of credit, market and operational risk;
- Pillar 2 requires banks to undertake an Internal Capital Adequacy Assessment Process (ICAAP) for risks not covered under Pillar 1; and
- Pillar 3 which complements the minimum capital requirements under Pillar 1 and the ICAAP under Pillar 2 by providing key information on the Group's risk exposures, the risk management process to mitigate these risks and the Group's capital adequacy calculation. The disclosure requirements under Pillar 3 are of both quantitative and qualitative nature and are provided at a consolidated level

1.2 basis and frequency of disclosures

These disclosures are based on 31 December 2010 year-end data

After due consideration of the size and complexity of the Group's operations, it was decided that the Pillar 3 disclosures document will be updated on an annual basis. However, any material change in the approaches or permissions used to calculate capital requirements will be disclosed as it arises.

1.3 location and verification

The Pillar 3 disclosures have been reviewed by the Bank's senior management and have been subject to the verification of KPMG so as to ensure compliance to the requirements laid out in BR/07.

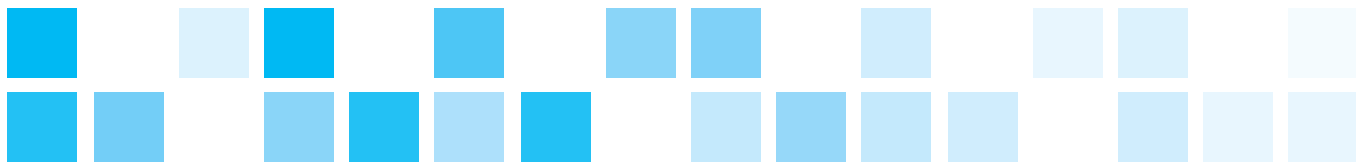
The Pillar 3 disclosure document is also published on the Bank's corporate website. This can be found at www.fimbank.com.

2 risk governance

2.1 FIMBank Risk Management function

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 to Management the task of creating an effective control environment to the highest possible standards and in line with the Bank's Articles also established the following committees in order to assist Directors in the oversight of its functions:

- Executive Committee
- Audit Committee
- Risk Committees
- Asset-Liability Committee



2.2 board and senior management committees responsibilities

Risk, capital and liquidity management strategies are the responsibilities of the Board Risk Committee, the Management Risk Committee and the ALCO. Details of the composition and responsibilities of these Committees are laid out in the Statement of Compliance with the Principles of Good Governance Section in page 24 of the Annual Report.

3 scope of application of applicable consolidated requirements

3.1 overall scoping

As disclosed in the Directors Report in page 17 of the Annual Report, the FIMBank Group (the "Group") is composed of FIMBank p.l.c. (the "Bank"), a credit institution licensed under the Banking Act, 1994, and its wholly owned subsidiaries, London Forfaiting Company Limited ("LFC"), FIM Business Solutions Limited ("FBS"), FIM Property Investment Limited ("FPI") and FIMFactors B.V. ("FIMFactors"). LFC is itself a parent of a number of subsidiaries as set out in note 27.3 to the financial statements whilst FIMFactors is the parent of a fully owned subsidiary Menafactors Limited ("Menafactors") The Group also holds a significant interest in the associated entities namely, The Egyptian Company for Factoring S.A.E. ("Egypt Factors" - 40% holding), CIS Factors Holdings B.V. ("CIS Factors" - 40% holding), India Factoring and Finance Solutions Private Limited ("India Factoring" - 49% holding) and Levant Factors S.A.L. ("Levant Factors" - 25% holding).

Both FIMBank p.l.c. and the Group are supervised on a "solo" and "consolidated" basis in terms of Banking Rule 10 "Supervision on a Consolidated Basis of Credit Institutions authorised under the Banking Act 1994".

3.2 basis of consolidation

At 31 December 2010, all Group entities were consolidated as outlined below.

3.2.1 *London Forfaiting Company Limited ("LFC")*

LFC, a wholly owned subsidiary, 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.

LFC is consolidated within the Group on a line-by-line basis.

3.2.2 *FIMFactors B.V. ("FIMFactors")*

FIMFactors B.V., a wholly owned subsidiary registered in the Netherlands, is the corporate vehicle for FIMBank's holdings in factoring joint ventures and associated companies. At 31 December 2010, FIMFactors holds the Group's investments in Menafactors, CIS Factors and India Factoring.

FIMFactors is consolidated within the Group on a line-by-line basis.

3.2.3 *Menafactors Limited ("Menafactors")*

Menafactors, a wholly owned subsidiary, is incorporated in the United Arab Emirates and is licensed by the Dubai Financial Services Authority to provide international factoring and forfaiting services in the Gulf and MENA region. Menafactors also holds the Group's investment in Levant Factors as set out in the Directors Report of the Annual Report and Note 25.5 to the financial statements.

Menafactors is consolidated within the Group on a line-by-line basis while the results of its associate, Levant Factors – a factoring company incorporated in Beirut, Lebanon, are included in Menafactors and in the Group, using the "equity method" of accounting. This investment is not deducted from the Group's own funds.

3.2.4 *FIM Business Solutions Limited (“FBS”) and FIM Property Investment Limited (“FPI”)*

FBS and FPI are two entities specifically set-up to provide ancillary services to other Group entities and/or third parties.

FBS, a wholly owned subsidiary registered in Malta, has as its primary purpose the provision of information technology and support services to the Group and its associated companies, to correspondent banks as well as to third party factoring services providers.

FPI, a wholly owned subsidiary registered in Malta has been set up with the primary objective to plan, construct and complete FIMBank’s Group head office in Malta. FIM Property Investment Limited will also be responsible for the day-to-day management of the purposely built office block and leasing, if any, of space for commercial purposes.

Both FBS and FPI are consolidated to the Group on a line-by-line basis.

3.2.5 *The Egyptian Company for Factoring S.A.E. (“Egypt Factors”)*

The Bank also holds a 40% equity investment in Egypt Factors, a company incorporated in Egypt, where the other shareholders are Commercial International Bank (Egypt) holding 40% and International Finance Corporation (“IFC”) holding 20% of the shares. Egypt Factors is active in providing international factoring and forfaiting services to Egyptian and other Middle Eastern exporting companies.

Egypt Factors is included to the Group using the “equity method” of accounting and the investment is deducted from the Group’s own funds.

3.2.6 *CIS Factors Holdings B.V. (“CIS Factors”)*

CIS Factors is a company set-up under the laws of the Netherlands with the aim to serve as an investment vehicle for a factoring company to be incorporated under the laws of the Russian Federation and which will provide factoring services in Russia. The Group has a 40% holding in CIS Factors, with the other shareholders being Joint Stock Bank Transcapitalbank (“Transcapitalbank”) and the International Finance Corporation (“IFC”), holding 40% and 20% respectively.

