



FIMBANK

condensed interim
financial statements
2017

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directors' report pursuant to listing rule 5.75.2

For the six months ended 30 June 2017

The Directors ("Board" or "Directors") are pleased to issue their Report pursuant to the Malta Financial Services Authority Listing Rules and the Prevention of Financial Markets Abuse Act, 2005. This Report, which shall be read in conjunction with the condensed interim financial statements of the Group and the Bank for the six months ended 30 June 2017, including the Notes thereto, forms part of the Half-Yearly Report of FIMBank p.l.c., drawn up in accordance with the requirements of Listing Rule 5.75.2.

principal activities and developments

The FIMBank Group of Companies comprises FIMBank p.l.c. and its wholly owned subsidiaries, London Forfaiting Company Limited ("LFC"), FIM Business Solutions Limited ("FBS"), FIM Property Investment Limited ("FPI"), FIM Holdings (Chile) S.p.A. ("FHC"), The Egyptian Company for Factoring S.A.E. ("Egypt Factors") and FIMFactors B.V. ("FIMFactors"). LFC, FIMFactors and FHC are themselves parents of a number of subsidiaries as set out below. The Group is supervised on a consolidated basis by the Malta Financial Services Authority ("MFSA"), whilst some of its subsidiaries and branches are subject to authorisation and regulation according to the respective jurisdictions in which they operate.

A brief description of the activities in the Group follows (% shareholding follows after the name):

- a. The Bank is a public limited company registered under the laws of Malta, and listed on the Malta Stock Exchange. It is licensed as a credit institution under the Banking Act, 1994. The Bank is principally active in providing international trade finance and to act as an intermediary to other financial institutions for international settlements, forfaiting, factoring and loan syndications.
- b. LFC (100%) is registered in the United Kingdom as a private limited liability company. It was founded in 1984 and provides international trade finance services (with particular focus on forfaiting business) through an international network of offices. Some of these offices have distinct corporate status in the various jurisdictions where they are providing the service. LFC's activities include the trading of bills of exchange, promissory notes, loans, deferred payment letters of credit and the provision of other financial facilities to companies and banks.
- c. FBS (100%), registered in Malta, has as its primary purpose the provision of information technology and support services to the Group and its associated companies.
- d. FPI (100%), registered in Malta, owns and manages FIMBank's head office in Malta. FPI is responsible for the day-to-day management of the building and leasing of space for commercial purposes.
- e. FHC (100%), registered in Chile, serves as the corporate vehicle for Latam Factors S.A. (51%), registered also under the laws of Chile, to provide all types of factoring, financial leasing and other management services. The other shareholders are Inversiones El Mayorazgo Limitada, Marín y Compañía S.A., Asesoría e Inversiones CABS S.A., Compañía de Rentas Epulafquén Ltd., Compañía de Rentas Trigal Ltd. and Compañía General de Rentas Ltd.
- f. Egypt Factors (100%), registered in Egypt, is active in providing factoring and forfaiting services to Egyptian companies.
- g. FIMFactors (100%), registered in the Netherlands, is the corporate vehicle for FIMBank's holdings in factoring subsidiaries and associated companies. These are:
 - i. Menafactors Limited (100%), incorporated in the United Arab Emirates which was licensed and regulated by the Dubai Financial Services Authority to provide international factoring and forfaiting services in the Gulf and MENA region. Menafactors, in turn, holds 50% in Levant Factors S.A.L., a company registered in Lebanon. Menafactors has been placed into liquidation and is expected to be wound down shortly. As part of this process, the Company has also surrendered its license to provide the aforementioned services.
 - ii. CIS Factors Holdings B.V. (100%), incorporated in the Netherlands and served as the holding vehicle for other factoring companies. Currently the company is not carrying any investments.

- iii. India Factoring and Finance Solutions (Private) Limited (86%), incorporated in Mumbai, India, to carry out the business of factoring, forfaiting and trade finance activities in India, the other shareholders being Banca IFIS (5%), India Factoring Employee Welfare Trust (8%) and Blend Financial Services Limited (1%). India Factoring is regulated by the Reserve Bank of India.
- iv. Brasifactors S.A. (50%), a company incorporated in São Paulo, Brasil, with its core business focused on factoring services and forfaiting targeting small and medium-sized companies. The other shareholder is Banco Industrial e Comercial S.A. ("Bicbanco") with 50%.

salient developments

In an operating environment characterised by economic uncertainties and increased regulation, the FIMBank Group has continued to actively pursue a transformation strategy aimed at consolidating a value-creation model of growth and superior returns. Throughout the last six months, FIMBank kept building on the foundations laid down in the prior eighteen months - by enhancing its revenue generation approach and product offering, benefiting from its risk management and recovery strategies whilst optimising on its capital and funding resources. On the back of this, FIMBank extended its profitability trend to this semester, returning net profits significantly higher than the same period last year.

