

Stock Market Review

Edward Rizzo

Mr Rizzo is director of Rizzo, Farrugia & Co. (Stockbrokers) Ltd.

FimBank announces record pre-tax profit of US\$34.4 million for 2008

Bank to launch bond issue shortly

On March 10, FimBank plc published its 2008 full-year results showing a record pre-tax profit of US\$34.4 million largely as a result of the gain from the sale of the shareholding in the Indian factoring company but also on sharply higher income levels from its core business activities. The directors also recommended the payment of a net dividend of US\$0.0225 per share to those shareholders as at close of trading on March 18. As in previous years, shareholders have the option of receiving the dividend either in cash or through the issue of new shares at a price which still has to be announced. In August 2008, FimBank had also paid a special net dividend of US\$0.0329 per share bringing the total dividend for 2008 to US\$0.0554 per share.

The key highlights are:

- Net interest income climbs 35.4 per cent to US\$14.2 million;
- Net fee and commission income up 33 per cent to US\$18.9 million
- Profit on sale of GTF of US\$33.6 million;
- Pre-tax profit for the period of US\$34.4 million;
- Shareholders' funds of US\$116.6 million.

During the 12 months to December 31, 2008, the FIMBank Group registered a US\$3.7 million (35.4 per cent) increase in net interest income to US\$14.2 million on a rise in income from short-term money market placements, trade loans and advances and the growth in the forfaiting book of the group's fully-owned subsidiary London Forfaiting Company.

Moreover, net fee and commission income climbed 33.2 per cent to US\$18.9 million on increased trade finance activities at the Bank and improved performances at London Forfaiting Company and the IT subsidiary FIM Business Solutions Ltd.

Net trading income edged five per cent higher to US\$2.1 million while FIMBank registered a mark-down of US\$8.6 million from financial instruments carried at fair value following the US\$1.2 million gain recorded in the first half of the year.

The bank explained that this decline in the value of its financial assets reflects the sharp drop in bond prices during the final quarter of the year following the collapse of Lehman Brothers and the ensuing lack of liquidity across many instruments traded in the international financial markets.

In the September 2008 stockbrokers' meeting, FimBank's president Margrith Lutschg-Emmenegger had stated that the large majority of the Bank's



financial assets are of a very short duration (with less than three months to maturity) and a large percentage are in investment grade countries.

FimBank's directors commented that these unrealised mark-downs will be recovered "as they are not related to any foreseeable substantive deterioration in credit quality". During the year FimBank also generated a strong increase in foreign exchange income to US\$3.6 million (2007: US\$1.2 million).

The profit from the sale of the Bank's 38.5 per cent stake in Global Trade Finance to the State Bank of India, which was concluded at the end of March 2008, amounted to US\$33.6 million. In the June 2008 interim results FIMBank had recorded a gain of US\$29.2 million but had taken a provision of US\$5 million against any future tax claims against GTF.

This was reversed during the second half of the year as the Bank reportedly reassessed the probability of this claim arising and concluded that the probability of this occurring has been significantly reduced.

The reversal of the provision shows the extent of the gain made from this investment during the short period of time since its acquisition in December 2004.

This substantial one-time gain boosted the group's operating income to US\$59.2 million.

Administrative expenses increased by US\$5 million to US\$24.1 million reflecting the accelerated recruitment drive across the group to support the growing activities as well as the increased costs related to the new start-up activities.

The share of profits of associate undertakings amounted to US\$1.7 million during 2008 compared to US\$4.6 million from the previous year.

The decrease is mainly due to the sale of GTF and the acquisition of the entire shareholding in Menafactors.

The 2008 figure relates to a full year's contribution from the 40 per cent shareholding in Egypt-Factors while it only accounts for a three-month contribution from GTF and Menafactors.

FIMBank acquired the remaining 50 per cent shareholding in Menafactors during the second quarter of the year and has since

consolidated this investment in the Group accounts.

FimBank reported a pre-tax profit of US\$34.4 million and after accounting for tax expenses of US\$9.6 million, the Group generated a profit for the year of US\$24.8 million after tax. Total assets as at December 31, 2008 amounted to US\$624 million, an increase of 9.3 per cent over last year with shareholders' funds rising by 19 per cent to US\$116.6 million reflecting the improved profitability and dividend retention in the form of scrip issues. More importantly, the capital adequacy ratio of the FIMBank Group was of 21.9 per cent as at the year end compared to the minimum regulatory requirement of eight per cent.

This robust capital position is an important indicator in the light of the current international developments.

In this week's announcement, FimBank also stated that its board of directors approved a bond issue which is expected to take place during the second quarter of 2009.

Raising funds through a bond issue concurrently with attracting further deposits from customers will help the Group in pursuing further its international investment plans with special emphasis on the continuing expansion of factoring in Latin America, Russia and China in conjunction with the International Finance Corporation.

In recent meetings, FimBank's president also mentioned the possibility of diversifying its product offering by introducing private banking services and vendor leasing.

Raising funds through a bond issue concurrently with attracting further deposits from customers will help the group in pursuing further its international investment plans.

Rizzo, Farrugia & Co. (Stockbrokers) Ltd. RFC, are members of the Malta Stock Exchange and licensed by the Malta Financial Services Authority. This report has been prepared in accordance with legal requirements. It has not been disclosed to the issuer/s herein mentioned before its publication. It is based on public information only and is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. The author and other relevant persons may not trade in the securities to which this report relates (other than executing unsolicited client orders) until such time as the recipients of this report have had a reasonable opportunity to act thereon. RFC, its directors, the author of this report, other employees or RFC on behalf of its clients have

holdings in the securities herein mentioned and may at any time make purchases and/or sales in them as principal or agent. Stock markets are volatile and subject to fluctuations which cannot be reasonably foreseen. Past performance is not necessarily indicative of future results. Neither RFC nor any of its directors or employees accept any liability for any loss or damage arising out of the use of all or any part thereof and no representation or warranty is provided in respect of the reliability of the information contained in this report.

© 2008 Rizzo, Farrugia & Co. (Stockbrokers) Ltd. All rights reserved.

www.rfstockbrokers.com

Rizzo, Farrugia & Co.
(STOCKBROKERS) LTD