CIS Factors is included to the Group using the “equity method” of accounting and the investment is not deducted from the Group’s own funds.

3.2.7 *India Factoring and Finance Solutions Private Limited (“India Factoring”)*

India Factoring is a company incorporated under Indian law with the aim to provide factoring, forfaiting and trade finance related activities in India. The Group holds 49% of the Company’s shareholding, The other shareholders are Punjab National Bank (30%), Banca IFIS (10%), Blend Financial Services Limited (1%) and India Factoring Employee Welfare Trust (10%). India Factoring was granted an operating license in December 2010 and is regulated by the Reserve Bank of India.

India Factoring is included to the Group using the “equity method” of accounting and the investment is deducted from the Group’s own funds.

4 Identification of risks

The Group identified the following Pillar 1 and Pillar 2 risks as being significant and manages such risks as detailed below;

- Credit Risk and Concentration Risk;
- Operational – incorporating legal and compliance and insurance risk;
- Market risk – incorporating foreign currency risk, interest rate risk and other price risk;
- Liquidity risk;
- Reputational Risk;



- Information Technology Risk;
- Settlement risk; and
- Strategic and business risk

In the following sections we lay out the manner in which the Group manages and mitigates the above mentioned risks and it is indicated whether such risks are allocated a capital charge under Pillar 1 and Pillar 2.

4.1 [pillar 1 risks for which a capital allocation is made](#)

4.1.1 [credit risk](#)

Credit risk is the risk that one party to a financial transaction might fail to discharge an obligation and cause the other party to incur a financial loss. The Group finances international trade in many countries worldwide, especially emerging markets, which in turn entails an exposure to sovereign, bank and corporate credit risk respectively. Credit risk is not only akin to loans but also to other on- and off-balance sheet exposures such as letters of credit, guarantees, acceptances and money market operations.

4.1.1.1 [minimum capital requirements under pillar 1: credit risk](#)

The Group calculates the overall minimum capital requirement for credit risk using the Standardised Approach to credit risk as defined in Banking Rule BR/04 "Capital Requirements of Credit Institutions Authorised under the Banking Act 1994" expressed as 8% of the risk weighted exposure amounts for each of the Standardised Credit Risk Exposure Classes.

Type of exposure:	Notional Risk Weight	Minimum Capital Requirement (8%)
		2010
		USD
Sovereign	19,495,085	1,559,607
Institutions (Banks)	317,941,726	25,435,338
Corporates	283,960,343	22,716,827
Retail	532,501	42,600
Retail secured by real estate	1,549,873	123,990
Other items	38,546,538	3,083,723
	662,026,066	52,962,085

4.1.1.2 [credit risk management principles and strategy](#)

Strict credit assessment and control procedures are in place in order to monitor credit exposures. The Board Risk Committee is responsible for overseeing the Group's credit policy and risk, for 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 Board Risk Committee is also responsible for the oversight of operational, legal and reputation risk related to credit activity. Certain powers of the Board Risk Committee have been delegated to the Management Risk Committee as set out in the Statement of Compliance with the Principles of Good Corporate Governance in page 24 of the Annual Report. Additional limits of authority based on specific criteria and up to a maximum of USD3 million have been delegated to Management.

All on- and off- balance sheet exposures are approved after a thorough review of the counterparties' credit worthiness. This is done by primarily evaluating the risk rating of the counterparty by reference to established Rating Agencies. In the absence of this and when it is deemed appropriate to do so, review is also done by means of other assessment criteria, including but not limited to, financial statement review.

The Group also ensures that it has a reasonable mix of loans to customers. This diversification of credit among different economic sectors is a policy adopted by the Group to control such risks. The Group also 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 arise from the normal course of banking operations. In the case of such risks the Group exercises the same credit controls as those applied to on-balance sheet risks.

The Group maintains a prudent provisioning policy in accordance with the applicable laws and regulations to ensure that losses are immediately recognised in the income statements. Efforts at recovering losses incurred in past financial periods are continuous.

4.1.1.3 *credit risk limit setting and monitoring*

Over the years, the Group has established policies requiring limits on counterparties, countries as well as specific sectors, and industries, thus ensuring a more-diversified on and off-balance sheet lending portfolios.

Single-name counterparty limits follow the prudential rules adopted throughout European banking legislation (in Malta BR02/2007), which apply maximum limits for large exposures. A large exposure is defined as a consolidated exposure to a single entity or an economic group that exceeds 10% of a bank's regulatory capital (Tier 1 plus Tier 2). The maximum limit is 25% of regulatory capital. It must also be noted that a further prudential rule-of-thumb followed by the Group on large exposures is that initial lending limits for new counterparties are usually set at a much lower level than the bank's legal lending limit. These limits might either remain at the original level, based on ongoing credit research on the name, or build up towards the legal lending limit in a gradual manner, as the knowledge of the counterparty by the bank consolidates through time.

Concentration risk by geographical region/country is monitored by the Executive Committee, which set up a specific policy for country risk concentration. This policy defines a ceiling – in terms of percentage of the Group's own funds - for each individual country exposure, which is linked to the rating granted to each country by international rating agencies. The ceiling increases (up to a maximum of 100% of the Bank's own funds for investment grade countries) with the rating of the country. As for single-name limits, country limits do not automatically increase to the pre-defined ceiling, as the initial assessment is based on the country's specific economic, financial and political risk conditions.

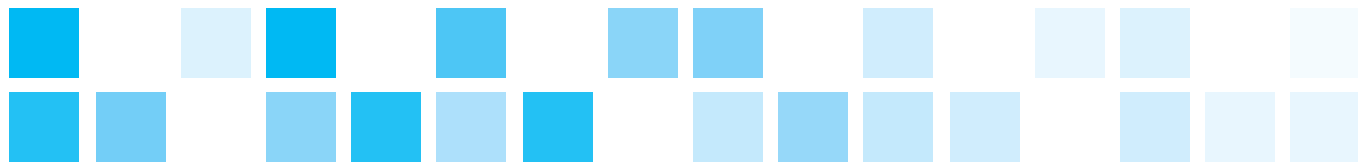
Concentration risk by sector is mitigated by the particular nature of the Group's business, i.e. a specialised trade finance institution with a focus on Emerging Markets. Most of the bank's exposure relates to banks' risk, located in a number of geographies and hence diversified by virtue of the country limit policy specified in the above paragraph, which usually guarantee/ confirm the payment risk of the importers under international trade finance operations. Exposure to particular sectors is monitored indirectly through monitoring of the trends of the underlying commodities. Exposure to corporate entities in many cases consists of bridge financing towards a sale of goods/commodities eventually covered by a bank guarantee (provided by the bank of the ultimate buyer of the goods). Other specialised sectors of exposure, in particular shipping pre-demolition finance, which are collateralised through a mortgage on each vessel financed, are assigned an overall sector limit by the bank's Risk Committee, which is reviewed regularly.