An upgraded asset origination process and product diversification were at the core of the Group's agenda with the implementation of client-centric coverage models, cross-sell initiatives across the different Group segments and use of hubs in key markets including the MENA region. The development of niche products in areas of sustained clients' demand with suitable margins was maintained - both for lending products, including the niche Malta real estate portfolio, as well as funding products with the launch of the fully-fledged internet banking suite FIM Direct. All this was complemented by a robust governance and risk framework across the Group, which not only ensured that credit risks are adequately managed within established framework but also led to more success in recovering delinquent loans across the various Group business units. A strong compliance culture enabled the Group to maintain a healthy relationship with its correspondent banks across all actively dealt currencies. During the first half of the year administrative measures imposed in prior years have also been revoked by the regulators.

In addition, the pace of evolution was also shaped by the capital needs of the Group, which have invariably remained well above minimum requirements but which have nonetheless been strengthened through asset optimisation and generation of profitability. This in anticipation of a capital-raising exercise already approved by shareholders in the May Annual General Meeting.

Cost management and financial discipline remains a pillar of strength through an efficient use of current resources permitting FIMBank to sustain increased regulatory and related costs whilst also embarking on innovative projects and initiatives.

review of performance

The condensed interim financial statements have been prepared in accordance with EU adopted IAS 34 Interim Financial Reporting. These published figures have been extracted from the FIMBank p.l.c. Group's unaudited accounts for the six months ended 30 June 2017 as approved by the Board of Directors on 9 August 2017.

For the six months ended 30 June 2017, the FIMBank Group posted an after-tax profit of USD4.12 million compared to an after-tax profit of USD1.21 million registered for the same period in 2016. The Directors do not recommend the payment of an interim dividend for the period under review.

income statement

The results for the period under review are summarised in the table below which should be read in conjunction with the explanatory commentary that follows:

	Group		
	2017	2016	Movement
	USD	USD	USD
Net interest income	12,780,856	9,793,544	2,987,312
Net fee and commission income	9,182,752	7,146,482	2,036,270
Net results from foreign currency operations	(1,981,136)	258,686	(2,239,822)
Other operating income	3,976,244	3,513,783	462,461
Net operating results	23,958,716	20,712,495	3,246,221
Net impairment gain/(losses)	1,760,499	(188,564)	1,949,063
Net (losses)/profits from trading assets and other financial instruments	(28,996)	720,528	(749,524)
Share of loss of equity accounted investees	(245,969)	(234,612)	(11,357)
Net income	25,444,250	21,009,847	4,434,403
Operating expenses	(21,218,882)	(18,860,620)	(2,358,262)
Taxation	(101,477)	(892,531)	791,054
	4,123,891	1,256,696	2,867,195
Loss on discontinued operations	-	(46,802)	46,802
Profit for the period	4,123,891	1,209,894	2,913,997

The Group's operating results, before impairment losses, marked-to-market adjustments and share of equity results, were USD3.2 million higher when compared to the second half of 2016. This was largely due to higher interest margins (up to USD12.8 million from USD9.8 million) and higher net fee and commission income (up to USD9.2 million from USD7.1 million).

Interest margins improved on the back of a higher level factoring facilities, the receipt of overdue interest on delinquent assets recovered in the first half of 2017 and overall higher spreads on loan facilities. These were offset by lower interest on fixed income investments and a higher level of customer deposits which increased overall absolute interest costs.

Fee and commission income increased mainly on factoring and forfaiting assets, also as such portfolios saw higher turnover levels during the first six months of the year. In addition, fee and commission expense decreased on lower credit insurance costs and fees payable on forfaiting.

FX results moved to negative territory due to an increase in foreign currency swaps used for risk management.

As a result of the continuous recovery efforts across the Bank and its subsidiaries, the Group made a net impairment gain of USD1.76 million compared to a loss of USD0.18 million in 2016. During this period the Group was successful in pursuing recoveries through the Bank, India and Egypt with a P&L impact on recoveries of USD4.60 million of which USD3.59 million from one particular account. These recoveries were offset by increases to specific provisions of USD3.25 million spread on a mix of legacy and other uncovered credits. Results from trading assets and other financial instruments decreased by USD0.75 million – from a profit of USD0.72 million to a marginal loss of USD0.03 million. This was a result of lower unrealised losses on the forfaiting portfolio offset by a lower profits on the disposal of investment securities.

