FIMBANK
GROUP

ANNUAL REPORT & FINANCIAL STATEMENTS

2006

ANNUAL REPORT & FINANCIAL STATEMENTS

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CHAIRMAN'S STATEMENT TO THE MEMBERS

I am pleased to report a record financial result for the FIMBank Group for the year ended 31st December 2006.

The Group posted a profit after tax of USD7.6 million (2005 - USD2.7 million), representing Earnings per Share of 8.83 US cents (2005 - 3.34 US cents). But the records also came from the overall operating performance and business activity of the Group, which grew to new levels and strengths.

All the main operating sources of revenue recorded strong and consistent growth. As a result, Group Net Operating Income after impairment allowances grew by 40% from USD15.63 million to USD21.94 million, and outpaced the 27% increase in Group Operating Expenses before goodwill adjustment. Global Trade Finance Limited, our associate in India, contributed USD2.55 million to the Group result - almost three times its contribution in 2005. Group Equity now stands at USD62.7 million, while Total Assets increased by 57% to reach USD463 million. It is also satisfying to note that the Group has been able to deliver strong returns on Equity and Assets. Commitments outstanding for the Group at balance sheet date, mainly under documentary credits and confirmed letters of credit, were of USD244 million (2005 - USD126 million). This record performance has come on the back of strong growth in the core business areas and also as the strategic investment decisions of recent years, aimed at widening the geographic and product mix, started to bear fruit.

In 2006, our wholly-owned subsidiary London Forfaiting Company Limited (LFC) further expanded its portfolio, strengthened its profitability and consolidated its position as an important component of the FIMBank Group. As a consequence of LFC's improved performance and profitability forecasts, goodwill was adjusted by USD 3.42 million to recognize a further deferred tax asset in the subsidiary, thus revising the carrying amount of goodwill to the amounts that would have been recorded if the deferred tax asset had been recognized as an identifiable asset when LFC was acquired. While such recognition has so far had a neutral effect on Group results, it is expected that LFC's unused tax losses will start to contribute directly to the Group bottom line in 2007.

As our international syndicated loan came up for its first renewal in June, our second appearance in this market was another big success - the loan was oversubscribed with the syndicate doubling its support and number of participants of the previous year. Our long-standing letter of credit business remained strong both in the traditional markets and as a result of new relationships, including new markets that were broken into in West Africa which also opened up previously untapped and diversified funding streams for the Group. Another core speciality of the FIMBank Group, ship pre-demolition finance, continued to show strong growth in 2006. The year under review also saw the launching of Egypt Factors, our factoring joint-venture with Commercial International Bank and the International Finance Corporation (IFC); Egypt Factors commenced business operations late in the year, and 2007 will mark its first year of activity.

Late in the year FIMBank received authorization to open its office in the Dubai International Financial Centre, as our MENAFACTORS joint-venture company was awaiting the green light from the same Dubai Financial Services Authority. Interests in other factoring projects continue to be pursued in South America and the Mediterranean region. These ventures strengthen the Group's global presence, widen the activity range and provide opportunities to further diversify our product and risk base. FIM Business Solutions Limited, our IT services company which taps on the Group's considerable IT expertise and offers it as a service to the Group joint-ventures and third party financial institutions, was also active for the first time in 2006 .

The Annual General Meeting of April 2006 approved two resolutions which were aimed at conserving equity during times of growth as well as to support long term shareholder worth. These recommendations were (a) the payment of a scrip dividend of 1.1377 US cents per ordinary share, and (b) a bonus issue to shareholders of 1 share for every 5 held, by the capitalisation of the share premium account. I am pleased to note that the scrip recommendation was well received by the shareholders, and over 84% of shareholders by value opted for the scrip. Encouraged by the strong profit performance of 2006 and the overwhelming support to our scrip debut, the Board of Directors will again be recommending to the 2007 Annual General Meeting of shareholders a scrip dividend, this time of 3.5244 US cents per ordinary share. Such proposal is aimed at striking a balance between an attractive dividend policy and a prudent retention incentive, at the same time supporting the long term values of our shareholders.

The Board also appreciates the need to strengthen further the Group's capital base as we consolidate and proceed to our next stages of growth. In this connection, the 2006 Annual General Meeting authorized the Board to look into the possibility of attracting a new strategic investor. We are happy to report that we have identified substantial interest from a number of institutions and 2007 should see positive results in our efforts to attract new strategic shareholding to the FIMBank Group. These developments should continue to see share values being aligned with the Group's strong fundamentals, strategic and business opportunities and the future earnings potential that they create.

As usual, I take this opportunity to thank all our Shareholders and Customers for their enduring trust and support, and my fellow members of the Board for their direction and sound advice. Special thanks go to the Management and Staff, without whose commitment, dedication and diligent work such a performance would not have been possible.

Najeeb H M Al-Saleh
Chairman

تقرير رئيس مجلس الادارة إلى الاعضاء

إنني سعيد با بلاغكم بالنتائج القياسية لنهاية العام المالي 2006 لمجموعة فيم بنك (FIMBank Group).

إن المجموعة قد حققت ربح بعد خصم الضريبة بقيمة 7.6 مليون دولار أمريكي (بالمقارنة بمبلغ 2.7 مليون دولار أمريكي للعام 2005)، بما يمثل ربيحة السهم للمجموعة بقيمة 8.83 سنتا أمريكيا بالمقارنة مع 3.34 سنتا أمريكيا للعام 2005. إن هذة النمو الملفت كان نتيجة للعمليات المصرفية المتعددة والتي تميزت بالقوية والتجدد.

لقد سجلت جميع مصادر الربح نمو قوي ومستمر. فصافي الدخل العامل للمجموعة بعد مخصصات النقص إرتفع بنسبة 40% من 15.63 مليون دولار أمريكي إلى 21.94 مليون دولار أمريكي، متفوقا بذلك على 27% من نسبة الزيادة المعتمدة لنمو المصاريف العاملة للمجموعة ما قبل تعديل شهرة المحال.

غلوبل للتجارة المالية المحدودة(Global Trade Finance Limited)، شركائنا في الهند، ساهمو بقيمة 2.55 مليون دولار أمريكي لنتائج المجموعة- بما يوازي ثلاثة أضعاف مساهمتهم في العام 2005. حقوق المساهمين للمجموعة بلغت حاليا 62.7 مليون دولار أمريكي، بينما ازدادت اجمالي الاصول بنسبة 57% لتصل إلى 463 مليون دولار أمريكي. لقد اسطاعت المجموعة أن تحقق عائدات قياسية لرأس المال والاصول. لقد وصلت الالتزامات التجارية للميزانية العامة من خلال رسائل الاعتماد والاعتمادات المعززة إلى 244 مليون دولار أمريكي (126 مليون دولار أمريكي للعام 2005). هذة النتائج القوية كانت نتيجة سياسات الاستثمار الاستراتجية على مدى السنين، والتي هدفت إلى توسيع النشاط الجغرافي وتنويع الخدمات المقدمة.

شركة لندن فورفاتينغ المحدودة (London Forfaiting Company Ltd) - شركة تابعة- استطاعت خلال العام 2006 توسيع محفظتهم، تقوية أرباحهم وتعزيز موقعهم في مجموعة فيم بنك (FIMBANK Group). نتيجة لتعزيز أداء وتوقعات الربح لشركة لندن فورفيتنغ (London Forfaiting Company Ltd)، تم تعديل شهرة المحال بمقدار 3.42 مليون دولار أمريكي، ليعزز ضريبة الاصول المؤجلة في الشركة التابعة، مما يعني مراجعة شهرة المحال المتوفرة إلى تلك التي كانت ستدون لو أن ضريبة الاصول المؤجلة تم التعرف عليها كأصول عند شراء شركة لندن فورفيتنغ (London Forfaiting Company Ltd). مع ان النتائج الحالية لها تأثير محايد على نتائج المجموعة، لكننا نتوقع بأن خسارة الضرائب الغير مستعملة (Tax Losses) ستشارك مباشرة للنتائج النهائية للمجموعة في 2007.

قرضنا الجماعي الدولي تم تجديدة في شهر حزيران الماضي، ولقد لاقى تواجدنا في هذه الاسواق نجاحا كبيرا. فلقد تم مضاعفة القرض مقارنة بالعام الماضي وتجاوز الاكتتاب به الحد المقرر. عملنا الدائم في مجال تعزيز الاعتمادات المستندية مازال قويا في الاسواق التقليدية، ولكننا استطعنا الدخول في اسواق جديدة في أفريقيا الغربية نتيجة علاقات جديدة، مما فتح أفق اعمال جديدة ووسائل تمويل متنوعة للمجموعة.

2006 شاهد نموا متواصلا لعملنا الأساسي في مجال تمويل عمليات ما قبل تصريف السفن، كذلك شهد هذا العام انطلاق مؤسسة خصم السندات المؤجلة في مصر Egypt Factors، مشروع مشترك مع المصرف التجاري الدولي Commercial International Bank، ومؤسسة التمويل الدولي IFC. بدء عمل المؤسسة المصرية لخصم السندات المؤجلةEgypt Factors في نهاية العام المنصرم، والعام 2007 سيشهد أول عام للعمل الفعلي.

خلال العام المنصرم تلقت مجموعة فيم بنك FIMBANK Group اذن بفتح مكتب تمثيلي في مركز دبي المالي، في الوقت الذي كان فية مشروعنا المشترك MENAFACTORS ينتظر الضوء الاخضر من قبل سلطة دبي المالية. اهتمامنا بمشاريع مختلفة في مجال خدمة تمويل الفواتير المؤجلة الدفع في أمريكا اللاتنية ومنطقة حوض البحر المتوسط مازال مستمرا. إن هذه المشاريع تقوى تواجدنا الدولي، توسع مجالات عملنا، وتتيح لنا فرص اضافية لتنويع منتاجاتنا، وكذلك قاعدة المخاطر.

فيم لانظمة المعلوماتية (FIM Business Solutions) شركتنا في مجال المعلوماتية بدأت عملها للمرة الاولي في العام 2006. وهي تستفيد من كفائات عالية في هذا المجال للمجموعة، فتوفر خدماتها المباشرة للمجموعة، للمشاريع المشتركة، ولشركات خارجية.

خلال لقاء الجمعية العمومية في نيسان 2006، تم الموافقة على بندين يهدفان إلى الحفاظ على حقوق الملكية في فترة النمو، ودعم بعيد المدى لحقوق المساهمين، بدفع أرباح أسهم توزيع على شكل سندات اذنية قصيرة الاجل بواقع 1.1377 سنت أمريكي لكل سهم عادي واصدار اسهم مجانية للمساهمين بمعدل سهم 1 لكل 5 أسهم مملوكة من خلال رسملة حساب علاوة السهم. إنني مسرور بالقبول الكلي من قبل المساهمين للسندات الاذنية، فكان الاختيار يوازي 84% من المساهمين. نتيجة لمؤشرات الربح المشجعة للعام 2006 وللدعم القوي للظهور الاول لصدور الاسهم المجانية، سيوصي مجلس الادارة للجمعية العمومية للمساهمين للعام 2007 بتوزيع سندات اذنية قصيرة الاجل بقيمة 3.5244 سنت أمريكي للسهم العادي. هذا الاقتراح يهدف إلى الوصل إلى سياسة جذابة لتوزيع الارباح والحفاظ على الاسهم، وايضا مراعاة قيمة الاسهم على المدى البعيد.

إن مجلس الادارة يقدر حاجتنا لتقوية قاعدة رأس المال في ظل نمونا المستمر. لذلك سمحت الجمعية العمومية لمجلس الادارة بالنظر في امكانيات جذب مستثمرين استراتجيين. إننا سعداء باعلامكم بمدى التجاوب الايجابي من قبل عدة مؤسسات وحتما سيشهد العام 2007 نتائج ايجابية لجذب مساهمين استرتجيين للمجموعة. إن هذه التطورات ستعزز قيمة الاسهم بالتناسق مع أسس المجموعة القوية، مما سيقوي الارادات المستقبلية.

وفي الختام، اشكر جميع مساهميننا وزبائننا على ثقتهم ودعمهم المستمر وأعبر عن امتنان خاص لاعضاء مجلس الادارة على توجيهاتهم ونصائحم. وكما أوجه عبارات شكري الاخيرة إلى الادارة وفريق العمل الذين أظهروا مرة أخرى اخلاصهم والتزامهم الدائم بدفع المجموعة إلى الامام.

نجيب حمد مساعد الصالح
رئيس مجلس الادارة

DÉCLARATION DU PRÉSIDENT AUX MEMBRES

J'ai le plaisir de vous annoncer un résultat financier record pour le Groupe FIMBank pour l'exercice clôturant au 31 Décembre 2006.

Le Groupe a enregistré un résultat après impôts de USD 7.6 millions (2005 - USD2.7 millions), représentant un Résultat par Action de 8.83 cents US (2005 - 3.34 cents US). Mais le résultat record dérive également de la performance opérationnelle globale et des activités du Groupe qui ont atteint une plus grande envergure et force.

Toutes les sources d'exploitation principales de revenu ont enregistré une forte et consistante croissance. Ceci a résulté en ce que le Revenu d'Exploitation Net du Groupe après dotation de risques, a augmenté de 40% de USD 15.63 millions à USD 21.94 millions, devançant la hausse de 27% des Charges Générales d'Exploitation du Groupe avant ajustement de l'actif non tangible (goodwill). Global Trade Finance Limited, notre associée en Inde a contribué avec USD2.55 millions au résultat du Groupe - presque trois fois sa contribution de 2005. Les Capitaux Propres du Groupe s'élèvent à USD62.7 millions, alors que l'Actif Total a augmenté de 57% pour atteindre USD463 millions. Il est également satisfaisant de noter que le Groupe a pu livrer des profits solides sur les Capitaux Propres et Actif Total. Les engagements hors bilan du Groupe en date du bilan, principalement sous les crédits documentaires, étaient de USD244 millions (2005 - USD126 millions). Cette performance record a résulté d'une croissance solide de l'activité principale et également du fait que les décisions stratégiques d'investissements prises récemment ayant pour but la diversification géographique ainsi que celle des produits, a commencé à porter ses fruits.

En 2006, notre filiale détenue à 100% London Forfaiting Company (LFC) a développé davantage son portefeuille, a raffermi sa profitabilité et consolidé sa position en tant que composante importante du Groupe FIMBank. Comme conséquence de l'amélioration de la performance de LFC et les prévisions de profitabilité, l'actif non tangible (goodwill) a été ajusté par USD3.42 millions notant une récupération d'avantages fiscaux différés supplémentaires de la filiale, ainsi révisant le montant de l'actif non tangible (goodwill) aux montants qui auraient été enregistrés dans la mesure ou la récupération fiscale différée aurait été reconnue comme étant un avantage identifiable quand LFC a été acquise. Tandis que cette reconnaissance a eu, à ce jour, un effet neutre sur les résultats du Groupe, on s'attend à ce que les pertes fiscales non utilisées de LFC commencent à contribuer aux finances du Groupe en 2007.

A l'approche du renouvellement de notre Prêt International Syndiqué en Juin, notre deuxième apparition dans ce marché a été un autre grand succès – le prêt a été sursouscrit avec le syndicat de banque doublant son support et son nombre de participants de l'année précédente. Notre activité de longue date du crédit documentaire demeure solide dans les marchés traditionnels ainsi que dans de nouveaux marchés de l'Afrique de l'Ouest où une ouverture a été faite résultant de nouvelles relations, ce qui a ouvert la voie à des flots de financements inexploités et diversifiés pour le Groupe. Le financement du démantèlement de navires, une autre spécialité du Groupe FIMBank, a continué à montrer une croissance solide en 2006. L'année en revue a également vu le lancement de Egypt Factors, la coentreprise d'affacturage avec Commercial International Bank et la Société Financière Internationale (SFI). Egypt Factors a commencé à opérer en fin d'année et 2007 marquera sa première année d'activité.

Plus tard dans l'année, FIMBank a obtenu l'autorisation d'ouvrir ses bureaux au Centre Financier International de Dubai (DIFC), notre coentreprise MENAFACTORS ayant été dans l'attente de l'approbation de la Dubai Financial Services Authority. Des intérêts divers dans d'autres projets d'affacturage continuent d'être suivis en Amérique du Sud et dans la région Méditerranéenne. Ces coopérations renforcent la présence globale du Groupe, élargissent le champ des activités et offrent des opportunités de diversification de nos produits et risques. FIM Business Solutions Limited, notre société de services d'information et de technologie qui utilise l'expertise informatique considérable du Groupe et l'offre comme service aux coentreprises du Groupe, ainsi qu'à des tierces institutions financières, était également active pour la première fois en 2006.

L'Assemblée Générale Annuelle d'Avril 2006 a approuvé deux résolutions qui avaient pour but de conserver les capitaux durant la période de croissance, ainsi que de soutenir la valeur des actions à long terme. Ces recommandations étaient a) le paiement de promesses écrites de dividendes de 1.1377 cents US par action ordinaire, et b) un bonus d'émission aux actionnaires d'une action pour chaque cinq actions détenues, par la capitalisation d'un compte prime d'émission. Je suis satisfait de noter que la recommandation de paiement de promesses écrites de dividendes a été bien reçue par les actionnaires, et plus de 84% de ceux-ci l'ont approuvé. Encouragé par la forte performance de bénéfice de 2006 et le support écrasant de ces promesses de dividendes, le Conseil d'Administration recommandera à nouveau à l'Assemblée Générale Annuelle des actionnaires le paiement de promesses écrites de dividendes de 3.5244 cents US par action ordinaire. Cette proposition vise à établir un équilibre entre une politique avantageuse de dividendes et une incitation prudente de conservation d'actions, soutenant en même temps les valeurs à long terme des actions.

Le Conseil apprécie également le besoin de renforcer davantage le capital du Groupe, tandis que celui-ci consolide et procède aux prochaines étapes de croissance. A cet effet, l'Assemblée Générale Annuelle de 2006 a autorisé le Conseil de considérer la possibilité d'attirer un nouvel investisseur stratégique. Nous sommes heureux d'annoncer que nous avons identifié un intérêt important d'un bon nombre d'institutions et 2007 devrait voir des résultats positifs dans nos efforts d'attirer un nouvel actionnariat stratégique pour le Groupe FIMBank. Ces développements devraient continuer à voir la valeur des actions s'aligner avec les fondements solides du Groupe ainsi que les opportunités stratégiques et le gain futur potentiel que ceux-ci génèrent.