4.1.1.4 *collateral and credit risk mitigation*

In addition, the Group also makes use of different types of collaterals, all aimed at mitigating credit risk within on- and off - balance sheet credit facilities.

Main types of collaterals taken and concentrations in credit risk mitigations

Exposures to both financial institutions and corporate clients are typically secured either by property (including shipping vessels), cash collateral, credit insurance cover, personal or bank guarantees or by pledged goods. These collaterals are reviewed periodically by Management both in terms of exposure to the Bank and the Group and to ensure the validity and enforceability of the security taken. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2010 and 2009. An estimate of the fair value of collateral and other security enhancements held against the Group's Lending portfolio is set out in Note 4.2 to the financial statements, extended to cover off-balance sheet commitments and contingent liabilities as detailed below:



Group	Loans & Advances to Banks	Loans & Advances to Customers	Commitments & Contingent Liabilities
	2010 USD	2010 USD	2010 USD
Against neither past due nor impaired			
Cash or quasi cash	10,051,902	20,769,386	11,930,329
Property	-	26,223,599	32,865
Other	15,687,598	65,461,566	13,957,758
Against impaired			
Cash or quasi cash	46,952	-	-
Property	-	414,442	-
Other	-	1,224,807	-
	25,786,452	114,093,800	25,920,952

As FIMBank is mainly engaged in structured trade finance related to basic commodities (oil, steel, sugar, rice, etc.), the value of goods representing collateral for such facilities can be easily determined by monitoring the market prices of such commodities. Screen prices are readily available on several commodities exchanges and monitored on a daily basis by risk management. Collateral management is performed on FIMBank's behalf by specialised companies (SGS, Bureau Veritas, Control Union, etc.) appointed ad hoc for a particular transaction. Collateral management agreements are usually tri-partite agreements (between FIMBank, the borrower and the collateral manager) and give FIMBank title to the goods held as collateral.

4.1.1.5 *exposure to credit risk*

The table below illustrates the total amount of net exposures as at 31 December 2010, prior to taking into account the effects of credit risk mitigation and the average for the financial year ending 31 December 2010:

Type of exposure	Total at 31 December 2010	Average for the year ended 31 December 2010
	USD	USD
Loans and advances to banks	326,474,603	374,190,859
Loans and advances to customers	223,166,336	158,995,504
Trading assets and Financial assets designated at fair value through profit or loss	249,145,513	180,408,240
Investments available-for-sale	162,493	107,138
Investments in equity accounted investees	15,292,913	9,855,391

credit risk exposure by region

The geographic distribution of the Group exposures as at 31 December 2010, broken down in significant areas by the same exposure classes shown in the previous table is set out in Note 4.2 to the financial statements.

credit risk exposure by sector

Note 4.2 to the financial statements also sets out the distribution of the Group's exposures as at 31 December 2010 by sector.

credit risk exposures by maturity

The residual maturity breakdown of the Group's exposures as at 31 December 2010, broken down by exposure classes is set out in Note 4.3 to the financial statements.

4.1.1.6 credit risk weights and ECAs

The Group classifies its on- and off- balance sheet exposures under the following “exposure classes” (as defined in Banking Rule BR/04 “Capital Requirements of Credit Institutions Authorised under the Banking Act 1994”):

- Central governments or central banks;
- Institutions;
- Corporates;
- Retail;
- Retail secured by real estate;
- Other items.

When calculating the risk-weighted exposure amounts for each of the above exposure classes in accordance with the Standardised Approach to credit risk as detailed in Banking Rule BR/04, the Group applies the ratings of the following External Credit Assessment Institutions in determining the appropriate credit quality step:

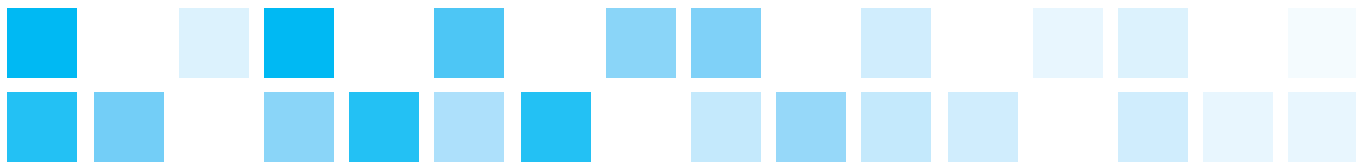
- Fitch Ratings;
- Moody’s; or
- Standard & Poor’s.

Fitch Ratings is used as the primary reference agency and if a particular exposure is not rated by Fitch Ratings reference would be made to the lower rating between Moody’s or Standard & Poor’s.

The Group complies with the standard association of exposure ratings to credit quality steps as detailed in Banking Rule BR/04.

At 31 December 2010, the Group carried the following exposures:

Exposure class	Credit quality step	Exposure values	Credit risk mitigation	Net exposure
		USD	USD	USD
Central governments or central banks	20%	10,442,286	-	10,442,286
	50%	8,750,000	-	8,750,000
	100%	14,631,628	-	14,631,628
		33,823,914	-	33,823,914
Institutions	20%	237,358,861	-	237,358,861
	50%	124,536,074	(291,203)	124,244,871
	100%	257,028,776	(31,434,100)	225,594,676
	150%	199,885	-	199,885
	619,123,596	(31,725,303)	587,398,293	
Corporates	0%	2,051,884	-	2,051,884
	50%	27,532,950	-	27,532,950
	100%	308,854,924	(36,192,211)	272,662,713
	150%	15,000,702	-	15,000,702
	353,440,460	(36,192,211)	317,248,249	
Retail	75%	4,738,812	(4,028,810)	710,002
		4,738,812	(4,028,810)	710,002
Retail secured by real estate	75%	-	-	-
	100%	2,558,995	(2,217,850)	341,145
		2,558,995	(2,217,850)	341,145
Other items	0%	12,333,089	-	12,333,089
	100%	75,559,684	-	75,559,684
		87,892,773	-	87,892,773



4.1.1.7 *asset quality*

past due and impaired facilities

“Impaired” facilities are exposures for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

On the other hand, “past due but not impaired” facilities are exposures where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security /collateral available and/or the stage of collection of amounts owed to the Group.