The Group's investment in Brasilfactors suffered a net share of loss (equity method) of USD0.25 million, same level as the first six months of 2016.

Operating expenses for the six months under review increased by 13% from USD18.86 million to USD21.22 million, largely reflecting an increase in regulatory costs and the effect of consolidation of Egypt Factors which in June 2016 was accounted for using the equity method.

The Group's factoring entity in Russia, FactorRus, which was disclosed in the comparative period as Discontinued Operations with a reported losses of USD0.05 million is in the final stages of the liquidation process and had no financial impact on the results of period under review. During the latter part of 2016, the Group lost control over FactorRus as a result of the liquidation process which resulted in the Group discontinuing the consolidation of its financial position and performance.

financial position

At 30 June 2017, total Consolidated Assets stood at USD1.73 billion, in line with the position at end-2016. Increases in Balances with Central Bank of Malta and Loans and Advances to customers were off-set by decreases in exposures to Malta Government Treasury Bills, Loans and Advance to Banks and Trading Assets. Total Consolidated Liabilities as at 30 June 2017 stood at USD1.55 billion, also in line with the position at end-2016.

Group Equity as at Financial Reporting date stood at USD182 million (31 December 2016: USD175 million), with CET1 ratio standing at 10.89% and Total CAR at 14.71%.

annual general meeting 2017

The Bank convened its Annual General Meeting on 11 May 2017. Along with the statutory Ordinary Resolutions, the Meeting approved a resolution presented as special business in respect of a 1:80 Bonus Issue of Shares. The Board composition following the Annual General Meeting is as follows:

John C. Grech (*Chairman*)
Masaud M. J. Hayat (*Vice Chairman*)
Majed Essa Al-Ajeel
Mohamed Fekih Ahmed
Eduardo Eguren Linsen
Osama Talat Al-Ghoussein
Adrian Alejandro Gostuski
Rogers David LeBaron
Rabih Soukarieh
Edmond Brincat (appointed on 12 July 2017)
Hussain Lalani (appointed on 23 June 2017)

related party transactions

Consistent with the 2016 Annual Report and Audited Financial Statements, the Bank maintained a related party relationship with its significant shareholders, subsidiaries, equity accounted investees, directors and executive officers. In particular, the following related party balances and/or transactions were undertaken during the period under review:

1. "Loans and advances to subsidiaries" at 30 June 2017, net of impairments, amounted to USD194.94 million (31 December 2016: USD296.78 million). Accrued Interest at 30 June 2017 stood at USD3.51 million (31 December 2016: USD0.08 million). Interest earned from subsidiaries for the six months ended 30 June 2017 amounted to USD3.45 million (six months ended 30 June 2016: USD3.07 million).
2. "Loans and advances to associated companies" at 30 June 2017, net of impairments, amounted to USD12.00 million (31 December 2016: USD15.00 million). Accrued Interest at 30 June 2017 stood at USD0.09 million (31 December 2016: USD0.10 million). Interest earned from Associated Companies for the six months ended 30 June 2017 amounted to USD0.22 million (six months ended 30 June 2016: USD0.35 million).
3. "Loans and advances to banks" at 30 June 2017 include placements with United Gulf Bank B.S.C. of USD28.53 million (31 December 2016: USD26.32 million). Accrued Interest at 30 June 2017 stood at USD0.07million (31 December 2016: USD0.01 million). This also includes acceptances of Burgan Bank S.A.K. amounting to USD1.97 million (31 December 2016: NIL).
4. "Forward Contracts" with Burgan Bank S.A.K amount to USD0.27 million (31 December 2016: USD0.33 million).
5. "Amounts owed to banks" at 30 June 2017 include loan funding from Burgan Bank S.A.K. of USD130.05 million (31 December 2016: USD50.00 million). Accrued Interest at 30 June 2017 stood at USD1.09 million (31 December 2016: USD0.88 million). Interest paid on this funding for the six months ended 30 June 2017 amounted to USD1.51 million (30 June 2016: USD2.48 million).
6. Dividend received from subsidiary undertakings during the six months ended June 2017 amounted to USD1.45 million (30 June 2016: nil). No dividend was received by the Bank from equity accounted investees (six months ended 30 June 2016: NIL).

Related party transactions with shareholders and directors were undertaken in the ordinary course of business.