Comme d'habitude, je saisis cette occasion pour remercier tous nos Actionnaires et Clients pour leur confiance et appui durables ainsi que mes collègues membres du Conseil d'Administration pour leurs directives et conseils précieux. Nous remercions particulièrement l'Administration et le Personnel, sans l'engagement, le dévouement et le travail assidu de qui cette performance n'aurait pas été possible.

Najeeb H M Al-Saleh
Président

REVIEW OF OPERATIONS

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

ECONOMIC TRENDS IN EMERGING MARKETS IN 2006

Global economic expansion is estimated to have strengthened in 2006, coming in a 3.9% compared with 3.5% in 2005. This positive performance materialized in spite of high commodity prices, rising short-term interest rates, a bout of financial market volatility and a slowdown in the US economy since the second quarter of 2006. To a significant degree, such performance reflects the very rapid expansion in developing economies, which grew by 7%, more than twice as fast as high-income countries (3.1%). The very fast growth of developing countries over the past five years has been fuelled by low interest rates and abundant global liquidity. This led to rising commodity prices and overheating in some high-income and developing countries. As a consequence, a tightening of monetary policy (which is in part responsible for the slowdown that has already begun) took place. However, in most countries strong productivity growth, due in part to the absorption of China, India and the former Eastern Bloc countries into the global economy, has kept under control inflationary pressures.

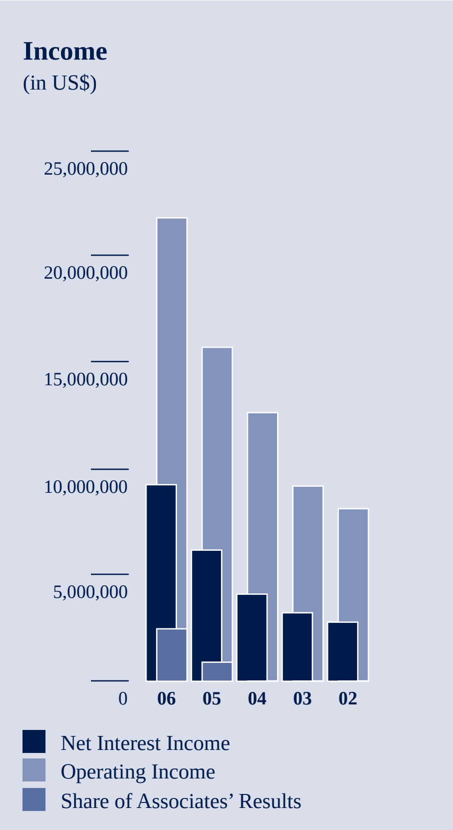
Significantly for trade finance operators, global trade volume growth picked up again in 2006 - after a short-lived slowdown in 2005 - registering a 9.7% year-on-year growth. Notably, Chinese exports overtook those of the United States for the first time in history, making China the world’s second largest exporter after Germany. Increasing exports of other developing countries (e.g. Brazil and India) further increased the weight of developing countries in world trade, which, according to the World Bank [1], is expected to reach some 45% by 2030. However, on the multilateral front, the suspension of the Doha Round in July 2006 poses now significant challenges, potentially leading to rising protectionist sentiment.

Emerging Markets’ financial conditions remained favourable in 2006. Credit spreads continued to tighten as the EMBI+[2] Index of emerging debt yields closed at the low for the year (169bp). The VIX Index [3] also closed near record lows, albeit more than recovering from the jitters witnessed in the second quarter. Commodity prices overall stayed reasonably high, helping many of the emerging market exporters, but not so high as to send inflation alarms through the interest rate markets. However, median inflation amongst developing countries increased to 3.2% at the end of 2006 from 1.7% in 2002. With a few notable exceptions like Turkey and South Africa, Emerging Markets currencies largely strengthened against the US Dollar for the year. Private capital flows to developing countries remained strong, estimated at USD540 billion for 2006.

A review of the Emerging Market regions in which the FIMBank Group was most active in 2006 shows common trends of economic growth and financial markets stability. In *Emerging Asia*, *China* witnessed an impressive 10.7% GDP growth for the year, supported by continued rapid investment growth in conjunction with an unexpected surge in exports as new capacity came on stream. In *India*, GDP increased by 8.7%, supported by strong industrial and service-sector production. 2006 also saw the first forays of Indian multinationals into the global mergers and acquisitions arena. The *Middle Eastern* and *North African (MENA)* region continued to ride the oil boom, which saw crude prices peaking at USD75 per barrel during the year. Overall, these countries’ GDP increased by an estimated 4.9% during the year (with the exception of the *Lebanese* economy, which shrank 5.5%, due to war and political uncertainty). Oil-related revenues were up 33% in *Iran*, leading to boosted government spending and increased inflationary pressure. Regional stock and housing markets, especially in the *Gulf region* have appreciated enormously during the year, despite a correction in May-June, leading to high valuations and risks for further corrections. Growth in the *Russian Federation* is estimated to have picked up to 6.8% in 2006, also supported by high oil and commodity prices. *Kazakhstan* showed similar growth patterns to those of the *Russian Federation*, with no repercussions from political instability in some of its neighbouring republics. Improved incomes and activity in the mining sector boosted growth in *Ukraine* to an estimated 6% in 2006. In *Turkey*, a significant tightening of monetary policy following last spring’s financial market turbulence, is projected to reduce growth to 6% in 2006 from 7.4% in 2005. Economic activity in *Latin America* and the Caribbean picked up, with GDP growth estimated at 5% in 2006 for the region as a whole. Demand in *Argentina* and *Venezuela*, which had been expanding at unsustainable rates, slowed in 2006; however, the respective GDPs are estimated to have expanded 7.7% and 8.5% respectively, with inflation above 10% in both countries. *Brazil* benefited from a more relaxed monetary policy stance, with estimated GDP growth for the year at 3.5%. GDP in *Sub-Saharan Africa* expanded 5.3% in 2006. Among oil exporters, growth was particularly strong in *Angola* (16.9%), *Sudan* (11.8%) and *Mauritania* (17.9%), which began oil production in February. *Libya’s* GDP grew 5% during 2006. Elsewhere, strong international metal and mineral prices are generating revenue streams and prompting additional investments (especially in the *West African* belt), offsetting drought-related crop failure and high fuel costs. Debt relief from Paris Club under the Multilateral Debt Relief Initiative (MDRI) also prompted easing of fiscal pressure in most African countries.

[1] *Global Economic Prospects, World Bank, January 2007*
[2] *JPMorgan’s Emerging Markets Bond Index*
[3] *Chicago Board Options Exchange (CBOE) Volatility Index*

REVIEW OF OPERATIONS



Looking at the results of the Maltese economy, real GDP growth in *Malta* is expected at 2.3% for 2006, a modest rebound from 2005 on the back of higher domestic demand, in particular total consumption, which was helped by employment creation and continued expansion of consumer credit. Exports contracted during the first half of 2006. This, coupled with weak tourism results, should lead to real export growth of only 0.5% in 2006.

GROUP ACTIVITIES AND OPERATIONS

In 2006, the FIMBank Group further consolidated the pillars of its strategy devised in 2003, aimed at achieving and maintaining its status as an effective and highly recognised provider of trade finance services, through a network with global reach and a product suite including traditional trade finance products, forfaiting and factoring. In 2006 the Group's total employee count increased to 128, with new hires spread across a number of departments and regional offices, to support FIMBank's expanded scale of activities. On the financing side, the Group continued to develop new correspondent relationships with banks in several geographies, increasing its core deposit base and starting to develop a new line of business in international payments. Following the debut of USD30 million one-year international syndicated loan issued in June 2005, in 2006 FIMBank repeated this exercise raising USD60 million as well as the success (in terms of widespread participation of international banks) of the first syndicated loan. Finally, during 2006 the International Finance Corporation (IFC), already a significant shareholder in FIMBank with a 7.18% stake, continued to cement its relationship with the Group.

A focused approach to expanding the Bank's *correspondent banking* services to financial institutions in West Africa has led to a number of new relationships. The activity generated through the maintenance of the new downstream correspondent relationships, considerably increased the volume of letter of credit transactions, international payments and other financial settlements with a significant increase in institutional deposits (as evidenced by the Group's balance sheet). The Group has

also seen healthy and sustainable growth in the areas of post-export financing and foreign exchange turnover through this marketing initiative.

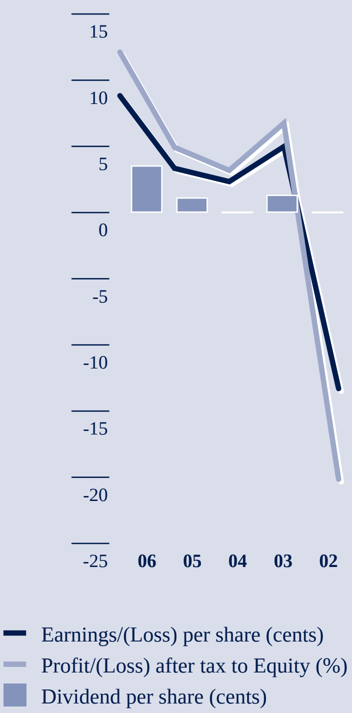
In the traditional *trade finance* area, FIMBank marketing efforts considerably increased turnover in FIMBank's core products, namely structured trade finance and documentary credits. This is clearly reflected in the positive development of fee and commission income generated during the year.

Due to consistency in demand for FIMBank London-based specialist services to *shipping finance*, the Group undertook to open, as a pivotal part of its strategy of consolidation and expansion of its Middle Eastern client base and of its provision of services in the MENA region, an office in Dubai in 2006. The office became operational at the end of 2006 and will have the core mission to attract new customers from the vast trading community based at this important hub between the Middle East, Gulf and Asian sub-continent countries.

London Forfaiting Company (LFC), FIMBank Group's specialized *forfaiting* subsidiary, continued to expand its activities and started contributing substantially to the Group's profitability, by means of an increase in turnover from USD218 million in 2005 to USD347 million in 2006 (representing a 59% increase) and notwithstanding rapidly declining credit spreads in most Emerging Markets in which LFC operates. Such growth is expected to continue in 2007.

The Group continued to develop *International factoring* ventures and projects during 2006. The new international factoring unit based in Malta, established at the end of 2005 to serve customers in the Mediterranean basin, commenced its activities as a department within FIMBank. A highly-specialised technology platform for factoring products was successfully customized and implemented in Malta and is now ready for use by the factoring joint ventures in Egypt and Dubai. During 2006, Global Trade Finance Limited (GTF) in particular showed a strong performance, in terms of overall growth and profitability, which reflected positively in the Group's income statement.

Profitability



REVIEW OF OPERATIONS

Plans are now at an advanced stage for a domestic initial public offering of GTF shares in India in 2007. Elsewhere, the joint venture factoring company in Egypt (Egypt Factors) was incorporated towards the end of 2006 and started commercial operations in January 2007. Egypt Factors is owned by Commercial International Bank (40%), FIMBank (40%) and International Finance Corporation (20%), with FIMBank playing the role of technical partner in the venture. In Dubai, FIMBank applied for a factoring licence from the Dubai International Financial Centre, in order to start operations there to market more closely the Middle Eastern and North African region.

On the *operational* side, further consolidation of the Group's internal processes and functions took place in 2006. Resources in a number of the Bank's departments, such as Financial Institutions, Factoring, Trade Services, Risk Management, Information Technology, Legal & Compliance and Internal Audit, were strengthened. The aim has been to extend the marketing and business reach while at the same time increasing the capillary support to business units across the whole Group and to provide services for the establishment and operation of subsidiaries and associates.

LFC back-office operations in Malta were relocated to new offices, creating scope for growth and more independence of these activities. During the year, the staff training facilities acquired by the Group at the end of 2005 were extensively used to provide technical and soft skills tuition to FIMBank's employees, in a continued effort to develop the Group's human resources in line with market and industry trends. On the technology front, FIMBank's IT subsidiary FBS was instrumental in developing the group's factoring software platform, which will be used by a number of FIMBank's international factoring ventures. In June, FBS organized the first ever Banking Technology Conference of its kind in Malta which was sponsored and supported by global IT suppliers and saw an impressive attendance from senior bank delegates from over 15 different countries.

INCOME STATEMENT

The results for 2006 reflect the Group's continuous efforts to develop further the strategic mix of trade-finance related products and services through geographic and product diversification.

During the year under review FIMBank increased its Net Interest Income by 21%, from USD4.18 million to USD5.07 million. Both interest income and expense increased in absolute terms, in line with the increase in the Bank's activity through availability of more bank lines, customer and bank deposits and longer term funding sources. Interest Income grew particularly due to the increased funding support to LFC, increased money market and bank exposures, and a growth in the trading bond book. The Bank continued to focus primarily on its core activities, including trade services to banks and companies, ship pre-demolition finance and lending in connection with trade transactions. During the year under review, FIMBank registered a further growth of 32% in net fee and commission income, from USD7.04 million in 2005 to USD9.31 million – which compares favourably with the growth of 21% achieved during 2005. Net trading income, particularly foreign exchange earnings, increased significantly during 2006. The increase was the result of growth in new as well as existing relationships within the Bank's core markets which have provided better foreign exchange business opportunities. During 2006, FIMBank also recorded exceptional dividends of USD0.58 million from a participation in an available-for-sale equity holding coupled with a dividend of USD0.59 million from its investment in GTF. Impairment losses increased from USD0.37 million in 2005 to USD0.88 million, mainly due to an increase in collective impairment charges, being prudently taken on both bank and corporate exposures compensated by a drop in the specific impairment loss of 45%, from USD0.53 million in 2005 to USD0.29 million. Net operating income for the Bank grew from USD11.59 million to USD16.03 million, an increase of 38%. Operating expenses, largely made up of staff and administrative overheads, also grew by 46%. This expenditure includes an absorption of the support which the Bank provides

to subsidiary and associated companies. Pre-tax profit for FIMBank increased from USD3.25 million in 2005 to USD 3.81 million, a growth of 17%.

At the Group level, Net Interest Income increased by 33% from USD6.12 million to USD9.18 million. This reflects the increase in LFC's forfaiting portfolio which grew by 14% over 2005, and which eventually resulted in higher holding profits earned by LFC on its assets. Net fee income increased by 36%, largely driven by the improved performance of the Bank. On the other hand, net trading income booked by the Group in 2006 increased by 80%, mainly contributed by LFC's increase of 36% in net trading results on forfaiting assets, and improved income streams arising from foreign exchange activities as explained. During 2006, impairment losses for the Group stood at USD1.94 million, an increase of USD1.58 million over that booked in 2005. This increase is largely represented by a specific impairment charge on an impaired forfaiting asset within the LFC's portfolio. Group net operating income grew by 40% from USD15.63 million to USD21.94 million, compared to a 24% growth achieved during 2005. Group Operating Expenses before the adjustment to Goodwill increased by 27%.

During the year under review LFC recognised a further deferred tax asset of USD3.42 million. This amount adjusted the gross carrying amount of goodwill to the amounts that would have been recorded if the deferred tax asset had been recognized as an identifiable asset at LFC's acquisition date, and such reduction in the carrying amount is recognized in the Income Statement at Balance Sheet date. Moreover, GTF contributed positively to the Group results, as reflected by the USD2.55 million share of profits, almost three times the contribution of 2005. Pre-tax Profit increased to USD4.68 million, with post-tax Profit for the year increasing from USD2.70 million to USD7.59 million.

Group basic earnings per share for 2006 amount to 8.83 cents (2005 - 3.34 cents) while for the Bank basic earnings per share increased from 3.73 cents in 2005 to 4.04 cents for the year under review.

BALANCE SHEET DEVELOPMENTS

At the Bank level, Amounts owed to Banks increased by 112%, reaching a level of USD246.3 million at Balance Sheet date. This is a result of new and existing bank lines and increases in existing limits, an increase in the Syndicated Trade Finance facility, from USD30 million to USD60 million, as well as increased Bank deposits from existing and new Bank relationships in emerging markets. Amounts owed to Customers also increased by 36%, from USD89.7 million in 2005 to USD122.0 million. All this complemented efforts directed at increasing and diversifying the Bank's Deposit Base (from both banks and corporates), particularly term deposits with medium to long term maturities. During 2006, International Finance Corporation maintained the Subordinated Convertible Term Loan with the Bank at USD6.0 million.

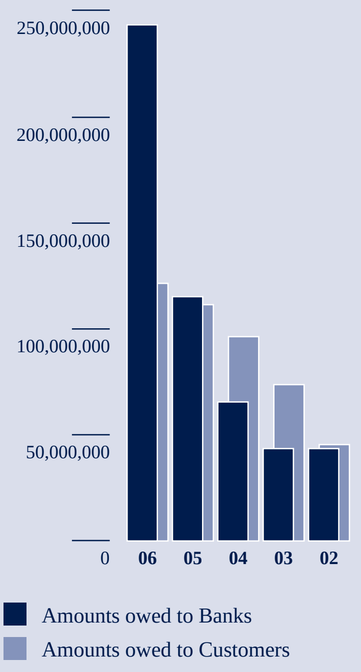
Loans and Advances to Banks increased by 80% to USD200.8 million, spread over exposures in both developed and emerging markets. On the other hand, loans and advances to customers increased by 63%, reflecting in large part the increased funding support provided to the subsidiary. The Bank continued trading in its bond book, a process initiated in 2005, by increasing its allocation to USD20 million. Changes in the value of Investment in Associates reflect a fresh injection of capital in GTF of USD1.59 million, maintaining a 38.5% shareholding in the entity, as well as USD0.7 million equity injection in Egypt Factors. Total Bank assets increased by 61%, from USD271.7 million in 2005 to USD438.4 million in 2006.

The Bank's Equity increased from USD56.1 million to USD59.7 million, a growth of 6%, resulting from increased profitability and dividend retention in the form of scrip issue. Commitments outstanding at Balance Sheet date, mainly under documentary credits and confirmed letters of credit, were of USD135.7 million (2005 – USD95.0 million), representing a healthy growth of 43% in the business book.