The following table provides details of the Group’s gross impaired exposures (excluding related “interest in suspense”, “fee income in suspense” and any collateral held or other credit enhancement):

	Loans and advances to Banks 2010 USD	Loans and advances to Customers 2010 USD
Impaired exposures	4,699,363	25,123,470
Past due exposures	-	-
Total	4,699,363	25,123,470

The geographic and industry sector distribution of gross impaired exposures as at 31 December 2010 are as follows:

	Loans and advances to Banks 2010 USD	Loans and advances to Customers 2010 USD
Europe	-	4,733,398
Sub-Sahara Africa	-	-
North Africa & Middle East	1,437,170	9,029,092
Commonwealth of Independent States	3,262,193	10,408,265
Others	-	952,715
Total	4,699,363	25,123,470

	Loans and advances to Banks 2010 USD	Loans and advances to Customers 2010 USD
Industrial raw materials	-	5,318,549
Ship pre-demolition	-	-
Wholesale and retail trade	-	7,814,986
Financial Intermediation	4,699,363	-
Others	-	11,989,935
Total	4,699,363	25,123,470

credit reserves

The Group has in place credit reserves that represent its estimate of incurred losses in its loan portfolio. The main components of these reserves are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment. Both specific and collective reserves are based on the models laid down in Banking Rules and International Financial Reporting Standards.

specific impairments

Review of all Group exposures is made on an on-going basis and an identification of a facility which encroaches its terms and conditions would trigger a specific impairment process and a possible charge to the credit reserve.

The basis of allocating amounts to the specific credit reserve is generally dependant on the grading of the exposure assigned to it in accordance with Banking Rule 09 "Credit and Country Risk Provisioning of Credit Institutions Licenced under the Banking Act 1994". Specific provisions are calculated as a percentage (%) of the unsecured exposure as follows:

Grading	% provision
Regular	0
Watch	5
Sub-standard	20
Doubtful	50 to 100
Loss	100

collective impairments

For those exposures where no individual impairment is identified, the Group takes a charge to a collective credit reserve based on an incurred loss model approach for potential losses. The reserve is calculated as a percentage (%) of unsecured on- and off- balance sheet assets which percentage would be based on the average credit rating of the same assets. Excluded from the model are assets with very low risk potential, including cash assets, deposits with investment grade counterparties and assets carried at fair value (as opposed to amortised cost). Moreover, a reduced charge of 50% is taken on assets covered by a "strong" security, that is to say assets having Immovable Property or Shipping Vessels as collateral.

value adjustments and provisions

The Group's business portfolio comprises assets which are measured at either "fair value" or "amortised cost".

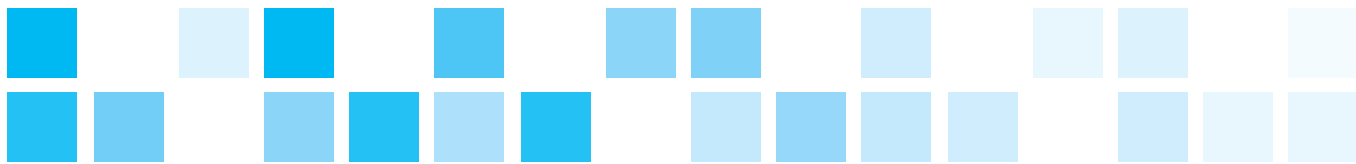
i. Instruments measured at fair value and amortised cost

The accounting measurement of these instruments are set out and explained in detail in Note 5 to the financial statements for 2010.

ii. Changes in the fair value and provisions for impaired exposures

The following table reconciles the total fair value mark downs and provisions for impaired exposures (specific provisions) together with a reconciliation for the financial year ending 31 December 2010:

	Measured at fair value		Measured at amortised cost
	Trading assets	Financial assets designated at fair value through profit or loss	Loans and advances to banks and customers
	USD	USD	USD
Accumulated fair value/provisions at 1 January 2010	9,930,238	1,250,000	13,585,065
Reclassification of fair value adjustments and provisions for Non-Current Assets classified as held- for-sale	-	(254,297)	1,515,042
Increase in provisions	2,227,480	1,533,685	2,533,683
Reversal of provisions	(5,470,902)	(1,308,668)	(1,429,737)
Foreign exchange differences	-	-	(186,739)
Accumulated fair value/provisions at 31 December 2010	6,686,816	1,220,720	16,017,314



4.1.1.8 *credit derivatives*

The Group does not enter into credit derivative contracts and no such hedges were carried as at 31 December 2010.

4.1.2 *operational risk*

Operational risk arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses.

The factors that may contribute to Operational Risk are described in detail in Note 4.5 to the financial statements.

4.1.2.1 *minimum capital requirement: operational risk*

The following table shows the Group's overall minimum capital charges for operational risk in accordance with the Basic Indicator Approach to as defined in Banking Rule BR/04 "Capital Requirements of Credit Institutions Authorised under the Banking Act 1994":

	2010 USD
Gross income:	
Financial year ending 31/12/2009	34,568,136
Financial year ending 31/12/2008	36,552,832
Financial year ending 31/12/2007	27,517,453
Average gross income	32,879,474
Capital requirement (15%)	4,931,921
Notional Risk Weight	61,649,013

4.1.2.2 *management and mitigation of operational risk*

In calculating the capital requirement for Operational Risk, the Group has adopted the Basic Indicator approach as detailed in paragraph 5 of Section 1.1 of Appendix 4 of Banking Rule BR/04 "Capital Requirements of Credit Institutions Authorised under the Banking Act 1994". Under this approach, the capital requirement for operational risk is equal to 15% of the relevant indicator, being the average over three years of the sum of net interest income and net non-interest income.

In addition to this, and in line with the Basel II framework, the Group assesses whether this resulting capital charge is enough in meeting potential losses arising from operational risks. This is done through the use of a number of risk indicators. Key risk indicators are statistics/metrics, often financial, intended to provide insight on the exposure to the effectiveness of operational risk management or controls. These indicators tend to be reviewed on a periodic basis to alert banks to changes that may be indicative of risk concerns and may include the number and severity of failed (due to fraud, errors, omissions, etc) transactions, staff turnover rates, systems' down-time, type and materiality of losses, etc. The Group has invested heavily in information technology and disaster recovery and contingency systems to assist its Management to control this risk.

At 31 December 2010, the Group took an Operational Risk capital charge as disclosed in section 4.1.2.1 and Note 4.6 to the financial statements.

4.1.3 *market risk*

Market risk for the Group is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

4.1.3.1 *management and mitigation of market risk*

The Group has implemented policies, established limits as well as maintains currency and interest derivative contracts, aimed at mitigating market risks.

4.1.3.2 *foreign exchange risk*

Currency risk is mitigated by a closely monitored currency position policy and is managed through matching within the foreign currency portfolio. However mismatches could arise where the Group enters into foreign exchange transactions (say 'foreign currency swaps') which could result in an on-balance sheet mismatch mitigated by an off-balance sheet hedging contract. Other mismatches are allowed up to an established threshold, and any excesses are regularised immediately. The Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies spot or forward rates when considered appropriate.