Related party transactions carried out by the Bank and its subsidiaries are reported to the Audit Committee which reviews them and assesses their nature and arm's-length consideration. This responsibility arises from the Committee's Charter, which is drafted in accordance with the listing rules as well as current best recommendations and practices of good corporate governance.

the second half of 2017

FIMBank is evolving into a stronger banking institution based on sound business discipline, centrally-aligned operations and effective management of enterprise risks. The dynamics achieved during the last months will continue as the Group continues striding towards a revenue maximisation approach, maintain portfolio quality and concurrently bolster its capital position to trigger further asset growth. Being successful across these areas will allow FIMBank to take its customer experience to a superior level, support scale, and generate enterprise value to its platform of various stakeholders.

Approved by the Board on 9 August 2017 and signed on its behalf by:



John C. Grech
Chairman



Masaud M. J. Hayat
Vice Chairman

condensed interim statements of financial position

As at 30 June 2017

	Note	Group		Bank	
		30 Jun 17 USD	31 Dec 16 USD	30 Jun 17 USD	31 Dec 16 USD
ASSETS					
Balances with the Central Bank of Malta, Treasury Bills and cash		208,870,920	33,193,245	208,840,316	33,165,601
Trading assets		270,705,117	379,397,964	-	-
Derivative assets held for a risk management	11	1,309,471	1,502,704	1,309,471	1,502,704
Financial assets designated at fair value through profit or loss		-	17,799,900	-	17,799,900
Loans and advances to banks		329,485,027	454,362,226	297,729,057	438,799,241
Loans and advances to customers		505,432,051	426,612,356	550,834,089	589,579,473
Investments available-for-sale		312,482,395	327,076,529	312,482,395	327,075,827
Investments in associates		906,425	1,161,332	-	-
Investments in subsidiaries	12	-	-	96,305,594	86,305,594
Intangible assets and goodwill		12,331,120	11,701,935	2,895,629	2,467,630
Property and equipment		27,567,379	27,751,932	1,223,386	1,305,432
Investment Property		3,428,801	3,514,392	-	-
Current tax assets		3,036,351	3,695,826	1,052,348	1,052,348
Deferred taxation		42,617,423	41,882,687	23,585,979	23,335,459
Other assets		7,899,969	4,263,474	3,552,487	2,613,913
Prepayments and accrued income		7,354,251	7,031,898	8,831,678	6,148,570
Total assets		1,733,426,700	1,740,948,400	1,508,642,429	1,531,151,692
LIABILITIES AND EQUITY					
Liabilities					
Derivative liabilities held for risk management	11	246,985	8,816,410	264,429	8,834,092
Amounts owed to banks		560,966,904	528,939,251	448,016,611	426,137,477
Amounts owed to customers		873,049,967	948,710,544	838,978,649	915,367,604
Debt securities in issue	13	42,529,251	8,225,869	35,000,000	-
Subordinated liabilities	14	50,000,000	50,000,000	50,000,000	50,000,000
Current tax liabilities		487,605	1,437	-	-
Other liabilities		303,982	569,758	268,627	535,339
Accruals and deferred income		24,258,225	20,917,768	9,825,896	7,422,362
Total liabilities		1,551,842,919	1,566,181,037	1,382,354,212	1,408,296,874
Equity					
Share capital	15	157,239,388	155,239,263	157,239,388	155,239,263
Share premium	15	170,740	2,101,335	170,740	2,101,335
Reserve for general banking risks		464,030	764,792	464,030	764,792
Currency translation reserve		(4,847,086)	(6,715,522)	-	-
Fair value reserve		(1,152,090)	(1,891,140)	(1,152,090)	(1,891,140)
Other reserves		2,864,930	2,481,760	2,681,041	2,681,041
Retained Earnings/(Accumulated Losses)		3,492,666	(487,210)	(33,114,892)	(36,040,473)
Total equity attributable to equity holders of the Bank		158,232,578	151,493,278	126,288,217	122,854,818
Non-controlling interests		23,351,203	23,274,085	-	-
Total equity		181,583,781	174,767,363	126,288,217	122,854,818
Total liabilities and equity		1,733,426,700	1,740,948,400	1,508,642,429	1,531,151,692
MEMORANDUM ITEMS					
Contingent liabilities	16	9,508,109	6,507,529	22,071,737	19,782,148
Commitments	17	256,534,311	186,030,894	182,692,510	120,282,416