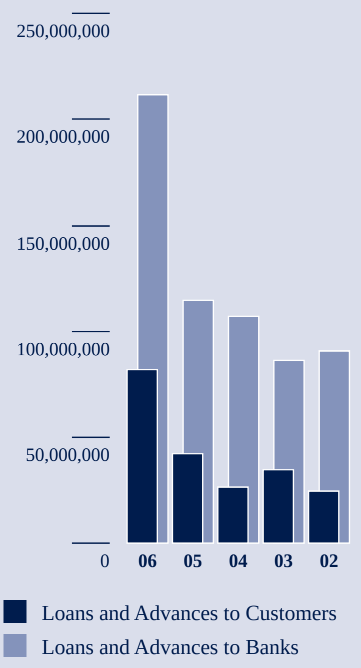
At the Group level, funding trends largely mirror those of the Bank. Whereas in 2005 the Bank started a promissory note

REVIEW OF OPERATIONS

Fund Raising
(in US$)



Loans and Advances
(in US$)



issuance programme on a small scale, this was taken on in 2006 by LFC as it developed its independent funding sources through the issue of own promissory notes. Whilst Loans and Advances to Banks increased by 86%, a trend which mirrors that of the Bank, Loans and Advances to Customers increased significantly to reach USD81.7 million, from a level of USD41.6 million booked by the Group in 2005. Financial Assets at fair value through profit or loss, comprised mainly of LFC's forfaiting portfolio, is up from USD119.8 million to USD145.8 million at Balance Sheet date, an increase of 22%.

The increase in Deferred Tax Asset is largely the result of the recognition of further deferred tax at LFC, bringing the balance to USD5.9 million. In turn this has resulted in an adjustment to the gross carrying amount of Goodwill, leaving a balance at Balance Sheet date of USD1.1 million. The remaining balance on intangible assets reflects the Bank's and FBS investment in software licences of USD1.1 million.

Group Equity as at Balance Sheet date stood at USD62.7 million, an increase of 14% on 2005, reflecting the increased profitability of the Group in 2006 as well as the success of the scrip dividend policy.

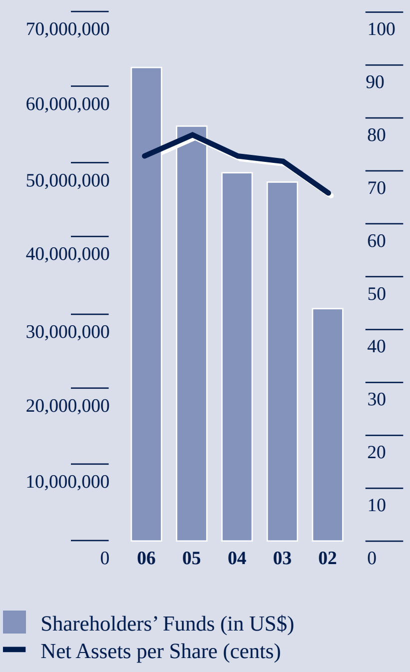
OUTLOOK FOR EMERGING MARKETS IN 2007

Limited inflationary pressures and high savings amongst oil exporters and European countries are expected to keep interest rates low in 2007. Moreover, improved fundamentals have boosted trend growth rates in many developing countries. Together these factors suggest that, while Emerging Market growth is projected to slow down over the next year - due to high oil prices, rising interest rates and the maturing of the business cycle - it should remain robust at 6.5% in 2007. Mainly because of the continued expansion of the developing economies, global growth will also remain robust in 2006 and this should keep commodity prices high. This positive outlook is subject to significant risks. Past episodes of fast growth and favourable financial conditions have been followed by sharp and largely unanticipated reversals. While stronger fundamentals in most developing countries reduce the likelihood that a hard landing would be as severe as in the past, emerging markets need to ensure that their fiscal, monetary and structural policies are in order, so as to minimize the domestic consequences of external shocks - a point clearly proven by the financial market turbulence observed in spring 2006, which affected most sharply those countries whose fundamentals were most out of balance. However, a soft landing remains the most likely scenario, as global imbalances (in particular the US current account deficit and China's surplus) appear to be stabilizing, although they remain large.

Looking at the prospects for FIMBank Group's key target markets, growth is expected to moderate slightly in *China*, as investment growth and domestic demand are projected to remain robust in 2007, with increasing pressures for a rapid revaluation of the Renmimbi and GDP growth estimated at 7.5% for 2007. In *India*, despite tighter monetary and fiscal policies, low interest rates are expected to keep domestic demand expansion at sustained rates, benefiting import growth. This should in turn contribute to GDP growth moderating to around 7.5% in 2007. High oil prices are expected to continue feeding domestic demand in the *MENA* region. Capacity constraints and strong import growth is projected to slow GDP growth amongst oil producing countries (most of the Gulf region and Iran) to 4.7% in 2007. GDP growth in the *Russian Federation* in 2007 is expected to moderate only slightly (6% in 2007) as the easing effects of higher interest rates on domestic demands should cool down the economy, in conjunction with lower oil export receipts. For many countries in the Commonwealth of Independent States (including *Ukraine*, *Kazakhstan* and *Belarus*), future prospects will be dependent on continued strong demand from Russia and the ability to strengthen domestic institutions as well as financial and banking systems so as to sustain high growth rates. In *Turkey*, the momentum from privatization and foreign investments should continue, despite some clouds have gathered on the pace of EU accession efforts. GDP growth should remain sustained at around 5.5%. Prospects for countries in *Latin America* in 2007 reflect a number of offsetting influences. The expected global slowdown should moderate demand for commodities, resulting in a decline in growth rates of the major commodity exporters (*Brazil*, *Chile* and *Argentina*). GDP growth in *Sub-Saharan Africa* as a whole is expected to remain broadly stable, coming in at about 5.5% in 2007. Oil exporters' economies will continue to benefit from high oil prices, while improved rainfall in *East and West Africa* should help replenish hydroelectric dams improving electrical supply and manufacturing output. An end to draught should also boost agricultural output and domestic income, although weaker agricultural prices and high fertilizer prices may negatively affect agricultural crops and represent a drag on growth.

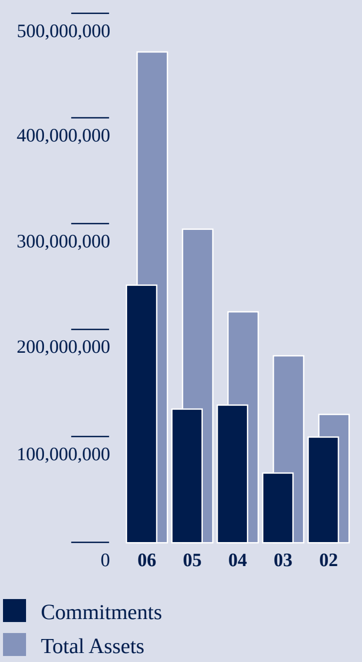
Economic prospects for *Malta* point to a slight decline in GDP growth rates to around 2% in 2007, with economic activity still being driven by domestic demand, while the contribution of the external sector should improve but remain small. Rebounds in exports are expected for 2007, supported mainly by a better outlook for the semiconductors sector and by an expansion of the pharmaceutical industry. Tourism activity is also expected to register some gains in 2007.

Shareholders' Funds



Assets & Commitments

(in US$)



DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Najeeb H.M. Al-Saleh *(Chairman)*
John C. Grech *(Vice Chairman)*
Mehdi Ouazzani Hassani
Fouad M.T. Alghanim
Mohammed I.H. Marafie
Duco Reinout Hooft Graafland
Hamad Musaed Bader Mohammed Al-Sayer
Francis J. Vassallo
Tareq M. Al-Saleh
Jacques Leblanc
Rogers David LeBaron *(appointed 11 December 2006)*

COMPANY SECRETARY

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

SENIOR MANAGEMENT

PRESIDENT	Margrith Lütschg-Emmenegger	
EXECUTIVE VICE PRESIDENTS	Marcel Cassar	*Chief Financial Officer*
	Raymond Busuttil	*Head of Business Development & Marketing*
	Andrew T.M. Freeman	*Managing Director, MENAFactors LLC (in formation)*
SENIOR VICE PRESIDENTS	Raffaella Bonadies	*Head of Legal & Compliance*
	Nassif A. Chehab	*Head of Financial Institutions*
	Ivan Fsadni	*Head of Internal Audit*
	Nigel Harris	*Head of FIMBank DIFC Branch*
	Simon Lay	*Managing Director, London Forfaiting Company Ltd*
	Silvio Mifsud	*Head of Information & Administration*
	Carmelo Occhipinti	*Head of Risk Management*
	Renald Theuma	*Head of Corporate Clients*
	Charles Wallbank	*Head of Operations*

FIMBANK GROUP CONTACT DETAILS

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E-mail: lfa@forfaiting.com
Contact person: Gregory Bernardi

DIRECTORS' REPORT

For the Year Ended 31 December 2006

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 2006. This report is prepared in terms of the Companies Act, 1995 and complies with the disclosure requirements of the Sixth Schedule to the same Act.

Results for the Year

The Bank and the Group reported a profit after tax of USD3,477,560 and USD7,592,341 respectively for the year under review.

Further information about the results is provided in the "Income Statement" on page 27 and in the "Review of Operations" on pages 5 to 11.

Principal Activities

The FIMBank Group of Companies (the "Group") includes FIMBank p.l.c. (the "Bank"), and its wholly owned subsidiaries, London Forfaiting Company Limited ("LFC"), together with its subsidiary companies, FIMFactors B.V. ("FIMFactors"), and FIM Business Solutions Limited ("FBS").

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

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

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

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

The Bank also holds equity investments in the following associate and joint-venture companies:

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

(b) 40% in Egypt Factors, a company incorporated in Egypt, where the other shareholders are Commercial International Bank (Egypt) holding 40% and IFC holding 20% of the shares. Egypt Factors will be active in providing international factoring and forfaiting services to Egyptian and other Middle Eastern exporting companies.

DIRECTORS'REPORT

For the Year Ended 31 December 2006

Business Review and Future Developments

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

Dividends and Reserves

The Directors will be recommending to the Annual General Meeting of shareholders the payment of a scrip dividend amounting to USD3,036,929 (2005: USD811,875), representing a net dividend per ordinary share of US cents 3.5244 (2005: US cents 1.1377).

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 April 2006. Along with the statutory Ordinary Resolutions, the Meeting approved Resolutions presented as special business to the shareholders. The members approved an Ordinary Resolution calling of a one for five bonus share issue to those members on the Register of the Central Securities Depository of the Malta Stock Exchange as at close of trading on 28 February 2006. Furthermore, four Extraordinary Resolutions were approved, namely amendments to the Memorandum of Association, renewal of the Directors' authority to (a) issue new shares and to (b) withdraw statutory pre-emption rights and (c) authority to the Bank to acquire its own shares. All of the above authorities (a) to (c) were still valid at the end of the financial year.

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

During the year ended 31 December, 2006, no shares in the Bank were:

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

During the year under review, a total of 269,607 share options were exercised under the Executive Share Option Scheme Rules, as follows:

- 92,807 share options exercised under the 2000 rules with an exercise period from 1 January 2003 to 31 December 2007, at a price of USD0.50;
- 41,000 share options exercised under the 2001 rules with an exercise period from 1 January 2004 to 31 December 2008, at a price of USD0.9508 (after capital restructuring);
- 135,800 share options exercised under the 2003 rules with an exercise period from 1 January 2006 to 31 December 2010, at a price of USD0.9425 (after capital restructuring).

During the year under review, 608,000 share options were awarded under the 2005 rules, with an exercise period from 1 January 2008 to 31 December 2012, at a price of USD0.9534 (after capital restructuring). Moreover, 182,063 new share options were awarded under all of the above schemes to reflect the restructuring arising from the capitalisation and scrip issues, in terms of the schemes' rules.

DIRECTORS' REPORT

For the Year Ended 31 December 2005

Directors

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

Board of Directors

Najeeb H.M. Al-Saleh *(Chairman)*
John C. Grech *(Vice Chairman)*
Mehdi Ouazzani Hassani
Fouad M.T. Alghanim
Mohammed I.H. Marafie
Duco Reinout Hooft Graafland
Hamad Musaed Bader Mohammed Al-Sayer
Francis J. Vassallo
Tareq M. Al-Saleh
Jacques Leblanc
Rogers David LeBaron *(appointed 11 December 2006)*

Mr LeBaron was appointed Director by the International Finance Corporation (IFC), a FIMBank shareholder, pursuant to Article 6A (b) of the Bank's Memorandum and Articles of Association.

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 21 February 2007 and signed on its behalf by:

Najeeb H.M. Al-Saleh	**John C. Grech**
Chairman	*Vice Chairman*

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Malta

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Introduction

Pursuant to the requirements of the Listing Authority of Malta [Malta Financial Services Authority (the "Authority")] and of Listing Rules 8.28 to 8.30, the Board of Directors (the "Board" or "Directors") of FIMBank p.l.c. (the "Bank") hereby details the principles of its Statement of Compliance which illustrates the extent to which the Code of Principles of Good Corporate Governance ("the Principles"), published as Appendix 8.1 to the Listing Rules, has been adopted together with the effective measures taken to ensure compliance with such Principles.

Compliance with the Principles

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

The Board strongly believes that the practices contained in the Principles are in the best interests of the shareholders because they evidence the Directors' and the Bank's commitment to high standards of corporate governance. Ultimate responsibility for good corporate governance is of the Directors who therefore decide 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.

Roles and Responsibilities

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

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

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

The Members of the Board of Directors of the Bank are professionals with a balanced mix of capabilities ranging from business to financial services which ensures a good blend of collective expertise. Moreover, the suitability of any individual to become a Director or an Officer of the Bank is, in the first place, assessed by the Authority, which reviews, *inter alia*, the individual's competence to serve as Director or Officer against established 'fit and proper' criteria. In this connection, the individual provides any information, including detailed personal and career questionnaires, as the competent regulatory authority 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. In 2007, the Board will be implementing a comprehensive Charter which will formally address, amongst other things, issues such as preparation, training and personal development of directors. A brief outline of training and professional development provided to officers and staff of the Group is given in the 'Review of Operations'.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Going Concern

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

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.

Along with the Articles' detailed provisions regulating the appointment and election of Directors as described above, the Board Charter to be implemented in 2007 will contain specific provisions addressing matters such as a succession policy for Board members in the context of a formal evaluation of Board and Committees members' performance, as well as attendance and participation at meetings.

The participation of Directors on Board Committees, as provided for by the Articles, is decided upon by the Board. All such Board Committees include at least one Director. The Company Secretary, Raffaella Bonadies, acts as Secretary to the Board of Directors and Executive Committee.

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

	Year when first appointed	No. of shares held in the Bank directly in his name
Najeeb H.M. Al- Saleh *(Chairman)*	1994	519,787
John C. Grech *(Vice-Chairman)*	2004	301,897
Mehdi Ouazzani Hassani	1994	603,793
Mohammed I.H. Marafie	1994	4,226,546
Fouad M.T. Alghanim	1997	2,415,169
Duco Reinout Hooft Graafland	2000	Nil
Hamad Musaed Bader Mohammed Al-Sayer	2002	Nil
Francis J. Vassallo	2003	Nil
Tareq M. Al-Saleh	2004	Nil
Jacques Leblanc	2004	Nil
Rogers David LeBaron	2006	Nil

Apart from these direct interests in the shareholding of the Bank, directors had beneficial interests in shareholding of the Bank as shown in Schedule VII. 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.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Proceedings of Directors

The proceedings of Directors are regulated by the Bank's Articles. Meetings of the Board are held as frequently as necessary and are notified by the Company Secretary 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 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.

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

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

The Board held four meetings during 2006.

Board Committees

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

Executive Committee
Audit Committee
Risk Management Committee
Asset-Liability Committee

Executive Committee

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

The members of the Executive Committee are as follows:

Jacques Leblanc *(Chairman)*
Najeeb H M Al-Saleh
Francis J. Vassallo
Tareq M. Al-Saleh *(appointed on 5 April 2006)*
Margrith Lütschg-Emmenegger
Marcel Cassar
Raymond Busuttil *(appointed on 5 April 2006)*

The Executive Committee met on six occasions during 2006, 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

Audit Committee

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

The Audit Committee members are:

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

The Internal Auditor attends all meetings and acts as Secretary of the Audit Committee.

The Audit Committee may require members of Management to attend any of the Committee meetings.

The Audit Committee held three meetings during 2006, at two of which the independent auditors were present. However, communication with and between the Secretary/Internal Auditor and the Committee's members is ongoing, and considerations that required the Committee's attention were acted upon and decided by the Members when necessary, even without a meeting physically taking place within the time-lines required by the Listing Rules as from July 2006.

Risk Management Committee

The Risk Management 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 Risk Management Committee is also responsible for the oversight of operational and legal risk matters related to credit activity.

The Risk Management Committee members are:

Francis J. Vassallo *(Chairman)*
John C. Grech
Margrith Lütschg-Emmenegger
Marcel Cassar
Raymond Busuttil
Renald Theuma *(appointed on 5 April 2006)*
Carmelo Occhipinti

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

The Committee met on forty two occasions during 2006.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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 Lütschg-Emmenegger
Marcel Cassar
Raymond Busuttil
Nassif A. Chehab *(appointed on 5 April 2006)*
Carmelo Occhipinti

The ALCO met on four occasions during 2006.

Internal Control

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

The Board has identified key features within the Group's environment of internal controls to ensure compliance with the Principles. The Management is responsible for the identification and evaluation of key risks applicable to the respective areas of business. 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 April 2006, the shareholders confirmed USD200,000 as the maximum aggregate amount to which Directors would be entitled in 2006. Further details about the aggregate remuneration received by Directors in 2006 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 acting as Chairman of the Board and of Committees. None of the Directors is on a contract of service with the Bank. No Director is entitled to profit sharing, share options or pension benefits from the Bank or other member of the Group.

The Board considers that the terms and remuneration of the Executives should reflect their responsibilities whilst taking account of industry and market benchmarks and reflecting internationally established criteria. The 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. Individual terms and remuneration of the President and Executives are determined and approved by the Board of Directors. The President determines the remuneration and bonuses of all other members of staff, within the parameters of an aggregate amount of bonus allocation as approved by the Board. In view of this structure the Board has so far considered that there is no present scope for an apposite Remuneration Committee. However, this structure will be reviewed in the short-term and consideration for the creation of a Remuneration Committee will be given in 2007.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Commitment to Shareholders and an Informed Market

The Board complies with the rules prescribed by the Bank's Memorandum and Articles, as well as all legislation, rules and regulations that oblige it to maintain a fair and informed market in the Bank's equity securities. It discharges its obligations by having in place formal procedures for dealing with potentially price-sensitive information and ensuring the proper conduct of its officers and staff in that regard. These procedures are incorporated in a 'Code of Conduct for Dealing in Securities by Directors, Executives and Employees' which is drawn up in accordance with the requirements of the Listing Rules, and which applies to all Directors and employees of the Group. Directors and employees are also notified and reminded by the Company Secretary to observe the 'time-windows' accompanying the publication of half yearly and annual financial results during which no dealings in the Bank's equity securities are allowed.