4.1.3.3 *minimum capital requirement: market risk*

When calculating its capital requirements, the Group also considers its Net Open Foreign Currency Position (Basic Method) in terms of Banking Rule BR/08. Through this approach, each net currency position is analysed and a capital charge is taken on the net short or long currency exposure.

At 31 December 2010, the Group took a Foreign Exchange capital charge as follows:

Foreign Currency	Long position	Short position
	USD equivalent	USD equivalent
Australian Dollar (AUD)	303	-
Canadian Dollar (CAD)	11,032	-
Swiss Franc (CHF)	125,065	-
Danish Krone (DKK)	691	-
Euro (EUR)	-	525,145
British Pound (GBP)	-	771,959
Japanese Yen (JPY)	8,250	-
Norwegian Kroner (NOK)	6,164	-
Swedish Krona (SEK)	353	-
Other Foreign Currencies	414,643	-
Total position	566,501	1,297,104
Notional Risk Weight	-	1,297,104
8% Capital requirement	-	103,768

4.2 *pillar 1 risks for which no capital allocation is made*

4.2.1 *liquidity risk*

Liquidity risk is the risk that the Group may be unable to meet its obligations as they become due because of an inability to liquidate assets or obtain adequate funding ("funding liquidity risk") or that it cannot easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions ("market liquidity risk").

management and mitigation of liquidity risk

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. The Group's 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 daily application of the asset and liability management policies rests with the Treasury Unit of the Group. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity Risk Management is described in detail in Note 4.3 of the FIMBank plc Annual Report of 2010.

Notwithstanding no capital charge is taken under the Pillar 1 Framework, an additional capital charge is taken under Pillar 2 as disclosed in Note 4.3.5 to this Schedule.



4.2.2 *exposures to interest rate risk in the non-trading book*

Interest rate risk refers to the exposure of the Group and Group's financial instruments to movements in interest rates. The risk impacts the earnings of the Group as a result of changes in the economic value of its assets, liabilities and off-balance sheet instruments. The Group's operations are subject to 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, interest rate risk in the non-trading book is managed through the use of maturity/repricing schedules that distribute interest-bearing assets and liabilities into different time bands. The determination of each instrument into the appropriate time period is dependant on the contractual maturity (if fixed rate) or time remaining to their next repricing date (if floating rate). This method also referred to as "gap analysis", will eventually portray the Group's sensitivity of earnings and capital to changing interest rates.

A positive, or asset-sensitive, gap arises when assets (both on- and off- balance sheet) exceed liabilities in the corresponding time band, and this implies that the Group's net interest income (and therefore capital) could decline as a result of a decrease in the level of interest. To the contrary, a negative, or liability-sensitive, gap implies that net interest income could decrease as a result of an increase in interest rates. Note 4.4 to the financial statements details the effect to the Group's assets and liabilities as at 31 December 2010 due to a change of +/- 100 basis points in interest rate.

Notwithstanding that no capital charge is taken under the Pillar 1 Framework, an additional capital charge is taken under Pillar 2 as disclosed in Note 4.3.2 to this Schedule.

4.2.3 *non-trading book exposures in equities*

The only Group's exposure to equities is in its non-trading book and such equities are in unlisted entities.

The accounting and valuation methodologies differ depending on the percentage (%) holding and marketability of the instruments.

equity investments less than 10%

Equity investments comprising less than 10% of the investee company's capital are classified as "available-for-sale". All equity securities carried by the group are not listed on an exchange and there is no readily available active market. As such these unquoted securities are carried at cost less impairment losses.

At 31 December 2010, the Group had USD162,493 in equity investments. Whilst there is no active market for these investments, fair value has been determined by reference to broker prices, with fair value movement recognised net of deferred tax in fair value reserve.

equity investments between 10% and 50%

Equity investments comprising between 10% and 50% of the investee company's capital are classified as "associates" and are accounted for using the equity method (equity accounted investees) and are recognised at cost less impairment allowances.

The consolidated financial statements include the Group's share of the income and expenses and equity movement of equity accounted investees, after adjustments to align the accounting policies with those of the Group. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

This accounting treatment is also applied on those investments where the Group has joint control (50%) over the strategic, financial and operational decisions of the investee.

All investments in associates and jointly-controlled entities are made in line with the Group's strategic objectives of investing in trade-finance related companies.

equity investments exceeding 50%

Equity investments exceeding 50% of the investee company's capital are classified as "subsidiaries" and are fully consolidated in the Group results and financial position. The equity investment in the Group's financial statements is therefore replaced by the financial result and position of the subsidiary, net of any minority interests.

4.3 *pillar 2 risks for which a capital allocation is made*

4.3.1 *market risk: foreign exchange derivative contracts*

As part of its day-to-day foreign exchange management, the Group enters into foreign exchange derivative contracts to hedge its foreign currency position. These derivative contracts, generally in the form of forward and swap contracts do not form part of a "trading book" and are therefore excluded from Pillar 1 calculations. However, an additional capital charge is taken under the Pillar II framework.

The calculation is based on the "marked-to-market" approach as laid down in Annex IV of Banking Rule IV "Capital Requirements of Credit Institutions Authorised under Banking Act, 1994". The percentage capital charge would be dependant on the residual maturity of the contract as at the point of calculating the capital charge as follows:

Residual maturity	Notional risk weight (%)
Less than 1 year	1%
1 year to 5 years	5%
More than 5 years	7.5%

The Group allocated an additional capital charge for foreign exchange derivative contracts under the Pillar II framework as at 31 December 2009.

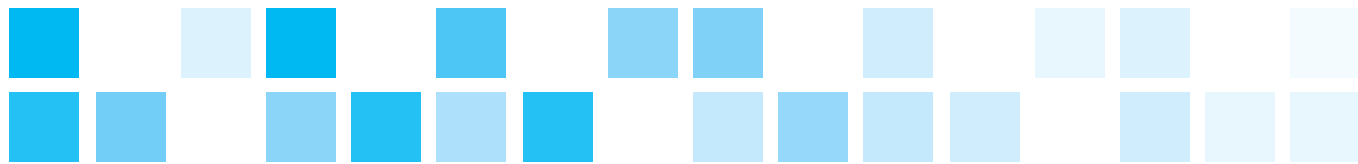
4.3.2 *market risk: interest rate risk*

The Group assesses the need of allocating capital against interest rate risk, under the Basel II Pillar 2 framework. To evaluate capital exposure, the "repricing gap" resulting from the subtraction of interest rate-bearing liabilities in each time band from the corresponding interest rate-bearing assets is weighted by a factor that is designed to reflect the sensitivity of the positions in the different time bands to an assumed change in interest rate. These weights are based on estimates of the duration of the assets and liabilities that fall into each time band. In its simplest form, duration measures changes in economic value resulting from a percentage change in interest rates under the assumptions that changes in value are proportional to changes in the level of interest rates and that the timing of payments is fixed. For the purpose of this exercise, the Group uses the modified duration model which takes into account the elasticity in interest rates and reflects the percentage change in the economic value of the instrument for a given percentage change in interest rates. A +/- 200 basis point shock is used in the model. As at 31 December 2009, the Group allocated capital for interest rate risk.

4.3.3 *market risk: other price risk*

Other price risk arises out of changes in market values not related to changes in interest rates or foreign currency. Generally, these would be factors directly related to the issuer's or exposure's financial stability and performance.

As set out in Note 4.4 to the accounts, the Group's exposure to price risk is considered relevant in the case of bonds and credit linked notes portfolios which are both measured by reference to their quoted market values in active markets. Price risk is deemed to be less relevant for the forfeiting portfolio. These assets do not have observable market prices and their fair value is determined through the use of valuation techniques, including net present value and discounted cash flow models, which require varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instruments. Notwithstanding this, the Group endeavours to mitigate any price risk by building a diversified forfeiting portfolio with different geographical exposure.



For marketable securities, price risk is mainly mitigated by investing in a diversified portfolio of instruments in industries and regions where the Group has specialised knowledge and expertise. The marketable securities portfolio is monitored on a daily basis and decisions to sell assets prior to or to hold until maturity depends on the Group's outlook of the underlying assets as well as liquidity requirements and profit opportunity arising out of the disposal of an instrument.

As disclosed in Note 4.4 to the financial statements, changes in the market value of marketable securities are recorded in the Group's income statement, directly impacting equity. An increase in the price of instruments would increase the value of the underlying asset and would therefore result in an increase in equity. A decrease in prices would have an opposite effect on both value of instruments and equity.

Due to the different nature of the two portfolios of marketable securities carried by the Group, significant differences in their price volatilities can be noted across similar periods of time. When compared to credit linked notes, cash bonds tend to have higher price volatility. To this extent, shocks of 10% and 1% are assumed on bonds and credit linked notes respectively. The Group assess the requirement for a capital allocation against other price risk under the Pillar 2 framework and a capital charge has been allocated against such risks as at 31 December 2009.

4.3.4 *credit risk: concentration risk*

In addition to policies aimed at managing credit risk and concentrations within credit portfolios as set out in Note 4.2 to the accounts and Section 4.1.1, the Group assesses the requirement for an additional capital charge against undesired concentrations across various portfolios. The Group uses the Herfindhal-Hirschmann index (HHI) in assessing concentrations within single/connected counterparties, countries and industries/sectors. A capital charge was allocated against concentrations in industries as at 31 December 2009.

4.3.5 *liquidity risk: concentration risk*

Note 4.3 to the financial statements and Section 4.2.1 set out the Group's policies, tools and other mitigants used in managing liquidity risk. The Group also uses the Herfindhal-Hirschmann index (HHI) at assessing the need of capital allocation against concentrations in terms of single/connected counterparties, countries and industries within its funding liabilities. Capital charges against detected concentrations in liabilities help in having the Group's business units more vigilant against concentrations in funding sources. A capital charge was allocated against funding concentrations within industries as at 31 December 2009.

4.3.6 *reputational risk*

Reputational risk is the risk that negative publicity on the Group's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. Reputational risk could be particularly damaging for the Group since the nature of its business requires maintaining the confidence of depositors, creditors, regulatory authorities and of the general marketplace.

Reputational risk arises from operational failures, failure to comply with relevant laws and regulations especially Anti-Money Laundering (AML) and Anti-Terrorism Financing (ATF) regulations or from other sources, including acts or omissions of misconduct on the part of its Directors and/or officers and/or representatives overseas, even in matters which are unrelated to their mandate or position within the Group. The impact to the Group for non compliance with the applicable regulations can be substantial and can include formal enforcement actions, monetary penalties, informal enforcement actions, and enhanced supervisory monitoring.

To this purpose, detailed AML, ATF and fraud documentation policies and procedures, a robust Customer Acceptance Policy as well as a strong and capillary oversight by the Group's Board and Management have been devised. The Group uses qualitative research tools to assess the adequacy of prospective clients and transactions and implemented Anti-Money Laundering software for the screening of incoming and outgoing messages and payments as well as rating of corporate and business relationships. Through such rigid procedures, the Group would be able to identify transactions and clients which pose a higher risk compared to others. These include Politically Exposed Persons ("PEPs"), clients and transactions deriving from a non-compliant jurisdiction and correspondent banking. In addition, reputational risk is also indirectly mitigated through the setting of Country Limits. Some of the criteria used in setting up a transaction limit for particular countries are closely related to reputational risk, including issues relating to the political environment such as the fairness and frequency of election process and access to power and effectiveness in reforming political systems and implementing economic agendas.

The Group has also installed adequate internal monitoring systems to discover any such irregularities on the part of persons who may cause such risk, thus ensuring that persons not maintaining the highest standards of integrity in their activities, even if such activities are unrelated to their position, are not allowed to retain their positions of responsibility within the Group. Moreover, regulatory authorities require a formalised review process for senior management personnel which results are submitted to the same authorities and also published to the market.

In addition to these mitigants, the Group assesses the need for capital allocation against reputation risk under Pillar II framework. Capital was allocated against reputational risk at 31 December 2010.

4.3.7 *operational risk: legal, insurance and information technology risk*

The Group believes that the rigour applied to the more business oriented risks, should also be applied to the management of operational risks. It seeks to continuously develop an appropriate risk management environment which identifies, assesses, monitors and mitigates operational risk inherent in its products, activities, processes, systems and working environment . This is being achieved by establishing policies, processes and procedures which control or far better mitigate operational risks, identified as material, and at the same time setting up proper internal and external control systems which regularly review and monitors compliance with the established policies and procedures, as set out in Note 4.5 to the accounts and section 4.1.2 of this schedule.

Legal, Insurance and Information Technology Risks form part of Operational Risk but their importance within the Group's functions and operations merit a separate discussion and capital allocation assessment under the Pillar II analysis. The Group allocated capital against Legal, Insurance and Information Technology Risks as at 31 December 2009.

4.4 *pillar 2 risks for which a capital allocation is made*

4.4.1 *settlement risk*

The Group faces settlement risk due to the fact that few financial transactions are settled simultaneously or on a same day basis. Consequently, the Group could suffer a loss if the counter-party fails to deliver on settlement date.