Regular contact with shareholders and the general market is also maintained through company announcements, which are issued in conformity with the obligations arising from the Listing Rules. During 2006 the Bank issued eleven announcements.

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

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. FIMBank Group is also progressive in promoting health and safety and family-friendly work arrangements for its staff, as well as ethical and environmentally-responsible practices in all its business dealings.

Approved by the Board of Directors on 21 February 2007 and signed on its behalf by:

Najeeb H.M. Al-Saleh
Chairman

John C. Grech
Vice Chairman

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders of FIMBank p.l.c.
Pursuant to Listing Rule 8.31 issued by the Listing Authority

Listing Rules 8.29 and 8.30 issued by the Listing Authority, require the Bank's directors to include in their Annual Report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures they have taken to ensure compliance with these Principles.

Our responsibility, as independent auditors of the Bank, is laid down by Listing Rule 8.31, which requires us to include a report on this Statement of Compliance.

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

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

In our opinion, the Statement of Compliance set out on pages 17 to 22 provides the disclosures required by the Listing Rules 8.29 and 8.30 issued by the Listing Authority.

Noel Mizzi (Partner) for and on behalf of

KPMG
Certified Public Accountants

21 February 2007

PREPARATION OF FINANCIAL STATEMENTS AND DIRECTORS' RESPONSIBILITIES

Maltese company law requires the directors 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 results of their operations and cash flows for that year.

In preparing these financial statements, Article 14 of the Third Schedule to the Companies Act, 1995 requires the Directors to:

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

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

- make judgements and estimates that are reasonable and prudent;

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

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

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

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

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

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

Signed on behalf of the Board of Directors on 21 February 2007.

Najeeb Al-Saleh

Najeeb H.M. Al-Saleh
Chairman

John C. Grech
Vice Chairman

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders of FIMBank p.l.c.

Report on the Financial Statements

We have audited the accompanying financial statements of FIMBank p.l.c. (‘the Bank’) and of the Group of which the Bank is the parent (‘the financial statements’) set out on pages 27 to 82, which comprise the balance sheets as at 31 December 2006, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements
As described on page 24, management is responsible for the preparation and fair presentation of the financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU and of the Bank in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank’s preparation and fair presentation of the financial statements 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 Bank’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
In our opinion the financial statements give a true and fair view:

- of the financial position of the Group as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and

- of the financial position of the Bank as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

REPORT OF THE INDEPENDENT AUDITORS

Report on Other Legal and Regulatory Requirements

Auditors' Responsibility
The Banking Act, 1994 requires us to report whether we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit, whether in our opinion, proper books of account have been kept by FIMBank p.l.c. so far as appears from our examination thereof, whether the financial statements are in agreement with the books and whether the financial statements give the information required by any law in force in the manner so required and give a true and fair view.

We are also required to state whether the financial statements have been properly prepared in accordance with the provisions of the Companies Act, 1995.

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

Also, in our opinion, the financial statements have been properly prepared in accordance with the provisions of the Companies Act, 1995 and the Banking Act, 1994 enacted in Malta

Noel Mizzi (Partner) for and on behalf of

KPMG
Certified Public Accountants

21 February 2007

INCOME STATEMENT

For the Year Ended 31 December 2006

		GROUP		BANK	
	Note	**2006 USD**	2005 USD	**2006 USD**	2005 USD
Interest income	2	**22,339,437**	10,452,944	**17,800,866**	8,511,348
Interest expense	3	**(13,156,003)**	(4,328,442)	**(12,728,467)**	(4,328,442)
Net interest income		**9,183,434**	6,124,502	**5,072,399**	4,182,906
Fee and commission income	4	**12,055,540**	8,673,371	**10,326,421**	7,682,567
Fee and commission expense	4	**(1,202,509)**	(697,407)	**(1,011,842)**	(644,204)
Net fee and commission income	4	**10,853,031**	7,975,964	**9,314,579**	7,038,363
Net trading income	5	**3,156,572**	1,757,072	**1,336,923**	360,885
Dividend income	6	**581,956**	76,426	**1,167,161**	327,476
Other operating income	7	**103,431**	60,798	**22,122**	50,000
Net operating income before net impairment losses		**23,878,424**	15,994,762	**16,913,184**	11,959,630
Net impairment losses	8	**(1,939,894)**	(365,677)	**(884,565)**	(365,677)
Net operating income		**21,938,530**	15,629,085	**16,028,619**	11,593,953
Administrative expenses	9	**(15,611,680)**	(12,464,122)	**(11,826,533)**	(7,919,185)
Depreciation and amortisation	19/20	**(636,113)**	(563,835)	**(388,855)**	(421,395)
Impairment loss on property, plant and equipment	19/20	**(142,000)**	(165,858)	**-**	-
Net reversal of provisions	29	**-**	297,089	**-**	-
Adjustment to goodwill	19	**(3,423,789)**	(682,372)	**-**	-
Total operating expenses		**(19,813,582)**	(13,579,098)	**(12,215,388)**	(8,340,580)
Operating profit		**2,124,948**	2,049,987	**3,813,231**	3,253,373
Share of profit of associate	18	**2,550,770**	892,616	**-**	-
Profit before taxation		**4,675,718**	2,942,603	**3,813,231**	3,253,373
Taxation	10	**2,916,623**	(243,520)	**(335,671)**	(243,520)
Profit for the year		**7,592,341**	2,699,083	**3,477,560**	3,009,853
Basic earnings per share	11	**8.83c**	3.34c	**4.04c**	3.73c
Diluted earnings per share	11	**8.60c**	3.20c	**4.19c**	3.55c

BALANCE SHEET

At 31 December 2006

		GROUP		BANK	
	Note	**2006 USD**	2005 USD	**2006 USD**	2005 USD
ASSETS					
Balances with the Central Bank of Malta and cash	12	**112,626**	358,219	**93,322**	215,071
Loans and advances to banks	13	**211,660,418**	113,652,477	**200,848,606**	111,419,004
Financial assets at fair value through profit or loss	14	**145,784,755**	119,759,555	**20,739,111**	10,239,158
Loans and advances to customers	15	**81,708,042**	41,564,011	**166,021,629**	101,622,616
Investments available-for-sale	16	**149,029**	133,600	**149,029**	133,600
Investments in subsidiaries	17	**-**	-	**37,392,666**	37,392,666
Investments in associates	18	**11,115,152**	6,762,457	**8,553,934**	6,259,188
Intangible assets	19	**2,212,879**	5,183,515	**397,782**	-
Property, plant and equipment	20	**2,483,517**	2,850,537	**1,261,650**	1,351,629
Deferred tax asset	21	**5,890,139**	2,522,740	**734,945**	619,840
Current tax recoverable		**159,324**	366,637	**159,324**	366,637
Other assets		**1,020,420**	1,156,558	**806,120**	694,116
Prepayments and accrued income	22	**1,200,308**	904,957	**1,203,991**	1,406,345
Total assets		**463,496,609**	295,215,263	**438,362,109**	271,719,870
LIABILITIES AND EQUITY					
Liabilities					
Amounts owed to banks	23	**243,124,011**	116,336,809	**246,296,826**	116,336,809
Financial liabilities at fair value through profit or loss	24	**-**	202,727	**263,248**	370,294
Amounts owed to customers	25	**122,683,664**	111,868,342	**121,995,315**	89,726,091
Debt securities in issue	26	**19,514,000**	944,102	**-**	944,102
Subordinated convertible loan	27	**6,000,000**	6,000,000	**6,000,000**	6,000,000
Other liabilities		**44,727**	386,003	**44,727**	7,293
Accruals and deferred income	28	**8,669,275**	3,961,607	**4,072,521**	2,232,008
Provisions	29	**809,371**	729,637	**-**	-
Total liabilities		**400,845,048**	240,429,227	**378,672,637**	215,616,597
Equity					
Called up share capital	30	**43,084,340**	35,586,870	**43,084,340**	35,586,870
Share premium	30	**3,654,479**	10,231,432	**3,654,479**	10,231,432
Currency translation reserve	30	**(12,229)**	(176,774)	**-**	-
Other reserve	30	**2,681,041**	2,681,041	**2,681,041**	2,681,041
Retained earnings		**13,243,930**	6,463,467	**10,269,612**	7,603,930
Total equity		**62,651,561**	54,786,036	**59,689,472**	56,103,273
Total liabilities and equity		**463,496,609**	295,215,263	**438,362,109**	271,719,870

BALANCE SHEET

At 31 December 2006

		GROUP		BANK	
	Note	**2006 USD**	2005 USD	**2006 USD**	2005 USD
MEMORANDUM ITEMS					
Contingent liabilities	31	**6,825,473**	1,720,516	**26,339,473**	1,720,516
Commitments	32	**244,471,166**	125,609,890	**214,271,759**	150,826,326

The official closing middle rate of exchange between the US Dollar and the Maltese Lira issued by the Central Bank of Malta for 31 December 2006 stood at 3.0938.

The financial statements on pages 27 to 82 were approved by the Board of Directors on 21 February 2007 and were signed on its behalf by:

Najeeb H.M. Al-Saleh
Chairman

John C. Grech
Vice Chairman

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2006

GROUP

	Called up Issued Share Capital USD	Share Premium USD	Currency Translation Reserve USD	Other Reserve USD	Retained Earnings USD	Total USD
At 1 January 2005	33,005,316	8,862,371	-	2,681,041	3,764,384	48,313,112
Currency translation difference	-	-	(176,774)	-	-	(176,774)
Exercised share options	27,589	17,385	-	-	-	44,974
Conversion of subordinated convertible loan	2,553,965	1,351,676	-	-	-	3,905,641
Profit for the year	-	-	-	-	2,699,083	2,699,083
At 31 December 2005	35,586,870	10,231,432	(176,774)	2,681,041	6,463,467	54,786,036
At 1 January 2006	35,586,870	10,231,432	(176,774)	2,681,041	6,463,467	54,786,036
Exercised share options	134,804	106,826	-	-	-	241,630
Bonus issue	7,136,298	(7,136,298)	-	-	-	-
Currency translation difference	-	-	164,545	-	-	164,545
Dividend paid	-	-	-	-	(811,878)	(811,878)
Scrip issue of ordinary shares	226,368	452,519	-	-	-	678,887
Profit for the year	-	-	-	-	7,592,341	7,592,341
At 31 December 2006	**43,084,340**	**3,654,479**	**(12,229)**	**2,681,041**	**13,243,930**	**62,651,561**

BANK

	Called up Issued Share Capital USD	Share Premium USD	Other Reserve USD	Retained Earnings USD	Total USD
At 1 January 2005	33,005,316	8,862,371	2,681,041	4,594,077	49,142,805
Exercised share options	27,589	17,385	-	-	44,974
Conversion of subordinated convertible loan	2,553,965	1,351,676	-	-	3,905,641
Profit for the year	-	-	-	3,009,853	3,009,853
At 31 December 2005	35,586,870	10,231,432	2,681,041	7,603,930	56,103,273
At 1 January 2006	35,586,870	10,231,432	2,681,041	7,603,930	56,103,273
Exercised share options	134,804	106,826	-	-	241,630
Bonus issue	7,136,298	(7,136,298)	-	-	-
Dividend paid	-	-	-	(811,878)	(811,878)
Scrip issue of ordinary shares	226,368	452,519	-	-	678,887
Profit for the year	-	-	-	3,477,560	3,477,560
At 31 December 2006	**43,084,340**	**3,654,479**	**2,681,041**	**10,269,612**	**59,689,472**

CASH FLOW STATEMENT

For the Year Ended 31 December 2006

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Cash flows from operating activities				
Interest and commission receipts	**36,959,175**	21,321,735	**27,949,402**	15,644,904
Exchange received	**1,224,518**	239,702	**1,125,511**	471,055
Interest and commission payments	**(13,292,877)**	(4,706,756)	**(12,963,649)**	(4,653,553)
Payments to employees and suppliers	**(14,127,489)**	(12,773,581)	**(11,683,045)**	(7,894,283)
Operating profit before changes in operating assets/liabilities	**10,763,327**	4,081,100	**4,428,219**	3,568,123
(Increase)/decrease in operating assets:				
- Financial assets at fair value through profit or loss	**(25,824,478)**	(55,096,991)	**(10,255,362)**	(10,000,000)
- Loans and advances to customers and banks	**(63,904,516)**	(15,043,949)	**(63,466,471)**	(15,043,949)
- Other assets	**136,138**	(114,731)	**441,657**	(161,449)
Increase/(decrease) in operating liabilities:				
- Amounts owed to customers and banks	**63,460,289**	67,966,909	**84,465,775**	56,577,097
- Other liabilities	**36,991**	(1,273,890)	**42,276**	(50,808)
Net cash (outflows)/inflows from operating activities before income tax	**(15,332,249)**	518,448	**15,656,094**	34,889,014
Income tax (paid)/refund	**(243,463)**	29,611	**(243,466)**	34,082
Net cash (outflows)/inflows from operating activities	**(15,575,712)**	548,059	**15,412,628**	34,923,096
Cash flows from investing activities				
- Payments to acquire property, plant and equipment	**(696,768)**	(550,977)	**(253,983)**	(251,700)
- Payments to acquire intangible assets	**(565,862)**	(315,000)	**(442,674)**	-
- Proceeds on disposal of property, plant and equipment	**31,208**	11,645	**-**	-
- Net advance to subsidiary companies	**-**	-	**(23,173,879)**	(24,508,773)
- Purchase of shares in associated companies	**(2,257,303)**	(1,593,301)	**(2,294,746)**	(1,593,301)
- Purchase of other investment	**(15,429)**	-	**(15,429)**	-
- Payment to acquire subsidiary companies	**-**	-	**-**	(11,630,958)
- Receipt of dividend	**1,036,375**	302,029	**1,167,161**	302,029
Net cash flows used in investing activities	**(2,467,779)**	(2,145,604)	**(25,013,550)**	(37,682,703)
Cash flows from financing activities				
- Proceeds from issue of share capital	**241,630**	44,974	**241,630**	44,974
- Debt securities in issue	**18,569,898**	944,102	**(944,102)**	944,102
- Subordinated convertible loan	**-**	10,000,000	**-**	10,000,000
- Dividend paid	**(132,991)**	-	**(132,991)**	-
Net cash flows from/(used in) financing activities	**18,678,537**	10,989,076	**(835,463)**	10,989,076
Increase/(decrease) in cash and cash equivalents c/f	**635,046**	9,391,531	**(10,436,385)**	8,229,469

CASH FLOW STATEMENT

For the Year Ended 31 December 2006

		GROUP		BANK	
		2006	2005	**2006**	2005
	Note	**USD**	USD	**USD**	USD
Increase/(decrease) in cash and cash equivalents b/f		**635,046**	9,391,531	**(10,436,385)**	8,229,469
- Effect of exchange rate changes on cash and cash equivalents		**1,407,472**	(1,277,745)	**1,292,419**	(1,232,320)
- Net (decrease)/increase in cash and cash equivalents		**(772,426)**	10,669,276	**(11,728,804)**	9,461,789
Increase/(decrease) in cash and cash equivalents		**635,046**	9,391,531	**(10,436,385)**	8,229,469
Cash and cash equivalents at beginning of year		**37,809,500**	28,417,969	**35,432,879**	27,203,410
Cash and cash equivalents at end of year	33	**38,444,546**	37,809,500	**24,996,494**	35,432,879

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

1 SIGNIFICANT ACCOUNTING POLICIES

FIMBank p.l.c. ("the Bank") is a limited liability company domiciled and incorporated in Malta. The consolidated financial statements for the year ended 31 December 2006 comprise the Bank and its subsidiary undertakings (together referred to as "the Group") as disclosed in note 17.

1.1 Statement of compliance

The Bank's financial statements have been prepared in accordance with the provisions of the Banking Act, 1994 and the Companies Act, 1995 which requires adherence to International Financial Reporting Standards. In the case of the Group, Article 4 of Regulation 1606/2002/EC ('the Regulation') requires that, for each financial year, companies that at balance sheet date have their securities trading on a regulated market of any EU Member State shall prepare consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. The Regulation prevails over the relevant provisions of the Companies Act, 1995 to the extent that the said provisions are incompatible with the requirements of the Regulation.

Notwithstanding the above, there were no incompatibilities between the provisions of the Companies Act, 1995 and the requirements of the Regulation in relation to the preparation of these financial statements.

IFRS in issue but not yet effective

Certain new disclosures about financial instruments will be required upon the adoption of IFRS 7 Financial Instruments: Disclosures. This Standard is applicable for annual periods beginning on or after 1 January 2007, with earlier application encouraged. IFRS 7 replaces the disclosures required by IAS 32, Financial Instruments: Disclosure and Presentation and IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions. IFRS 7 introduces new disclosures to improve the information about financial instruments.

Upon adoption of the amendments to IAS 1, Capital Disclosures, additional disclosures will also be required to enable users to evaluate the objectives, policies and processes for managing capital. These amendments are applicable for annual periods beginning on or after 1 January 2007, with earlier application encouraged.

The financial statements were approved by the Board of Directors on 21 February 2007.

1.2 Basis of preparation

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effects on the amount recognised in the financial statements are described in notes 19 and 40.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.3 Basis of consolidation

i) Subsidiaries

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

(ii) Associates

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

(iii) Transactions eliminated on consolidation

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

1.4 Financial instruments

1.4.1 Classification

Financial assets or financial liabilities at fair value through profit or loss are financial assets or liabilities that are either classified as held for trading or upon initial recognition are designated by the Group at fair value through profit or loss. This category includes forfaiting assets, derivative contracts and debt securities. All trading derivatives in a net receivable position (positive fair value) are reported as trading assets. All trading derivatives in a net payable position (negative fair value) are reported as trading liabilities (refer to note 1.5).

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.4 Financial instruments *(continued)*

1.4.1 Classification (continued)

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

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

1.4.2 Recognition

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

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

1.4.3 Measurement

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

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

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

1.4.4 Fair value measurement principles

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.4 Financial instruments *(continued)*

1.4.5 Gains and losses on subsequent measurement

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

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

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

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

1.5 Derivative financial instruments

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

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

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

The fair value of forward exchange and futures contracts is their quoted market price at the balance sheet date.

1.6 Derecognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.7 Sale and repurchase agreements

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

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

1.8 Offsetting financial instruments

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

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

1.9 Impairment

The carrying amounts of the Group's assets, other than deferred tax assets (see accounting policy 1.22), are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably measured If there is objective evidence, the asset's recoverable amount is estimated (see below). An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset is carried at revalued amount, in which case the impairment is treated as a revaluation decrease, to the extent of the credit balance on the revaluation reserve.