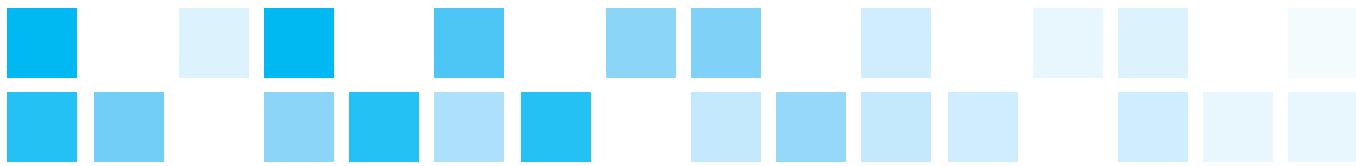
The Group controls the deals performed on a recorded line by the dealer and further ensures that the receipt of the deal and the confirmation received from the counter-party are reconciled and matched. This ensures that any settlement risk is identified immediately and that real-time action is taken to rectify any problematic situation.

4.4.2 *strategic and business risk*

Strategic risk is the risk associated with the future business plans and strategies. Improper strategic choices or the actual implementation of strategic decisions, as well as lack of responsiveness to changes in the economic environment, can have a serious and significant impact on prospective profit and capital results. As the Group is mainly engaged in trade finance business, this risk category is intimately connected with the overall performance of international trade in the global economy, and in particular to the level of cross-border trade between countries and in markets that are typically in the developing stages of their economic development and political stability.

Closely linked with the above, Business Risk is the risk associated with the particular business and operating circumstances of the Group, and are more within the control of decisions taken by Management but which nevertheless can have a significant impact on operating and business results.

The Group adopts various ways to mitigate strategic and business risks. Primarily, the Group has in place a "corporate governance" structure composed of both executive and non-executive officials as detailed in the statement of compliance with the principles of good corporate governance, included in the Annual Report for 2010 . Based on their (remit and charters), the various corporate committees provide advice to the Board in taking ultimate strategic and business decisions. The size of the Group enables its corporate structures to have a more "on the ground" approach and positions and decisions can be formulated and taken in a sufficient timely manner. The Board and Committees are assisted by a team of Executive and Senior Management, who have focused on-the ground expertise in their various areas of responsibilities.



Executive and Senior Management hold periodical meetings in order to discuss major business decisions, business and economical trends, as well as implement decisions taken by the Board or any of its Committees. Through these meetings, the collective expertise of the management team is brought together and is a determinant factor in the success of identifying and exploiting business opportunities.

The Group also has a strategic investment policy aimed at providing direction with respect to long-term investments in other entities. This policy is flexible enough to support situations arising in different markets and environments but at the same time provides clear objectives in what constitutes ideal target companies and markets based on the overall risk appetite. This policy also reflects the Group's diversification policy both in terms of products as well as geographical markets.

5 capital and capital adequacy

5.1 regulatory capital

Details on Regulatory Capital are disclosed in note 4.6 to the financial statements.

5.2 pillar i minimum capital requirements and regulatory ratios

Under the Basel II framework, overall capital requirements have to be calculated and compared with the Own Funds described above. The overall capital requirements are expressed in Risk Weighted Assets ("RWA") terms whereby capital requirements need to be 8 % of RWA.

The Group's minimum capital requirement under Pillar I is calculated by adding the credit risk charge to that required for operational risk and the Net Foreign Exchange Position Requirement element of Market Risk. The FX requirement charge is the amount of regulatory capital required to cover the risk of losses on open foreign currency positions arising from movements in the foreign exchange rate and is calculated in accordance with the Appendix I (BR08).

The following table shows both the Group's overall minimum capital requirement and capital adequacy position under Pillar I:

	RWAs 2010 USD	Capital Required 2010 USD
Capital Requirements		
Credit Risk (Section 4.1.1.1)	662,026,068	52,962,085
Operational Risk (Section 4.1.2.1)	61,649,013	4,931,921
Market Risk (Section 4.1.3.3)	1,297,104	103,768
Total Capital Requirements Pillar I	724,971,185	57,997,774
Total Own Funds	148,999,300	148,999,300
Capital Ratios	%	%
Tier 1 capital	15.0	1.9
Total capital	20.6	2.6

5.3 internal capital adequacy assessment process ('ICAAP')

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group implemented Banking Rule (BR04) "Capital Requirements of Credit Institutions Authorised under the Banking Act 1994", thereby becoming compliant with respect to Pillar I capital requirements under the Basel II framework, adopting the standardised approach to allocate capital against credit risk. Basel II also introduces capital requirements for market risk and operational risk calculated under the basic indicator approach.

The second pillar of Basel II (Supervisory Review and Evaluation Process) involves both banks and regulators taking a view on whether a bank should hold additional capital against risks not covered in Pillar I. Part of the Pillar II process is the Internal Capital Adequacy Assessment Process ("ICAAP") which is the bank's self assessment of

risks not captured by Pillar I. The Group completed its first ICAAP in accordance with regulatory requirements in December 2008 and during 2010 the same process has been reviewed up to 31 December 2009, as referred to in Sections 4.3 and 4.4. This exercise will be carried out again in June 2011 with respect to the position as at 31 December 2010.

The ICAAP process is managed by the Group's Finance Department which is responsible for the preparation, formulation and overall coordination of this document. Inputs are received as appropriate by other relevant departments, including but not limited to the Risk Management, Legal, Treasury, IT, Administration, Human Resources and Operations departments. Each of these departments has a direct connection with one or more risks, policies and procedures analysed and assessed in this ICAAP.

Throughout this process, senior officers from each department provide their input and guidance on how risks are being mitigated and how these risks can be analysed and assessed both in a qualitative as well as quantitative manner. The final document is subjected to a review by the Group's Internal Audit department, and the findings arising from this review are documented in an "Auditors' report".

The final version of the ICAAP is eventually discussed by both Risk Committee and Audit Committee (Board Committees) before being presented to the Board of Directors, and following its recommendation, it is ultimately approved.



directors and senior management

board of directors

Najeeb Hamad Musaad Al-Saleh (Chairman)
 John C. Grech (Vice Chairman)
 Tareq M. Al-Saleh
 Hamad Musaed Bader Mohammed Al-Sayer
 Fouad M.T. Alghanim
 Pierre-Olivier Fragnière
 John D. Freeman
 Rogers David LeBaron
 Jacques Leblanc
 Gerard Lohier
 Mohammed Ibrahim Husain Marafie
 Francis J. Vassallo

company secretary

Marcel Cassar

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senior management - fimbank p.l.c.