1.9.1 Goodwill

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

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

1.9.2 Assets carried at amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.9 Impairment *(continued)*

1.9.2 Assets carried at amortised cost (continued)

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

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

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

1.9.3 Financial assets remeasured to fair value

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

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

1.9.4 Other assets

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

1.9.5 Reversals of impairment

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

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

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.10 Investments in subsidiaries and associates

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

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

1.11 Property, plant and equipment

1.11.1 Owned assets

Property, plant and equipment are initially measured at cost and subsequently remeasured at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1.9).

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

1.11.2 Subsequent costs

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

1.11.3 Depreciation

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

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

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

1.12 Intangible assets

1.12.1 Goodwill

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.12 Intangible assets *(continued)*

1.12.1 Goodwill (continued)

On initial recognition goodwill is measured at its cost. After initial recognition goodwill is measured at cost less impairment losses. Accordingly goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (see accounting policy 1.9) or earlier if an indication of impairment exists. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate (see accounting policy 1.10).

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

1.12.2 Software licence

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

1.12.3 Subsequent expenditure

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

1.12.4 Amortisation

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

1.13 Share capital

Repurchase of share capital

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

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

1.14 Interest-bearing borrowings

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

1.15 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation, 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 restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has commenced or has been announced publicly. Future operating costs are not provided for.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.15 Provisions *(continued)*

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.

1.16 Trade and other payables

Trade and other payables are stated at their amortised cost.

1.17 Interest

Interest income and expense are recognised in the income statement 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. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

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

Interest income and expense presented in the income statement include:

- interest on financial assets and liabilities at amortised cost on an effective interest rate basis;
- interest on available-for-sale investment securities on an effective interest basis; and
- interest on trading assets and liabilities.

1.18 Fee and commission income

Fee and commission income and expenses 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, loan commitment fees are recognised on a straight-line basis over the commitment period.

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

1.19 Net trading income

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

1.20 Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.21 Operating lease payments

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

1.22 Income tax

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

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

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

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

1.23 Employee benefits

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

1.24 Equity related compensation benefits

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

1.25 Foreign currency

1.25.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the 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 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 to the functional currency at the 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 or a financial liability designated as a hedge of the net investment in a foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.25 Foreign currency *(continued)*

1.25.2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to US Dollar at exchange rates at the reporting date. The income and expenses of foreign operations, excluding any foreign operations in hyperinflationary economies, are translated to US Dollar at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity. Such differences have been recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

1.26 Cash and cash equivalents

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

1.27 Segment reporting

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

1.28 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 initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The 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). Financial guarantees are included within other liabilities.

1.29 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, which comprise subordinated convertible loan and share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

2 INTEREST INCOME

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
On loans and advances to banks	**4,795,269**	1,585,865	**4,785,520**	1,564,756
On loans and advances to customers	**4,219,624**	1,893,788	**4,219,624**	1,893,788
On loans and advances to subsidiary companies	**-**	-	**5,243,406**	2,703,901
	9,014,893	3,479,653	**14,248,550**	6,162,445
On debt securities	**1,321,393**	416,756	**1,321,393**	416,756
On forfaiting assets	**9,772,228**	4,624,388	**-**	-
On other trade finance activities	**2,230,923**	1,932,147	**2,230,923**	1,932,147
Total interest income	**22,339,437**	10,452,944	**17,800,866**	8,511,348

The comparative amounts of the Group have been restated to reflect a reclassification of forfaiting interest from net trading income to interest income (note 5).

3 INTEREST EXPENSE

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
On amounts owed to banks	**8,578,214**	2,224,335	**8,578,214**	2,090,112
On amounts owed to customers	**3,717,974**	1,969,884	**3,666,977**	2,099,206
On debt securities in issue	**427,536**	-	**50,997**	4,901
On subordinated convertible loan	**432,279**	134,223	**432,279**	134,223
	13,156,003	4,328,442	**12,728,467**	4,328,442

4 NET FEE AND COMMISSION INCOME

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Fee and commission income				
Credit related fees and commissions	**1,934,374**	1,336,950	**1,934,374**	1,336,950
Fees and commissions on letters of credit	**7,002,123**	5,356,606	**7,002,123**	5,356,606
Fees and commissions on forfaiting activities	**1,729,119**	990,804	**-**	-
Other fees	**1,389,924**	989,011	**1,389,924**	989,011
	12,055,540	8,673,371	**10,326,421**	7,682,567

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

4 NET FEE AND COMMISSION INCOME *(continued)*

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Fee and commission expense				
Credit related fees	**391,685**	124,953	**391,685**	124,953
Correspondent banking fees	**279,035**	111,701	**255,195**	111,701
Fees and commissions on forfaiting activities	**216,561**	117,817	**-**	-
Other fees	**315,228**	342,936	**364,962**	407,550
	1,202,509	697,407	**1,011,842**	644,204
Net fee and commission income	**10,853,031**	7,975,964	**9,314,579**	7,038,363

5 NET TRADING INCOME

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Net trading income from assets held for trading	**1,789,418**	1,311,830	**-**	-
Net income/(loss) from assets designated at fair value through profit or loss	**48,685**	248,758	**(46,996)**	130,000
Foreign exchange rate fluctuations	**1,318,469**	196,484	**1,383,919**	230,885
	3,156,572	1,757,072	**1,336,923**	360,885

The comparative amounts of the Group have been restated to reflect a reclassification of forfaiting interest from net trading income to interest income (note 2).

6 DIVIDEND INCOME

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Dividend from associated company	**-**	-	**585,205**	251,050
Dividends from available-for-sale equity instruments	**581,956**	76,426	**581,956**	76,426
	581,956	76,426	**1,167,161**	327,476

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

7 OTHER OPERATING INCOME

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Profit on disposal of property, plant and equipment	**11,082**	10,798	**-**	-
Consultancy fees receivable	**57,122**	50,000	**22,122**	50,000
Other non-trading income	**35,227**	-	**-**	-
	103,431	60,798	**22,122**	50,000

8 NET IMPAIRMENT LOSSES

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Write downs:				
Loans and advances to banks				
- specific impairment allowances	**(2,556)**	(1,025,175)	**(2,556)**	(1,025,175)
- collective impairment allowances	**(316,547)**	-	**(316,547)**	-
	(319,103)	(1,025,175)	**(319,103)**	(1,025,175)
Loans and advances to customers				
- specific impairment allowances	**(1,508,936)**	-	**(453,607)**	-
- collective impairment allowances	**(246,759)**	-	**(246,759)**	-
- write-offs	**(29,361)**	(2,015)	**(29,361)**	(2,015)
	(1,785,056)	(2,015)	**(729,727)**	(2,015)
	(2,104,159)	(1,027,190)	**(1,048,830)**	(1,027,190)
Recoveries and reversals:				
Loans and advances to customers				
- specific impairment allowances	**164,265**	494,353	**164,265**	494,353
- collective impairment allowances	**-**	167,160	**-**	167,160
	164,265	661,513	**164,265**	661,513
Net impairment losses	**(1,939,894)**	(365,677)	**(884,565)**	(365,677)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

9 ADMINISTRATIVE EXPENSES

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

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Personnel expenses	**9,158,575**	6,592,086	**6,161,095**	3,717,760
Auditors' remuneration	**220,832**	207,305	**64,463**	71,857
Operating lease rentals	**743,468**	489,444	**425,413**	177,997
Other administrative expenses	**5,488,805**	5,175,287	**4,270,584**	3,770,771
Recharge of services by subsidiary	**-**	-	**904,978**	180,800
	15,611,680	12,464,122	**11,826,533**	7,919,185

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

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Directors' emoluments				
- wages and salaries	**-**	332,325	**-**	-
- other emoluments	**184,433**	179,147	**184,433**	141,000
	184,433	511,472	**184,433**	141,000
Staff costs				
- wages, salaries and allowances	**8,006,046**	5,248,543	**5,720,731**	3,388,451
- defined contribution costs	**968,096**	832,071	**255,931**	188,309
	8,974,142	6,080,614	**5,976,662**	3,576,760
	9,158,575	6,592,086	**6,161,095**	3,717,760

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

	GROUP		BANK	
	2006 No.	2005 No.	**2006 No.**	2005 No.
Executive and senior managerial	**20**	21	**10**	12
Other managerial, supervisory and clerical	**98**	81	**83**	67
Other staff	**3**	3	**3**	3
	121	105	**96**	82

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

9 ADMINISTRATIVE EXPENSES *(continued)*

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

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

	GROUP		BANK	
	2006 No. of shares	2005 No. of shares	**2006 No. of shares**	2005 No. of shares
At 1 January	**579,865**	672,220	**579,865**	672,220
Exercised	**(269,607)**	(55,178)	**(269,607)**	(55,178)
Awarded	**790,063**	-	**790,063**	-
Forfeited due to termination of employment	**(76,000)**	(37,177)	**(76,000)**	(37,177)
At 31 December	**1,024,321**	579,865	**1,024,321**	579,865

Details of Share Options Granted:

		Exercise Period			
	Total USD	01.01.08 to 31.12.12	01.01.06 to 31.12.10	01.01.04 to 31.12.08	01.01.03 to 31.12.07
Exercise price per USD0.50 share		USD0.9534	USD0.9425	USD0.9508	USD0.50
Number of share options unexercised at 1 January 2005	**672,220**	-	400,000	136,253	135,967
Exercised	**(55,178)**	-	-	(27,000)	(28,178)
Forfeited due to termination of employment	**(37,177)**	-	(15,000)	(10,500)	(11,677)
Number of share options unexercised at 31 December 2005	**579,865**	**-**	**385,000**	**98,753**	**96,112**
Number of share options unexercised at 1 January 2006	**579,865**	**-**	**385,000**	**98,753**	**96,112**
Exercised	**(269,607)**	-	(135,800)	(41,000)	(92,807)
Awarded	**790,063**	714,400	60,400	14,051	1,212
Forfeited due to termination of employment	**(76,000)**	(76,000)	-	-	-
Number of share options unexercised at 31 December 2006	**1,024,321**	638,400	309,600	71,804	4,517

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

10 TAXATION

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

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Current tax				
- Malta tax charge at a rate of 35%	**(450,784)**	(121,071)	**(450,784)**	(121,071)
Deferred				
- Origination and reversal of temporary differences	**(998,133)**	(804,821)	**115,113**	(122,449)
- Tax losses not previously recognised	**4,365,540**	682,372	**-**	-
	3,367,407	(122,449)	**115,113**	(122,449)
Taxation in income statement	**2,916,623**	(243,520)	**(335,671)**	(243,520)

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

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

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Profit before tax	**4,675,718**	2,942,603	**3,813,231**	3,253,373
Tax expense income using the domestic income tax rate of 35%	**(1,636,501)**	(1,029,911)	**(1,334,631)**	(1,138,681)
Tax effect of:				
Non-deductible expenses	**(369,856)**	(466,219)	**(1,331)**	(1,354)
Temporary differences previously not recognised	**3,191,797**	687,362	**(474)**	4,990
Allowances received in terms of Income Tax Act exemption order	**737,482**	816,223	**737,482**	816,223
Non-deductible group losses	**(59,938)**	(600,171)	**-**	-
Share of profit from associate	**687,948**	224,548	**-**	-
Different tax rates	**368,793**	124,648	**263,283**	75,302
Unrecognised deferred tax asset	**(3,102)**	-	**-**	-
Taxation	**2,916,623**	(243,520)	**(335,671)**	(243,520)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

11 EARNINGS PER SHARE

11.1 Basic earnings per share

The calculation of the Group's and Bank's earnings per share at 31 December 2006 was based on the profit attributable to ordinary shareholders of USD7,592,341 and USD3,477,560 (2005: USD2,699,083 and USD3,009,853) for the Group and Bank respectively divided by the weighted average number of ordinary shares in issue during the year ended 31 December 2006 of 85,986,377 (2005: weighted average 80,764,840).

11.2 Diluted earnings per share

The calculation of the Group's and Bank's diluted earnings per share at 31 December 2006 was based on the profit attributable to ordinary shareholders of USD8,024,620 and USD3,909,839 (2005: USD2,833,316 and USD3,144,086) for the Group and Bank respectively divided by the weighted average number of ordinary shares outstanding during the year ended 31 December 2006 of 93,255,536 (2005: weighted average 88,568,462), calculated as follows:

Profit attributable to ordinary shareholders (diluted):

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Profit attributable to ordinary shareholders	**7,592,341**	2,699,083	**3,477,560**	3,009,853
After tax effect of interest on subordinated convertible loan	**432,279**	134,233	**432,279**	134,233
Profit attributable to ordinary shareholders (diluted)	**8,024,620**	2,833,316	**3,909,839**	3,144,086

Weighted average number of ordinary shares (diluted):

	2006 No. of Shares	2005 No. of Shares
Weighted average number of ordinary shares at 31 December	**85,986,377**	66,492,244
Effect of bonus issue	**-**	14,272,596
Effect of conversion of subordinated convertible loan	**6,771,211**	7,661,895
Effect of share options on issue	**497,948**	141,727
Weighted average number of ordinary shares (diluted) at 31 December	**93,255,536**	88,568,462

12 BALANCES WITH CENTRAL BANK OF MALTA AND CASH

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Balances with the Central Bank of Malta	**300**	172,365	**300**	172,365
Cash	**112,326**	185,854	**93,022**	42,706
	112,626	358,219	**93,322**	215,071

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

13 LOANS AND ADVANCES TO BANKS

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Repayable on call and at short notice	**46,916,353**	13,036,609	**33,142,550**	14,288,879
Term loans and advances	**168,192,578**	103,745,277	**171,154,569**	100,259,534
Total loans and advances	**215,108,931**	116,781,886	**204,297,119**	114,548,413
Allowances for uncollectibility				
- specific impairment	**(3,131,966)**	(3,129,409)	**(3,131,966)**	(3,129,409)
- collective impairment	**(316,547)**	-	**(316,547)**	-
Net loans and advances	**211,660,418**	113,652,477	**200,848,606**	111,419,004

Loans and advances to banks include blocked funds amounting to USD113,096 (2005: USD113,096) pursuant to US Sanctions.

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

The aggregate amount of impaired loans to banks amounted to USD3,863,082 (2005: USD3,623,368). Total interest that would have accrued on the impaired loans in the current and preceding financial years would have amounted to USD1,336,147 (2005: USD418,207).

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

14.1 Financial assets at fair value through profit or loss

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Held-for-trading				
- Forfaiting assets	**125,256,467**	109,520,397	**-**	-
- Derivative assets	**142,926**	109,158	**353,749**	109,158
	125,399,393	109,629,555	**353,749**	109,158
Designated at fair value through profit or loss				
- Foreign listed debt securities	**10,260,362**	-	**10,260,362**	-
- Unlisted debt securities issued by foreign banks	**10,125,000**	10,130,000	**10,125,000**	10,130,000
	145,784,755	119,759,555	**20,739,111**	10,239,158

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

14.2 Unlisted debt securities consist of first to default credit linked notes, whereby the Group is funding the risk of first default within a basket of specified borrowers. The notes have an embedded instrument linked to the credit risk of the reference basket, which could not be separated from the host contract neither at acquisition nor at a subsequent financial reporting date. The financial asset was therefore 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 balance sheet date taking into account current market conditions and the current credit worthiness of the counterparties.

15 LOANS AND ADVANCES TO CUSTOMERS

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Repayable on call and at short notice	**47,944,374**	16,943,476	**47,944,374**	16,943,476
Term loans and advances	**43,442,111**	33,762,877	**43,442,111**	33,762,877
Total loans and advances	**91,386,485**	50,706,353	**91,386,485**	50,706,353
Amounts owed by subsidiary companies	**-**	-	**84,313,587**	60,058,605
	91,386,485	50,706,353	**175,700,072**	110,764,958
Allowances for uncollectibility	**(9,678,443)**	(9,142,342)	**(9,678,443)**	(9,142,342)
Net loans and advances	**81,708,042**	41,564,011	**166,021,629**	101,622,616
Allowances for uncollectibility				
- specific impairment allowances	**9,371,899**	9,082,557	**9,371,899**	9,082,557
- collective impairment allowances	**306,544**	59,785	**306,544**	59,785
	9,678,443	9,142,342	**9,678,443**	9,142,342

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

The aggregate amount of impaired loans and advances to customers amounted to USD15,459,944 (2005: USD13,904,610). Total interest that would have accrued on the impaired loans in the current and preceding financial years would have amounted to USD4,782,674 (2005: USD3,169,890).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

15 LOANS AND ADVANCES TO CUSTOMERS *(continued)*

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

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Industrial raw materials	**8,596,873**	2,472,740	**8,596,873**	2,472,740
Ship scrapping/pre-demolition	**34,969,949**	26,097,838	**34,969,949**	26,097,838
Wholesale and retail trade	**44,614,268**	19,700,081	**44,614,268**	19,700,081
Other services	**3,205,395**	2,435,694	**3,205,395**	2,435,694
	91,386,485	50,706,353	**91,386,485**	50,706,353

16 INVESTMENTS AVAILABLE-FOR-SALE

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

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Foreign unlisted	**126,834**	111,405	**126,834**	111,405
Local unlisted	**22,195**	22,195	**22,195**	22,195
	149,029	133,600	**149,029**	133,600

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

17 INVESTMENTS IN SUBSIDIARIES

17.1 Capital subscribed

	USD
At 1 January 2005	2
Incorporated	26,231
Acquired from former subsidiary	37,366,435
In liquidation	(2)
At 31 December 2005	37,392,666
At 1 January 2006 and 31 December 2006	**37,392,666**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

17 INVESTMENTS IN SUBSIDIARIES *(continued)*

17.2 Investments in subsidiaries consist of:

Name of Company	**Registered Office**	**Nature of Business**	**Current Equity Interest** %	**BANK** **2006** **USD**	**2005** USD
FIMBank (UK) Limited (in liquidation)	UK	Holding Company	-	**-**	-
London Forfaiting Company Limited	UK	Forfaiting	100	**37,366,435**	37,366,435
FIM Business Solutions Limited	Malta	IT Services Provider	100	**5,000**	5,000
FIMFactors B.V.	Netherlands	Holding Company	100	**21,231**	21,231
				37,392,666	37,392,666

17.3 The Bank, indirectly through London Forfaiting Company Limited, controls the following wholly-owned subsidiaries:

Name of Company	**Country of Incorporation**	**Nature of Business**	**Current Equity Interest %** **2006**	**2005**
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 Asia Pacific Limited * #	Cyprus	Marketing	**100**	100
London Forfaiting Deutschland GmbH * #	Germany	Marketing	**100**	100
London Forfaiting a Paris S.A. * #	France	Marketing	**100**	100

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

18 INVESTMENTS IN ASSOCIATES

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

Name of Company	**Country of Incorporation**	**Nature of Business**	**Class of Shares**	**Current Equity Interest** %	**GROUP** **2006** **USD**	**2005** USD
Globe Trade Finance Limited (GTF)	India	Factoring	Ordinary Shares	38.5	**10,415,152**	5,186,382
			Convertible cumulative preference shares	38.5	**-**	1,576,075
Egypt Factors	Egypt	Factoring	Ordinary Shares	40.0	**700,000**	-
					11,115,152	6,762,457

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

18 INVESTMENTS IN ASSOCIATES *(continued)*

	GROUP	
	2006	**2005**
	USD	USD
At 1 January	**6,762,457**	4,703,330
Investment in Egypt Factors	**700,000**	-
Investment in GTF	**1,557,303**	1,576,075
Adjustment to cost of acquisition in GTF ordinary shares	**-**	17,226
Share of profit	**2,550,770**	892,616
Dividend receivable	**(617,429)**	(250,016)
Currency translation difference	**162,051**	(176,774)
At 31 December	**11,115,152**	6,762,457

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

Name of Company	**Country of Incorporation**	**Nature of Business**	**Class of Shares**	**Current Equity Interest** %	**GROUP 2006** **USD**	**2005** USD
Globe Trade Finance Limited (GTF)	India	Factoring	Ordinary Shares	38.5	**7,853,934**	4,683,113
			Convertible cumulative preference shares	38.5	**-**	1,576,075
Egypt Factors	Egypt	Factoring	Ordinary Shares	40.0	**700,000**	-
					8,553,934	6,259,188

	2006	2005
At 1 January	**6,259,188**	4,703,330
Investment in Egypt Factors	**700,000**	-
Investment in GTF	**1,557,303**	1,576,075
Adjustment to cost of acquisition in GTF ordinary shares	**-**	17,226
Exchange rate difference	**37,443**	(37,443)
At 31 December	**8,553,934**	6,259,188

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

18 INVESTMENTS IN ASSOCIATES *(continued)*

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

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

(i) the date when all the shares have been disposed of by IFC; or
(ii) the date when all the shares of GTF are listed on the Bombay Stock Exchange or any other exchange acceptable to IFC; or
(iii) 30 September, 2010.