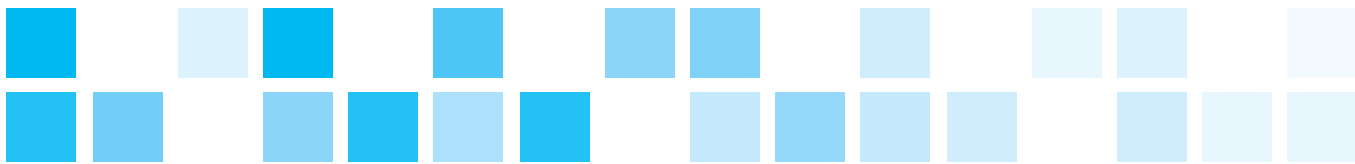
president	Margrith Lütschg-Emmenegger	
senior executive vice president	Armin Eckermann	Head of Banking, Deputy to the President
first executive vice president	Marcel Cassar	Chief Financial Officer
executive vice presidents	Silvio Mifsud Renald Theuma Christian Bless	Head of Information & Administration Head of Product Sales Consultant, Switzerland
senior vice presidents	Bruno Cassar Ivan Fsadni Nigel Harris Carmelo Occhipinti Richard Scerri Charles Wallbank Serge Meyer Raoul Notheisen	Head of Human Resources Head of Internal Audit Head of FIMBank DIFC Branch Head of Risk Management and Treasury Head of Finance Head of Banking Operations Consultant, Switzerland Consultant, Switzerland
first vice presidents	Andrea Batelli Thomas Dissen Antonio Salgueiro Jason Zammit Giovanni Bartolotta Gilbert Coleiro Vincent Farrugia Mircea Frasineanu João Costa Pereira Loranne Pace Aly Siby	Head of Legal Head of Corporate and Institutional Banking Head of Mediterranean Factoring Administration & Head of Public and Media Relations Risk Management I.T. Infrastructure Product Sales Factoring Joint Ventures Mediterranean Factoring Business Systems Corporate and Institutional Banking

senior management - london forfeiting company limited

first executive vice president and managing director	Simon Lay	
directors	Ian Lucas Tony Knight	Head of UK Marketing Head of Trading
company secretary	William Ramzan	Head of Finance
senior managers	Martin Ashurst Sandro Valladares	Treasury and Marketing Trading and Marketing
subsidiaries and offices	Sean Aston Irina Babenko Greg Bernardi Alex Ozzetti Lorna Pillow Yonca Sarp	Representative, LFC Singapore Representative, LFC Moscow President, London Forfeiting Americas Inc. Managing Director, London Forfeiting do Brasil Ltda. Head of Administration and Documentation, LFC Malta Representative, LFC Istanbul

senior management - menafactors limited

executive vice president and chief executive officer	Anand Padmanaban	
first vice presidents	Naushirwan Commissariat Venkatesh Krishnamurthy	Head of Finance Head of Risk Management and Credit
administration	Ozgur Nazlim Savio Pereira Dadeech Pal Singh Jodha	Head of Operations Head of Business Development Head of Legal and Compliance



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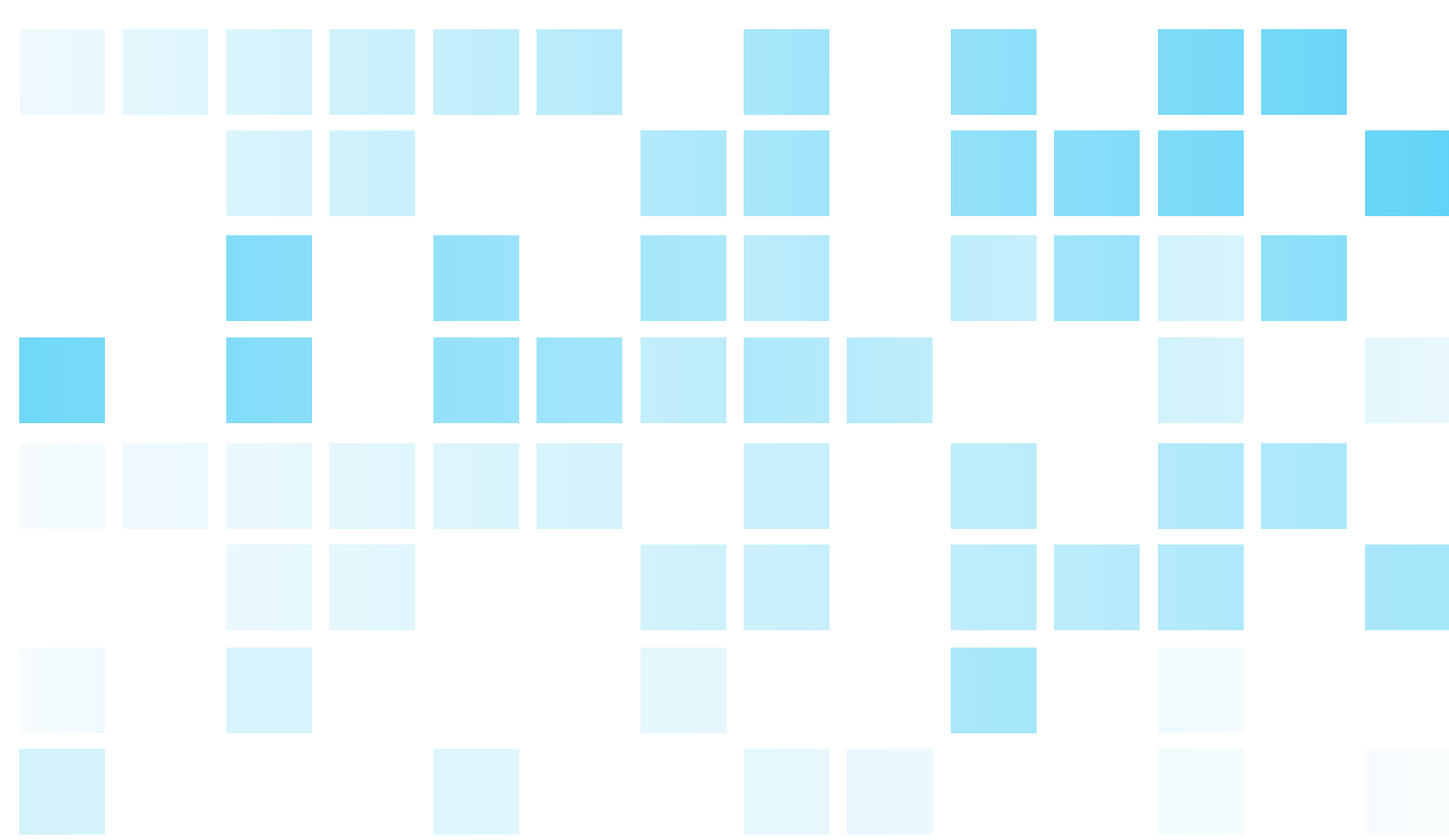
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