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

18.4 In September 2005, the company acquired 6,930,000, 6.25% cumulative convertible preference shares of 10.00 Indian Rupees each for a purchase consideration of USD1,576,075.

In July 2006, the Bank further acquired 6,930,000, 6.25% cumulative preference shares of 10.00 Indian Rupees each, for a purchase consideration of USD1,557,303. This brought its total preference shares investment in GTF to 13,860,000 shares.

In November 2006, the associated company converted its preference shares to ordinary shares of 10.00 Indian Rupees each at a conversion price of 11.20 Indian Rupees per share. The Bank’s investment in preference shares was accordingly converted to 12,375,000 ordinary shares of 10 Indian Rupees each for a consideration of USD3,133,378.

18.5 During the year, the Bank invested USD700,000 in Egypt Factors, a newly established company that will provide factoring services in Egypt. The other shareholders are Commercial International Bank (CIB) and International Finance Corporation (IFC) with 40% and 20% equity holding respectively.

At 31 December 2006 the investment is being carried at cost since the associated company did not trade during the financial year and there have been no change in its net assets.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

19 INTANGIBLE ASSETS

19.1 GROUP

	Goodwill	Software Licences	Total
	USD	USD	USD
Cost			
At 1 January 2005	5,235,887	-	5,235,887
Additions	-	630,000	630,000
Adjustments resulting from the recognition by a subsidiary of deferred tax asset	(682,372)	-	(682,372)
At 31 December 2005	4,553,515	630,000	5,183,515
At 1 January 2006	4,553,515	630,000	5,183,515
Additions	-	565,862	565,862
Adjustments resulting from the recognition by a subsidiary of deferred tax asset	(3,423,789)	-	(3,423,789)
At 31 December 2006	**1,129,726**	**1,195,862**	**2,325,588**
Amortisation and Impairment loss			
At 1 January 2006	-	-	-
Charge for the year	-	112,709	112,709
At 31 December 2006	**-**	**112,709**	**112,709**
Carrying Amount			
At 1 January 2005	5,235,887	-	5,235,887
At 31 December 2005	4,553,515	630,000	5,183,515
At 1 January 2006	4,553,515	630,000	5,183,515
At 31 December 2006	**1,129,726**	**1,083,153**	**2,212,879**

In the comparative period, the software licence was not yet brought into use by year-end and therefore no amortisation was charged in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

19 INTANGIBLE ASSETS *(continued)*

19.2 BANK

	Software Licences USD
Cost	
At 1 January 2006	-
Additions	442,676
At 31 December 2006	442,676
Amortisation and Impairment loss	
At 1 January 2006	-
Charge for the year	44,894
At 31 December 2006	44,894
Carrying Amount	
At 1 January 2006	-
At 31 December 2006	**397,782**

19.3 Subsequent changes in the carrying amount of goodwill

During the year, one of the subsidiaries recognised a deferred tax asset amounting to USD3,423,789 (2005: USD682,372) (see note 10). The Group adjusted the gross carrying amount of goodwill to the amounts that would have been recorded if the deferred tax asset had been recognised as an identifiable asset at acquisition date (see note 19.1). The reduction in the carrying amount of goodwill was recognised in the income statement accordingly.

19.4 Impairment test for the cash-generating unit containing goodwill

The recoverable amount of London Forfaiting Company Limited (the 'cash-generating unit') is based on value-in-use calculations. Those calculations use cash flow projections based on actual operating results and the five-year business plan approved by the Board of Directors. Cash flows beyond the five-year period have been extrapolated using a steady 2.0% growth rate. A pre-tax discount rate of 13.57% has been used in discounting the projected cash flows.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

20 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold Premises USD	Computer System USD	Furniture Fixtures and Fittings USD	Computer Equipment USD	Others USD	Total USD
Cost						
At 1 January 2005	1,503,389	732,386	3,278,203	2,607,340	1,922,993	10,044,311
Acquisitions during year	-	77,410	77,301	256,206	197,463	608,380
Disposals	-	-	(2,261,288)	(1,235,131)	(320,905)	(3,817,324)
At 31 December 2005	1,503,389	809,796	1,094,216	1,628,415	1,799,551	6,835,367
At 1 January 2006	1,503,389	809,796	1,094,216	1,628,415	1,799,551	6,835,367
Adjustments	(175)	-	25	75	75	-
Acquisitions during year	-	-	36,652	211,970	72,565	321,187
Disposals	-	-	(68,888)	(58,022)	(88,859)	(215,769)
At 31 December 2006	**1,503,214**	**809,796**	**1,062,005**	**1,782,438**	**1,783,332**	**6,940,785**
Depreciation and impairment						
At 1 January 2005	220,047	462,942	2,954,721	2,056,345	1,377,559	7,071,614
Charge for year	4,439	115,682	50,469	214,905	178,340	563,835
Impairment loss	165,858	-	-	-	-	165,858
Released on disposal	-	-	(2,260,441)	(1,235,131)	(320,905)	(3,816,477)
At 31 December 2005	390,344	578,624	744,749	1,036,119	1,234,994	3,984,830
At 1 January 2006	390,344	578,624	744,749	1,036,119	1,234,994	3,984,830
Charge for year	1,677	77,120	68,198	271,327	105,082	523,404
Impairment loss	142,000	-	-	-	-	142,000
Released on disposal	-	-	(67,091)	(54,256)	(71,619)	(192,966)
At 31 December 2006	**534,021**	**655,744**	**745,856**	**1,253,190**	**1,268,457**	**4,457,268**
Carrying amounts						
At 1 January 2005	1,283,342	269,444	323,482	550,995	545,434	2,972,697
At 31 December 2005	1,113,045	231,172	349,467	592,296	564,557	2,850,537
At 1 January 2006	1,113,045	231,172	349,467	592,296	564,557	2,850,537
At 31 December 2006	**969,193**	**154,052**	**316,149**	**529,248**	**514,875**	**2,483,517**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

20 PROPERTY, PLANT AND EQUIPMENT *(continued)*

BANK

	Freehold Premises USD	**Computer System** USD	**Furniture Fixtures and Fittings** USD	**Computer Equipment** USD	**Others** USD	**Total** USD
Cost						
At 1 January 2005	221,708	732,386	431,905	942,382	1,131,467	3,459,848
Acquisitions during year	-	77,410	4,959	122,082	41,384	245,835
At 31 December 2005	221,708	809,796	436,864	1,064,464	1,172,851	3,705,683
At 1 January 2006	221,708	809,796	436,864	1,064,464	1,172,851	3,705,683
Acquisitions during year	-	-	10,200	202,184	41,598	253,982
At 31 December 2006	**221,708**	**809,796**	**447,064**	**1,266,648**	**1,214,449**	**3,959,665**
Depreciation						
At 1 January 2005	13,316	462,942	138,489	547,194	770,718	1,932,659
Charge for year	4,439	115,682	31,191	153,786	116,297	421,395
At 31 December 2005	17,755	578,624	169,680	700,980	887,015	2,354,054
At 1 January 2006	17,755	578,624	169,680	700,980	887,015	2,354,054
Charge for year	1,677	77,120	41,072	193,027	31,065	343,961
At 31 December 2006	**19,432**	**655,744**	**210,752**	**894,007**	**918,080**	**2,698,015**
Carrying amounts						
At 1 January 2005	208,392	269,444	293,416	395,188	360,749	1,527,189
At 31 December 2005	203,953	231,172	267,184	363,484	285,836	1,351,629
At 1 January 2006	203,953	231,172	267,184	363,484	285,836	1,351,629
At 31 December 2006	**202,276**	**154,052**	**236,312**	**372,641**	**296,369**	**1,261,650**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

21 DEFERRED TAX ASSET

The deferred tax asset is analysed as follows:

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Tax effect of temporary differences relating to:				
- excess of capital allowances over depreciation	**(5,290)**	(3,169)	**(5,290)**	(3,169)
- allowances for uncollectibility	**724,996**	617,036	**724,996**	617,036
- unabsorbed capital allowances	**15,239**	5,973	**15,239**	5,973
- unabsorbed tax losses	**5,155,194**	1,902,900	**-**	-
	5,890,139	2,522,740	**734,945**	619,840

At balance sheet date, a subsidiary had unused tax losses amounting to USD88 million available against future taxable profits. A deferred tax asset amounting to USD3,423,789 (2005: USD682,372) was utilised during the year to absorb taxable income. An equivalent amount was recognised in the financial statements as a deferred tax asset on the basis of three-year profit forecasts and the results for the current year.

22 PREPAYMENTS AND ACCRUED INCOME

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Accrued income	**559,082**	334,322	**718,691**	941,560
Prepayments	**641,226**	570,635	**485,300**	464,785
	1,200,308	904,957	**1,203,991**	1,406,345

Accrued income of the Bank includes amounts receivable from subsidiary companies amounting to USD159,609 (2005: USD528,214).

23 AMOUNTS OWED TO BANKS

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Term deposits	**177,089,551**	110,130,783	**180,262,366**	110,130,783
Repayable on demand	**66,034,460**	6,206,026	**66,034,460**	6,206,026
	243,124,011	116,336,809	**246,296,826**	116,336,809

All amounts owed to banks have variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

24 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss consist of:

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Derivative liabilities:				
- interest rate	**-**	-	**263,248**	167,567
- foreign exchange	**-**	202,727	**-**	202,727
	-	202,727	**263,248**	370,294

25 AMOUNTS OWED TO CUSTOMERS

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Term deposits	**49,275,959**	25,192,500	**48,538,827**	25,192,500
Repayable on demand	**73,407,705**	86,498,125	**73,407,705**	63,163,407
	122,683,664	111,690,625	**121,946,532**	88,355,907
Amounts owed to subsidiary companies	**-**	-	**48,783**	1,192,467
Amounts owed to associated company	**-**	177,717	**-**	177,717
	122,683,664	111,868,342	**121,995,315**	89,726,091

Included in customer accounts are deposits amounting to USD6,983,702 (2005: USD4,703,181) 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 balance sheet date amounted to USD1,751,490 (2005: USD114,508), including a call deposit amounting to USD68,951 and a term deposit amounting to USD1,682,539, maturing on 8 January 2007, bearing interest rate at 5.2%. Interest amounting to USD28,858 (2005: Nil) was paid to this shareholder during the year.

26 DEBT SECURITIES IN ISSUE

Debt securities in issue comprise unsecured promissory notes with a tenor of one year, issued by the subsidiary company London Forfaiting Company Limited and avalised by the Bank. Interest on these promissory notes is paid semi-annually in arrears at an effective interest rate for 2006 of 5.88%.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

27 SUBORDINATED CONVERTIBLE LOAN

27.1

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Initial recognition:				
- face value of subordinated convertible loan on 23 June 2005	**10,000,000**	10,000,000	**10,000,000**	10,000,000
- amounts classified as equity on exercise of option on 27 October 2005 (see note 27.2 below)	**(4,000,000)**	(4,000,000)	**(4,000,000)**	(4,000,000)
Carrying amount as at 31 December	**6,000,000**	6,000,000	**6,000,000**	6,000,000

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

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

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

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

At 31 December 2006, the loan incurred interest at 7.61% (2005: 6.01%) and is repayable in full by 22 June 2013 unless converted by 22 June 2010 into fully paid up ordinary shares as noted above. On 27 October 2005 IFC exercised its right to convert part of the loan amounting to USD4 million with the result that on 28 November 2005, 5,107,930 new shares were issued in favour of IFC (see note 30.1).

28 ACCRUALS AND DEFERRED INCOME

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Accrued interest	**1,668,379**	615,599	**1,392,258**	615,599
Other accruals	**7,000,896**	3,346,008	**2,680,263**	1,616,409
	8,669,275	3,961,607	**4,072,521**	2,232,008

Other accruals comprise an amount payable to a subsidiary company amounting to USD719,738 (2005: USD646,447).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

29 PROVISIONS

	Restructuring USD	**Legal and other provisions** USD	**Total** USD
Balance at 1 January 2005	419,450	1,449,351	1,868,801
Provisions used during the year	(419,450)	(264,150)	(683,600)
Provisions reversed during the year	-	(297,089)	(297,089)
Exchange difference	-	(158,475)	(158,475)
Balance at 31 December 2005	-	729,637	729,637
Balance at 1 January 2006	-	729,637	729,637
Exchange difference	-	79,734	79,734
Balance at 31 December 2006	**-**	**809,371**	**809,371**

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

30 CAPITAL AND RESERVES

30.1 Share capital

	2006 Shares of 50 cents		**2005** Shares of 50 cents	
	Shares	USD	Shares	USD
Authorised				
Ordinary shares	**200,000,000**	**100,000,000**	200,000,000	100,000,000
Issued and fully paid up				
Ordinary shares	**86,168,679**	**43,084,340**	71,173,739	35,586,870

	Ordinary Shares	
	2006 **No.**	2005 No.
On issue at 1 January	**71,173,739**	66,010,631
Share options issued for cash (see note 9.4)	**269,607**	55,178
Conversion of subordinated convertible loan (see note 27)	**-**	5,107,930
Bonus issued	**14,272,596**	-
Scrip dividend	**452,737**	-
On issue at 31 December - fully paid	**86,168,679**	71,173,739

At 31 December 2006, the authorised share capital consisted of 200,000,000 ordinary shares (2005: 200,000,000) at a par value of USD0.50.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank, except for holders of 1,024,321 Executive Share Options which do not carry neither the right to vote nor to receive a dividend. All other shares rank equally with regard to the Bank’s residual assets.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

30 CAPITAL AND RESERVES *(continued)*

30.2 Share premium

The share premium represents proceeds from a rights issue, net of share issue costs, together with the premium arising on the exercise of the executive option scheme, the option granted on the subordinated long term convertible loan, and premium from the scrip dividend paid in 2006. This reserve is non-distributable. During the year, an amount of USD7,136,298 were applied against the issue of 1 bonus share for every 5 held.

30.3 Currency translation reserve

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

30.4 Other reserve

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

30.5 Dividends

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided for.

	2006 USD	2005 USD
US cents 3.5244 per qualifying ordinary share (2005: 1.1377)	**3,036,929**	811,876

30.6 Availability of reserves for distribution

	GROUP		BANK	
	2006 **USD**	2005 USD	**2006** **USD**	2005 USD
Distributable	**13,243,930**	6,463,467	**10,269,612**	7,603,930
Non-distributable	**6,323,291**	12,735,699	**6,335,520**	12,912,473
	19,567,221	19,199,166	**16,605,132**	20,516,403

31 CONTINGENT LIABILITIES

31.1

	GROUP		BANK	
	2006 **USD**	2005 USD	**2006** **USD**	2005 USD
Guarantee obligations incurred on behalf of third parties	**6,825,473**	1,720,516	**26,339,473**	1,720,516

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

31 CONTINGENT LIABILITIES *(continued)*

31.2 During 2006, judicial proceedings were commenced against the Bank for the payment of USD1,717,595 (inclusive of interest) under a documentary credit. The Bank has defended the proceedings before the courts of the jurisdiction of the claimant. Based on legal advice, the directors do not expect the outcome of the action to have a material effect on the Group's and the Bank's financial statements.

31.3 On 9 January 2006 a judicial letter was filed against the Bank and a customer for the principal amount of USD841,582, plus legal interest. The party is claiming this amount by way of refund of a performance bond issued by a third party bank in his name and which performance bond was called upon by the Bank on behalf of its customer. The Bank is contesting this claim and the directors do not expect the outcome of the action to have a material effect on the Group's and the Bank's financial statements. Up to the date of issue of these financial statements, no judicial proceedings have commenced against the Bank.

32 COMMITMENTS

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Undrawn credit facilities	**32,306,166**	1,748,558	**78,553,392**	52,004,953
Commitment to purchase assets	**71,897,928**	16,630,152	**-**	-
Documentary credits	**32,853,319**	29,019,215	**32,853,319**	29,019,215
Risk participations	**-**	3,772,275	**-**	3,772,275
Confirmed letters of credit	**107,414,253**	74,439,690	**102,865,048**	66,029,883
	244,471,666	125,609,890	**214,271,759**	150,826,326

Undrawn credit facilities amounting to USD46,247,226 (2005: USD50,256,395) are assigned to a subsidiary company.

The Bank has total assigned credit limits to customers amounting to USD236,430,982 (2005: USD178,243,408) of which USD187,731,474 (2005: USD119,423,965) had been sanctioned as at balance sheet date.

33 CASH AND CASH EQUIVALENTS

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Balances of cash and cash equivalents as shown on the balance sheet:				
Balances with the Central Bank of Malta and cash	**112,626**	358,219	**93,322**	215,071
Loans and advances to banks	**156,793,484**	74,501,899	**143,364,744**	72,268,426
Amounts owed to banks	**(118,461,564)**	(37,050,618)	**(118,461,572)**	(37,050,618)
Cash and cash equivalents	**38,444,546**	37,809,500	**24,996,494**	35,432,879
Adjustment to reflect balances with contractual maturity of more than three months	**(69,795,513)**	(40,026,455)	**(70,351,392)**	(40,026,455)
Per balance sheet	**(31,350,967)**	(2,216,955)	**(45,354,898)**	(4,593,576)

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For the Year Ended 31 December 2006

33 CASH AND CASH EQUIVALENTS *(continued)*

	GROUP		BANK	
	2006	2005	**2006**	2005
	USD	USD	**USD**	USD
Analysed as follows:				
Balances with the Central Bank of Malta and cash	**112,626**	358,219	**93,322**	215,071
Loans and advances to banks	**211,660,418**	113,761,635	**200,848,606**	111,528,162
Amounts owed to banks	**(243,124,011)**	(116,336,809)	**(246,296,826)**	(116,336,809)
	(31,350,967)	(2,216,955)	**(45,354,898)**	(4,593,576)

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

34.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group provides trade finance and is most susceptible to credit risk.

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

The Group also ensures that it has a reasonable sectorial mix of loans to customers as disclosed in note 15. In compensation for the higher risk, the bank charges higher interest rates. At balance sheet date, the most significant credit risk exposure to a single debtor amounted to USD15,188,500 (2005: USD10,406,415).

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

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

34.2 Interest rate and liquidity risk

34.2.1 Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.2 Interest rate and liquidity risk *(continued)*

34.2.1 Interest rate risk (continued)

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

GROUP	Effective Interest Rate %	Per Balance Sheet USD	Three months or less USD	One year or less but over three months USD	Five years or less but over one year USD	Over five years USD	Other USD
At 31 December 2006							
Assets							
Balances with the Central Bank of Malta and cash	-	112,626	-	-	-	-	112,626
Loans and advances to banks	4.76	211,660,418	174,070,643	26,528,619	35,619	-	11,025,537
Financial assets at fair value through profit or loss	7.47	145,784,755	3,680,117	111,171,616	28,089,027	2,205,244	638,751
Loans and advances to customers	7.75	81,708,042	74,019,490	-	-	-	7,688,552
Investments available-for-sale	-	149,029	-	-	-	-	149,029
Investments in associate	-	11,115,152	-	-	-	-	11,115,152
Other assets	-	12,966,587	-	-	-	-	12,966,587
Total assets		463,496,609	251,770,250	137,700,235	28,124,646	2,205,244	43,696,234
Liabilities and equity							
Amounts owed to banks	5.44	243,124,011	123,545,557	94,364,355	6,500,000	-	18,714,099
Amounts owed to customers	2.94	122,683,664	100,530,653	18,581,950	3,200,974	-	370,087
Debt securities in issue	4.68	19,514,000	-	19,514,000	-	-	-
Subordinated convertible loan	7.20	6,000,000	-	6,000,000	-	-	-
Other liabilities	-	9,523,373	-	-	-	-	9,523,373
Shareholders' funds	-	62,651,561	-	-	-	-	62,651,561
Total liabilities and equity		463,496,609	224,076,210	138,460,305	9,700,974	-	91,259,120
Interest rate sensitivity gap			27,694,040	(760,070)	18,423,672	2,205,244	(47,562,886)
Cumulative gap			27,694,040	26,933,970	45,357,642	47,562,886	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.2 Interest rate and liquidity risk *(continued)*

34.2.1 Interest rate risk (continued)

GROUP	Effective Interest Rate %	Per Balance Sheet USD	Three months or less USD	One year or less but over three months USD	Five years or less but over one year USD	Other USD
At 31 December 2005						
Assets						
Balances with the Central Bank of Malta and cash	-	358,219	358,219	-	-	-
Loans and advances to banks	4.13	113,652,477	100,743,044	12,161,713	747,720	-
Financial assets at fair value through profit or loss	5.83	119,759,555	109,629,555	10,130,000	-	-
Loans and advances to customers	7.04	41,564,011	37,585,103	3,978,908	-	-
Investments available-for-sale	-	133,600	-	-	-	133,600
Investments in associate	-	6,762,457	-	-	-	6,762,457
Other assets	-	12,984,944	-	-	-	12,984,944
Total assets		295,215,263	248,315,921	26,270,621	747,720	19,881,001
Liabilities and equity						
Amounts owed to banks	3.76	116,336,809	86,523,103	29,560,496	253,210	-
Financial liabilities at fair value through profit or loss	-	202,727	18,033	184,694	-	-
Amounts owed to customers	3.07	111,868,342	101,855,624	10,012,718	-	-
Debt securities in issue	5.88	944,102	-	944,102	-	-
Subordinated convertible loan	6.01	6,000,000	-	6,000,000	-	-
Other liabilities	-	5,077,247	-	-	-	5,077,247
Shareholders' funds	-	54,786,036	-	-	-	54,786,036
Total liabilities and equity		295,215,263	188,396,760	46,702,010	253,210	59,863,283
Interest rate sensitivity gap			59,919,161	(20,431,389)	494,510	(39,982,282)
Cumulative gap			59,919,161	39,487,772	39,982,282	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.2 Interest rate and liquidity risk *(continued)*

34.2.1 Interest rate risk (continued)

BANK	Effective Interest Rate %	Per Balance Sheet USD	Three months or less USD	One year or less but over three months USD	Five years or less but over one year USD	Over five years USD	Other USD
At 31 December 2006							
Assets							
Balances with the Central Bank of Malta and cash	-	93,322	300	-	-	-	93,022
Loans and advances to banks	5.03	200,848,606	160,086,015	26,528,619	35,619	-	14,198,353
Financial assets at fair value through profit or loss	6.01	20,739,111	353,748	10,125,000	8,055,120	2,205,243	-
Loans and advances to customers	7.48	166,021,629	158,333,077	-	-	-	7,688,552
Investments available-for-sale	-	149,029	-	-	-	-	149,029
Investments in subsidiaries	-	37,392,666	-	-	-	-	37,392,666
Investments in associate	-	8,553,934	-	-	-	-	8,553,934
Other assets	-	4,563,812	-	-	-	-	4,563,812
Total assets		438,362,109	318,773,140	36,653,619	8,090,739	2,205,243	72,639,368
Liabilities and equity							
Amounts owed to banks	5.42	246,296,826	123,545,557	94,364,355	6,500,000	-	21,886,914
Financial liabilities at fair value through profit or loss	-	263,248	263,248	-	-	-	-
Amounts owed to customers	2.52	121,995,315	100,579,436	17,844,818	3,200,974	-	370,087
Subordinated convertible loan	7.2	6,000,000	-	6,000,000	-	-	-
Other liabilities	-	4,117,248	-	-	-	-	4,117,248
Shareholders' funds	-	59,689,472	-	-	-	-	59,689,472
Total liabilities and equity		438,362,109	224,388,241	118,209,173	9,700,974	-	86,063,721
Interest rate sensitivity gap			94,384,899	(81,555,554)	(1,610,235)	2,205,243	(13,424,353)
Cumulative gap			94,384,899	12,829,345	11,219,110	13,424,353	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.2 Interest rate and liquidity risk *(continued)*

34.2.1 Interest rate risk (continued)

BANK	Effective Interest Rate %	Per Balance Sheet USD	Three months or less USD	One year or less but over three months USD	Five years or less but over one year USD	Other USD
At 31 December 2005						
Assets						
Balances with the Central Bank of Malta and cash	-	215,071	215,071	-	-	-
Loans and advances to banks	4.13	111,419,004	98,509,571	12,161,714	747,719	-
Financial assets at fair value through profit or loss	9.12	10,239,158	109,158	10,130,000	-	-
Loans and advances to customers	6.04	101,622,616	97,643,711	3,978,905	-	-
Investments available-for-sale	-	133,600	-	-	-	133,600
Investments in subsidiaries	-	37,392,666	-	-	-	37,392,666
Investments in associate	-	6,259,188	-	-	-	6,259,188
Other assets	-	4,438,567	-	-	-	4,438,567
Total assets		271,719,870	196,477,511	26,270,619	747,719	48,224,021
Liabilities and equity						
Amounts owed to banks	3.76	116,336,809	86,523,103	29,560,496	253,210	-
Financial liabilities at fair value through profit or loss	-	370,294	185,600	184,694	-	-
Amounts owed to customers	3.07	89,726,091	79,713,372	10,012,719	-	-
Debt securities in issue	5.88	944,102	-	944,102	-	-
Subordinated convertible loan	6.01	6,000,000	-	6,000,000	-	-
Other liabilities	-	2,239,301	-	-	-	2,239,301
Shareholders' funds	-	56,103,273	-	-	-	56,103,273
Total liabilities and equity		271,719,870	166,422,075	46,702,011	253,210	58,342,574
Interest rate sensitivity gap			30,055,436	(20,431,392)	494,509	(10,118,553)
Cumulative gap			30,055,436	9,624,044	10,118,553	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.2 Interest rate and liquidity risk *(continued)*

34.2.2 Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates as well as the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Group raises funds from deposits, other financial institutions and share capital. Liquidity risk is managed by maintaining significant levels of liquid funds, and identifying and monitoring changes in funding required to meet business goals driven by management.

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

GROUP	Total	Three months or less	One year or less but over three months	Five years or less but over one year	Over five years
	USD	USD	USD	USD	USD
At 31 December 2006					
Financial assets					
Loans and advances to banks *	**215,108,931**	199,526,858	15,468,977	113,096	-
Financial assets at fair value through profit or loss	**145,784,755**	145,784,755	-	-	-
Loans and advances to customers *	**91,386,485**	66,882,188	16,866,931	7,637,366	-
Financial liabilities					
Amounts owed to banks	**243,124,011**	176,494,206	66,629,805	-	-
Amounts owed to customers	**122,683,664**	117,510,671	5,149,498	23,495	-
Debt securities in issue	**19,514,000**	5,207,000	14,307,000	-	-
Subordinated convertible loan	**6,000,000**	-	-	6,000,000	-

GROUP	Total	Three months or less	One year or less but over three months	Five years or less but over one year	Over five years
	USD	USD	USD	USD	USD
At 31 December 2005					
Financial assets					
Loans and advances to banks *	**116,781,886**	111,545,025	5,085,630	151,231	-
Financial assets at fair value through profit or loss	**119,759,555**	119,759,555	-	-	-
Loans and advances to customers *	**50,706,353**	34,554,485	9,791,175	6,360,693	-
Financial liabilities					
Amounts owed to banks	**116,336,809**	65,781,075	50,549,709	6,025	-
Financial liabilities at fair value through profit or loss	**202,727**	27,589	175,138	-	-
Amounts owed to customers	**111,868,342**	105,478,664	6,389,678	-	-
Debt securities in issue	**944,102**	-	944,102	-	-
Subordinated convertible loan	**6,000,000**	-	-	-	6,000,000

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.2 Interest rate and liquidity risk *(continued)*

34.2.2 Liquidity risk (continued)

BANK	Total	Three months or less	One year or less but over three months	Five years or less but over one year	Over five years
	USD	USD	USD	USD	USD
At 31 December 2006					
Financial assets					
Loans and advances to banks *	**204,297,119**	185,542,232	18,641,791	113,096	-
Financial assets at fair value through profit or loss	**20,739,111**	20,739,111	-	-	-
Loans and advances to customers *	**175,700,072**	66,882,188	100,302,169	8,515,715	-
Financial liabilities					
Amounts owed to banks	**246,296,826**	176,494,216	69,802,610	-	-
Financial liabilities at fair value through profit or loss	**263,248**	263,248	-	-	-
Amounts owed to customers	**121,995,315**	116,822,321	5,149,498	23,496	-
Subordinated convertible loan	**6,000,000**	-	-	6,000,000	-

BANK	Total	Three months or less	One year or less but over three months	Five years or less but over one year	Over five years
	USD	USD	USD	USD	USD
At 31 December 2005					
Financial assets					
Loans and advances to banks *	**114,548,413**	109,311,557	5,085,630	151,226	-
Financial assets at fair value through profit or loss	**10,239,158**	10,239,158	-	-	-
Loans and advances to customers *	**110,764,958**	34,554,476	69,534,781	6,675,701	
Financial liabilities					
Amounts owed to banks	**116,336,809**	65,781,075	50,549,709	6,025	-
Financial liabilities at fair value through profit or loss	**370,294**	195,156	175,138	-	-
Amounts owed to customers	**89,726,091**	83,336,413	6,389,678	-	-
Debt securities in issue	**944,102**	-	944,102	-	-
Subordinated convertible loan	**6,000,000**	-	-	-	6,000,000

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.3 Currency risk

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

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

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

GROUP		**2006**			**2005**	
	US Dollar	**Other Currencies**	**Total**	**US Dollar**	**Other Currencies**	**Total**
At 31 December	USD	USD	**USD**	USD	USD	USD
Assets						
Balances with the Central Bank of Malta and cash	69,137	43,489	**112,626**	326,507	31,712	358,219
Loans and advances to banks	94,309,394	117,351,024	**211,660,418**	73,886,019	39,766,458	113,652,477
Financial assets at fair value through profit or loss	125,164,352	20,620,403	**145,784,755**	113,685,242	6,074,313	119,759,555
Loans and advances to customers	60,249,405	21,458,637	**81,708,042**	36,631,131	4,932,880	41,564,011
Investments available-for-sale	149,026	-	**149,026**	133,600	-	133,600
Investments in associate	864,244	10,250,908	**11,115,152**	164,243	6,598,214	6,762,457
Other assets	10,734,225	2,232,365	**12,966,590**	12,329,988	654,956	12,984,944
Total assets	291,539,783	171,956,826	**463,496,609**	237,156,730	58,058,533	295,215,263

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.3 Currency risk *(continued)*

GROUP		**2006**			**2005**	
		Other			**Other**	
	US Dollar	**Currencies**	**Total**	**US Dollar**	**Currencies**	**Total**
At 31 December	USD	USD	**USD**	USD	USD	USD
Liabilities and equity						
Amounts owed to banks	141,093,487	102,030,524	**243,124,011**	91,512,424	24,824,385	116,336,809
Financial liabilities at fair value through profit or loss	-	-	**-**	-	202,727	202,727
Amounts owed to customers	66,765,569	55,918,095	**122,683,664**	75,882,082	35,986,260	111,868,342
Debt securities in issue	19,514,000	-	**19,514,000**	944,102	-	944,102
Subordinated convertible loan	6,000,000	-	**6,000,000**	6,000,000	-	6,000,000
Other liabilities	6,967,814	2,555,559	**9,523,373**	3,781,019	1,296,228	5,077,247
Shareholders' funds	62,651,561	-	**62,651,561**	54,786,036	-	54,786,036
Total liabilities and equity	302,992,431	160,504,178	**463,496,609**	232,905,663	62,309,600	295,215,263

BANK		**2006**			**2005**	
		Other			**Other**	
	US Dollar	**Currencies**	**Total**	**US Dollar**	**Currencies**	**Total**
At 31 December	USD	USD	**USD**	USD	USD	USD
Assets						
Balances with the Central Bank of Malta and cash	53,458	39,864	**93,322**	183,359	31,712	215,071
Loans and advances to banks	85,802,917	115,045,689	**200,848,606**	72,321,444	39,097,560	111,419,004
Financial assets at fair value through profit or loss	20,739,111	-	**20,739,111**	10,239,158	-	10,239,158
Loans and advances to customers	122,332,221	43,689,408	**166,021,629**	90,896,919	10,725,697	101,622,616
Investments available-for-sale	149,029	-	**149,029**	133,600	-	133,600
Investments in subsidiaries	37,371,435	21,231	**37,392,666**	37,371,435	21,231	37,392,666
Investments in associate	864,243	7,689,691	**8,553,934**	164,243	6,094,945	6,259,188
Other assets	3,399,958	1,163,854	**4,563,812**	3,936,728	501,839	4,438,567
Total assets	270,712,372	167,649,737	**438,362,109**	215,246,886	56,472,984	271,719,870

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

34.3 Currency risk *(continued)*

BANK		**2006**			**2005**	
		Other			**Other**	
	US Dollar	**Currencies**	**Total**	**US Dollar**	**Currencies**	**Total**
At 31 December	USD	USD	**USD**	USD	USD	USD
Liabilities and equity						
Amounts owed to banks	144,222,776	102,074,050	**246,296,826**	91,512,424	24,824,385	116,336,809
Financial liabilities at fair value through profit or loss	263,248	-	**263,248**	-	370,294	370,294
Amounts owed to customers	66,074,011	55,921,304	**121,995,315**	53,739,621	35,986,470	89,726,091
Debt securities in issue	-	-	**-**	944,102	-	944,102
Subordinated convertible loan	6,000,000	-	**6,000,000**	6,000,000	-	6,000,000
Other liabilities	3,172,796	944,452	**4,117,248**	2,025,542	213,759	2,239,301
Shareholders' funds	59,689,472	-	**59,689,472**	56,103,273	-	56,103,273
Total liabilities and equity	279,422,303	158,939,806	**438,362,109**	210,324,962	61,394,908	271,719,870

34.4 Fair values

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

35 RELATED PARTIES

35.1 Identity of related parties

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

35.2 Transactions with key management personnel

Directors of the Group control 9 per cent of the voting shares of the Bank and the Group respectively. Loans and advances to directors as at 31 December 2006 amounted to USD24,046 (2005: USD39,170) and are included in “loans and advances to customers”. No interest is charged on loans and advances to directors.

Deposits by directors as at 31 December 2006 amounted to USD301,581 (2005: USD113,935) and are included in “amounts owed to customers”. Interest is payable only to one director and amounted to USD4,420 and USD1,419 for the years ended 31 December 2006 and 2005 respectively.

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

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

Total remuneration payable to executive officers amounting to USD854,263 (2005: USD794,313) is included in “personnel expenses” (see note 9.2). Executive officers also participate in the Group’s share options programme (see note 9.4).

35.3 Other related party transactions

The Group has also a related party relationship with an entity invested in exclusively with a view to subsequent disposal. The Group charged this entity a consultancy fee of USD50,000 (2005: USD50,000) arising from a consultancy agreement entered into on its formation. This fee is included with other income. Additionally the Bank received a dividend of USD272 (2005: USD510).

Furthermore, the Bank received a dividend of USD585,205 (2005: USD251,050) from one of its associated companies. There were no further transactions with associated companies during the financial year.

Amounts equivalent to USD111,035 (2005: USD47,571) and USD37,566 (2005: USD42,821) were charged by a shareholding company and directors respectively for travelling and accommodation expenses.

Insurance services and consultancy and professional fees amounting to USD5,033 (2005: USD1,589) and USD226,942 (2005: USD197,079) respectively were charged by companies owned by the Bank’s Directors.

35.4 Related party balances

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

36 OPERATING LEASE

Leases as lessee

The Group leases a motor vehicle and office premises under operating lease arrangements. During the year ended 31 December 2006, operating lease charges amounting to USD791,887 (2005: USD489,444) were recognised as an expense in the income statement of the group, while operating lease charges amounting to USD426,940 (2005: USD177,997) were recognised as an expense in the income statement of the bank.

Non-cancellable operating lease rentals are payable as follows:

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Less than one year	**287,599**	225,557	**264,110**	225,557
Between one and five years	**860,652**	1,740,251	**340,349**	1,302,558
	1,148,251	1,965,808	**604,459**	1,528,115

37 FINANCIAL COMMITMENTS

In 2006 the Board reconfirmed the proposed investment of up to USD10 million for the establishment of a joint venture in Dubai UAE, for the provision of international factoring and forfaiting services in the MENA and Gulf Regions. The Board also reconfirmed the proposed investment of USD2 million in a newly incorporated entity to be engaged on providing factoring activities from Egypt and out of which USD0.7 million was invested by the Bank at Balance Sheet date.

38 CAPITAL COMMITMENTS

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

	GROUP		BANK	
	2006 USD	2005 USD	**2006 USD**	2005 USD
Contracted for	**-**	77,674	**-**	-
Authorised but not contracted for	**1,799,973**	7,063,652	**1,693,308**	6,835,439
	1,799,973	7,141,326	**1,693,308**	6,835,439

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

39 SEGMENTAL INFORMATION

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

GROUP

Geographical/Business segments	**Malta**		**Other Countries**		**Total**	
	2006	2005	**2006**	2005	**2006**	2005
	USD	USD	**USD**	USD	**USD**	USD
Interest receivable and similar income originated from:						
Trade finance	465,183	230,529	12,092,277	5,576,918	**12,557,460**	5,807,447
Forfaiting activities	-	-	9,781,977	4,645,497	**9,781,977**	4,645,497
Fees and commissions receivable originated from:						
Trade finance	1,171,038	605,990	9,155,383	7,076,578	**10,326,421**	7,682,568
Forfaiting activities	-	-	1,729,119	990,803	**1,729,119**	990,803
Trading income originated from:						
Trade finance	-	-	1,221,289	360,885	**1,221,289**	360,885
Forfaiting activities	-	-	1,935,283	1,396,187	**1,935,283**	1,396,187
Gross income	1,636,221	836,519	35,915,328	20,046,868	**37,551,549**	20,883,387
Interest payable and commission payable originated from:						
Trade finance	(880,257)	(503,624)	(7,604,188)	(1,704,971)	**(8,484,445)**	(2,208,595)
Forfaiting activities	-	-	(5,874,066)	(2,817,254)	**(5,874,066)**	(2,817,254)
	(880,257)	(503,624)	(13,478,254)	(4,522,225)	**(14,358,511)**	(5,025,849)
Segmental profit:						
Trade finance	755,964	332,895	14,864,761	11,309,410	**15,620,725**	11,642,305
Forfaiting activities	-	-	7,572,313	4,215,233	**7,572,313**	4,215,233
Segmental profit c/f	755,964	332,895	22,437,074	15,524,643	**23,193,038**	15,857,538

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

39 SEGMENTAL INFORMATION *(continued)*

GROUP

Geographical/Business segments	Malta		Other Countries		Total	
	2006	2005	**2006**	2005	**2006**	2005
	USD	USD	**USD**	USD	**USD**	USD
Segmental profit c/f	755,964	332,895	22,437,074	15,524,643	**23,193,038**	15,857,538
Share of profits:						
Factoring activities					**2,550,770**	-
Other operating income					**685,386**	137,224
Common costs:						
Trade finance					**(11,310,410)**	(8,340,580)
Forfaiting activities					**(4,774,586)**	(4,390,288)
IT					**(133,143)**	-
Factoring					**(29,655)**	-
Provision for potential losses					-	(165,858)
Impairment allowance on property, plant and equipment					**(142,000)**	(682,372)
Adjustment to goodwill					**(3,423,789)**	-
Profit on ordinary activities before tax and net impairment losses					**6,615,611**	2,415,664
Segmental assets:						
Trade finance	21,295,421	9,052,186	296,807,159	160,562,229	**318,102,580**	169,614,415
Forfaiting assets	-	-	131,987,285	113,569,903	**131,987,285**	113,569,903
Factoring	-	-	11,487,086	7,477,430	**11,487,086**	7,477,430
IT activities	751,573	-	38,359	-	**789,932**	-
	22,046,994	9,052,186	440,319,889	281,609,562	**462,366,883**	290,661,748
Unallocated assets					**1,129,726**	4,553,515
					463,496,609	295,215,263

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

39 SEGMENTAL INFORMATION *(continued)*

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

BANK

Geographical/Business segments	**Malta**		**Other Countries**		**Total**	
	2006	2005	**2006**	2005	**2006**	2005
	USD	USD	**USD**	USD	**USD**	USD
Interest receivable and similar income	504,653	230,529	17,296,213	8,280,819	**17,800,866**	8,511,348
Fees and commissions receivable	1,171,038	605,990	9,155,383	7,076,577	**10,326,421**	7,682,567
Gross income	1,675,691	836,519	26,451,596	15,357,396	**28,127,287**	16,193,915
Interest payable and commission payable	880,258	503,624	12,860,051	4,469,022	**13,740,309**	4,972,646
Segment profit	795,433	332,895	13,591,545	10,888,374	**14,386,978**	11,221,269
Other operating income					**2,526,206**	738,361
Common costs					**(12,215,388)**	(8,340,580)
Profit on ordinary activities before tax and net impairment					**4,697,796**	3,619,050
Segment assets	21,682,668	9,893,796	416,679,441	261,826,074	**438,362,109**	271,719,870

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2006

40 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Impairment losses on loans and advances

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

Impairment of available-for-sale equity investments

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

Classification of Subordinated long term loan

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

Impairment of goodwill

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

41 COMPARATIVE FIGURES

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

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule I

INCOME STATEMENT

Five Year Summary

BANK

	2006 USD	2005 USD	2004 USD	2003 USD	2002 USD
Interest income	**17,800,866**	8,511,348	4,273,583	3,235,211	3,914,668
Interest expense	**(12,728,467)**	(4,328,442)	(1,416,423)	(1,077,834)	(1,265,498)
Net interest income	**5,072,399**	4,182,906	2,857,160	2,157,377	2,649,170
Fee and commission income	**10,326,421**	7,682,567	6,147,131	5,083,621	5,557,855
Fee and commission expense	**(1,011,842)**	(644,204)	(307,177)	(357,688)	(603,818)
	9,314,579	7,038,363	5,839,954	4,725,933	4,954,037
Net trading income	**1,336,923**	360,885	409,450	2,529,523	459,828
Dividend income	**1,167,161**	327,476	-	-	-
Other operating income	**22,122**	50,000	51,321	53,512	50,000
Net operating income before impairment losses	**16,913,184**	11,959,630	9,157,885	9,466,345	8,113,035
Net impairment losses	**(884,565)**	(365,677)	(810,834)	(60,289)	(9,935,604)
Net operating income/(loss)	**16,028,619**	11,593,953	8,347,051	9,406,056	(1,822,569)
Administrative expenses	**(11,826,533)**	(7,919,185)	(6,512,918)	(5,748,045)	(4,271,503)
Depreciation	**(388,855)**	(421,395)	(409,496)	(311,958)	(262,746)
Total operating expenses	**(12,215,388)**	(8,340,580)	(6,922,414)	(6,060,003)	(4,534,249)
Profit/(loss) before taxation	**3,813,231**	3,253,373	1,424,637	3,346,053	(6,356,818)
Taxation	**(335,671)**	(243,520)	(34,261)	(62,319)	227,919
Profit/(loss) for the year	**3,477,560**	3,009,853	1,390,376	3,283,734	(6,128,899)

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule II

BALANCE SHEET

Five Year Summary

BANK

	2006	2005	2004	2003	2002
	USD	USD	USD	USD	USD
ASSETS					
Balances with Central Bank and cash	**93,322**	215,071	59,834	4,393,757	2,758,724
Loans and advances to banks	**200,848,606**	111,419,004	106,813,271	83,584,730	90,458,355
Financial assets at fair value through profit or loss	**20,739,111**	10,239,158	-	11,391,282	10,072
Loans and advances to customers	**166,021,629**	101,622,616	85,939,813	64,936,427	24,403,487
Investments available-for-sale	**149,029**	133,600	133,600	133,600	133,600
Investments in subsidiaries	**37,392,666**	37,392,666	2	2	-
Investments in associates	**8,553,934**	6,259,188	4,703,330	-	-
Intangible assets	**397,782**	-	-	-	-
Property, plant and equipment	**1,261,650**	1,351,629	1,527,189	1,259,859	1,180,518
Deferred tax	**734,945**	619,840	742,288	684,407	618,777
Other assets	**965,444**	1,060,753	1,054,458	1,315,520	205,658
Prepayments and accrued income	**1,203,991**	1,406,345	1,886,267	360,998	329,217
Total assets	**438,362,109**	271,719,870	202,860,052	168,060,582	120,098,408
LIABILITIES AND EQUITY					
Liabilities					
Amounts owed to banks	**246,296,826**	116,336,809	65,697,692	43,282,344	43,197,825
Financial liabilities at fair value through profit or loss	**263,248**	202,727	-	-	-
Amounts owed to customers	**121,995,315**	89,893,658	86,619,942	75,298,813	45,725,136
Debt securities in issue	**-**	944,102	-	-	-
Subordinated convertible loan	**6,000,000**	6,000,000	-	-	-
Other liabilities	**44,727**	7,293	58,101	-	135,996
Accruals and deferred income	**4,072,521**	2,232,008	1,341,512	937,006	624,791
	378,672,637	215,616,597	153,717,247	119,518,163	89,683,748
Equity					
Called up share capital	**43,084,340**	35,586,870	33,005,316	33,003,229	23,000,000
Share premium account	**3,654,479**	10,231,432	8,862,371	8,862,371	4,021,575
Other reserve	**2,681,041**	2,681,041	2,681,041	2,681,041	2,681,041
Retained earnings	**10,269,612**	7,603,930	4,594,077	3,203,701	712,044
Dividend reserve	**-**	-	-	792,077	-
	59,689,472	56,103,273	49,142,805	48,542,419	30,414,660
Total liabilities and equity	**438,362,109**	271,719,870	202,860,052	168,060,582	120,098,408
Memorandum items					
Contingent liabilities	**26,339,473**	1,720,516	4,221,546	3,829,531	3,174,578
Commitments	**214,271,759**	150,826,326	109,628,881	63,645,130	128,993,598

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule III

CASH FLOW STATEMENT

Five Year Summary

BANK

	2006	2005	2004	2003	2002
	USD	USD	USD	USD	USD
Net cash flows from operating activities	**15,412,628**	34,923,096	36,877,089	5,828,945	6,421,187
Cash flows from investing activities					
Payments to acquire property, plant and equipment	**(253,983)**	(251,700)	(676,760)	(404,038)	(534,153)
Payments to acquire intangible assets	**(442,674)**	-	-	-	-
Net advance to subsidiary companies	**(23,173,879)**	(24,508,773)	(29,723,577)	(30,667,600)	-
Purchase of equity shares	**(2,294,746)**	(1,593,301)	(4,648,205)	-	(48,062)
Payment to acquire subsidiary companies	**-**	(11,630,958)	-	-	-
Purchase of other investment	**(15,429)**	-	-	-	-
Receipt of dividend	**1,167,161**	302,029	-	-	-
Cash flows used in investing activities	**(25,013,550)**	(37,682,703)	(35,048,542)	(31,071,638)	(582,215)
Cash flows from financing activities					
Proceeds from issue of share capital	**241,630**	44,974	789,617	14,056,495	-
Debt securities in issue	**(944,102)**	944,102	-	-	-
Subordinated convertible loan	**-**	10,000,000	-	-	-
Dividends paid	**(132,991)**	-	(792,077)	-	(852,000)
Net cash flows (used in)/from financing activities	**(835,463)**	10,989,076	(2,460)	14,056,495	(852,000)
(Decrease)/increase in cash and cash equivalents	**(10,436,385)**	8,229,469	1,826,087	(11,186,198)	4,986,972
Cash and cash equivalents at beginning of year	**35,432,879**	27,203,410	25,377,323	36,563,521	31,576,549
Cash and cash equivalents at end of year	**24,996,494**	35,432,879	27,203,410	25,377,323	36,563,521

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule IV
ACCOUNTING RATIOS
Five Year Summary

BANK

	2006	**2005**	**2004**	**2003**	**2002**
	%	%	%	%	%
Net interest income and other operating income to total assets	**4.09**	4.64	4.67	5.85	7.26
Operating expenses to total assets	**3.22**	3.44	3.96	3.85	4.28
Profit/(loss) before tax to total assets	**0.87**	1.20	0.70	1.99	(5.10)
Pre-tax return on capital employed	**6.39**	5.80	2.90	6.89	(20.90)
Profit/(loss) after tax to equity	**5.83**	5.36	2.83	6.76	(20.15)

	2006	**2005**	**2004**	**2003**	**2002**
Weighted average number of shares in issue (000's) (note 11)	**85,986**	80,765	66,007	46,110	46,000
Net assets per share (cents)	**69.42**	84.38	74.45	73.54	66.12
Basic earnings/(loss) per share (cents)					
Basic	**4.04**	3.73	2.11	7.12	(13.32)
Diluted	**4.19**	3.55	2.11	7.12	(13.32)

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule V

SOLVENCY RATIO

31 December 2006

BANK

	Note	**Balance Sheet Value** USD	**Weighted Amount** USD
On-balance sheet assets	(a)		
Cash		93,322	-
Loans and advances to banks		201,165,152	66,304,135
Financial assets at fair value through profit or loss		20,739,111	20,739,111
Loans and advances to customers	(b)	166,328,173	148,523,606
Investments available-for-sale		149,029	149,029
Shares in subsidiary companies		37,392,666	37,392,666
Shares in associated companies		8,553,934	8,553,934
Property, plant and equipment		1,261,650	1,261,650
Deferred tax asset		734,945	146,989
Current tax recoverable		159,324	31,865
Other assets		806,120	161,224
Prepayments and accrued income		1,203,991	601,995
		438,587,417	283,866,204
Off-balance sheet assets	(c)		
Contingent liabilities and commitments		214,524,459	36,967,921
Total adjusted assets and off-balance sheet items			320,834,125
Own funds			
Original own funds	(d)		59,291,690
Additional own funds	(e)		6,623,091
Gross own funds			65,914,781
Deductions	(f)		-
Total own funds			65,914,781
Solvency ratio	(g)		20.5%

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule V *(continued)*
SOLVENCY RATIO *(continued)*
31 December 2006

Notes

(a) For on-balance sheet assets four basic scales of risk weighting are applied based primarily on the credit rating of the counterparty (0%, 20%, 50% and 100%).

(b) Loans and advances to customers are grossed up with general provision for bad and doubtful debts.

(c) For off-balance sheet items a system of credit conversion factors is used. The resultant credit equivalent is weighted according to the category of the counterparty.

(d) Original own funds comprise called up issued share capital, reserves and the share premium account and exclude tangible fixed assets revaluation reserve and dividend reserve.

(e) Additional own funds comprise the collective impairment allowance and property, plant and equipment revaluation reserve.

(f) Deductions from gross own funds comprise holdings in other financial institutions, which exceed 10% of the Bank's total gross own funds.

(g) The solvency ratio is a measure of the Bank's capital adequacy and is the ratio of own funds to total risk-weighted assets and off-balance sheet items in terms of the Solvency Ratio Directive BD/04 issued by the Central Bank of Malta.

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule VI

OTHER RELEVANT COMPANY INFORMATION

Shareholder Information

The following shareholder information is being published in terms of Listing Rule 9.37 issued by the Listing Authority.

Directors' interest in the shareholding of the Company at 31 December 2006

	Number of Shares
Najeeb H.M. Al-Saleh	519,787
Mohammed I.H. Marafie	4,226,546
Mehdi Ouazzani Hassani	603,793
Fouad M.T. Alghanim	2,415,169
John C. Grech	301,897

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

Najeeb H.M. Al-Saleh - in Massaleh Investments K.S.C.C. and Global Financial Holdings N.V.
Hamad Al-Sayer - in Astrolabe General Contracting Co.
John C. Grech - in Economic Management Consultancy Services Ltd. and EMCS International Services Ltd.

There were no changes in the Directors' interest in the shareholding of the Company between year-end and 12 February 2007.

Shareholders holding 5% or more of the Share Capital as at 31 December 2006

	Ordinary Share of USD0.50 each	
	Number of Shares	Percentage Holding
Massaleh Investments K.S.C.C.	20,537,841	23.83
Global Financial Holdings N.V.	18,838,319	21.86
International Finance Corporation	6,168,258	7.16
Astrolabe General & Contracting Co.	5,165,218	5.99

The shareholders' interest as at 12 February 2007 was same as above.

Number of shareholders

The total number of registered shareholders at 31 December 2006 was 600, while that at 12 February 2007 was 606.

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule VI *(continued)*

OTHER RELEVANT COMPANY INFORMATION *(continued)*

Shareholder Information

Shareholding details as at 31 December 2006

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

Range	Total Shareholders	Shares
1 - 500	32	10,140
501 - 1000	44	34,648
1001 - 5000	282	776,672
5001 and over	242	85,347,219
Totals	**600**	**86,168,679**

Shareholding details as at 12 February 2007

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

Range	Total Shareholders	Shares
1 - 500	31	9,740
501 - 1000	41	32,393
1001 - 5000	288	788,208
5001 and over	246	85,338,338
Totals	**606**	**86,168,679**

Company Secretary, Registered Address and Contact Number

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The Plaza Commercial Centre
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