condensed interim income statements

For the six months ended 30 June 2017

	Note	Group		Bank	
		2017 USD	2016 Restated* USD	2017 USD	2016 Restated* USD
Interest income		26,458,792	21,669,613	15,385,578	11,404,270
Interest expense		(13,677,936)	(11,876,069)	(9,829,342)	(8,794,433)
Net interest income		12,780,856	9,793,544	5,556,236	2,609,837
Fee and commission income		11,646,747	10,269,339	5,056,862	4,685,164
Fee and commission expense		(2,463,995)	(3,122,857)	(1,129,381)	(1,225,355)
Net fee and commission income		9,182,752	7,146,482	3,927,481	3,459,809
Net trading results		(17,716,171)	1,188,234	(17,682,289)	2,518,476
Net gain/(loss) from other financial instruments carried at fair value	7	15,706,039	(209,020)	15,741,076	(128,081)
Dividend income	8	3,749,265	2,872,721	5,197,666	2,872,721
Other operating income		226,979	641,062	2,138	386,539
Operating income before net impairment gain		23,929,720	21,433,023	12,742,308	11,719,301
Net impairment gain/(loss) on financial assets		1,760,499	(188,564)	1,706,698	245,943
Operating income		25,690,219	21,244,459	14,449,006	11,965,244
Administrative expenses		(19,987,494)	(17,322,621)	(11,390,218)	(9,991,641)
Depreciation and amortisation		(1,231,388)	(1,537,998)	(429,405)	(466,699)
Total operating expenses		(21,218,882)	(18,860,619)	(11,819,623)	(10,458,340)
Operating profit		4,471,337	2,383,840	2,629,383	1,506,904
Share of loss of equity accounted investees (net of tax)		(245,969)	(234,612)	-	-
Profit before income tax		4,225,368	2,149,228	2,629,383	1,506,904
Taxation	9	(101,477)	(892,532)	(4,564)	(1,210,108)
Profit from continuing operations		4,123,891	1,256,696	2,624,819	296,796
Loss on discontinued operations	10	-	(46,802)	-	-
Profit for the period		4,123,891	1,209,894	2,624,819	296,796
Attributable to:					
Equity holders of the bank		4,062,284	1,104,936	2,624,819	296,796
Non-controlling interests		61,607	104,958	-	-
Profit for the period		4,123,891	1,209,894	2,624,819	296,796
Earnings per share					
Basic earnings per share (US cents)		1.32	0.37	0.84	0.10
Diluted earnings per share (US cents)		1.32	0.37	0.84	0.10
Earnings per share – continuing operations					
Basic earnings per share (US cents)		1.32	0.38	0.84	0.10
Diluted earnings per share (US cents)		1.32	0.38	0.84	0.10

(*) The Group and Bank Earnings per Share for the period ended 30 June 2016 have been restated for the Bonus Issue of shares in May 2017.

condensed interim statements of comprehensive income

For the six months ended 30 June 2017

	Group		Bank	
	2017 USD	2016 USD	2017 USD	2016 USD
Profit for the period	4,123,891	1,209,894	2,624,819	296,796
Other comprehensive income:				
<i>Items that are, or may be, reclassified subsequently to profit or loss</i>				
Foreign operations - foreign currency translation differences	1,868,436	(74,130)	-	-
Fair value reserve (available-for-sale financial assets), net of deferred tax	739,050	(251,969)	739,052	(251,969)
Total comprehensive income for the period	6,731,377	883,795	3,363,871	44,827

condensed interim statements of changes in equity

For the six months ended 30 June 2017

Group

	Attributable to equity shareholders of the Bank							Total USD	Non- controlling interests USD	Total equity USD
	Share capital USD	Share premium USD	Reserve for general banking risks USD	Currency translation reserve USD	Fair value reserve USD	Other reserve USD	Retained earnings/ (accumulated losses) USD			
At 1 January 2017	155,239,263	2,101,335	764,792	(6,715,522)	(1,891,140)	2,481,760	(487,210)	151,493,278	23,274,085	174,767,363
Total comprehensive income										
<i>Comprehensive income for the period</i>										
Profit for the period	-	-	-	-	-	-	4,062,284	4,062,284	61,607	4,123,891
<i>Other comprehensive income</i>										
Change in fair value of available-for-sale assets	-	-	-	-	739,050	-	-	739,050	-	739,050
Currency translation reserve	-	-	-	1,868,436	-	-	-	1,868,436	15,511	1,883,947
Total comprehensive income for the period	-	-	-	1,868,436	739,050	-	4,062,284	6,669,770	77,118	6,746,888
Transactions with owners of the Bank										
<i>Contributions and distributions</i>										
Bonus issue of shares	1,941,232	(1,941,232)	-	-	-	-	-	-	-	-
Total transactions with owners of the Bank	1,941,232	(1,941,232)	-	-	-	-	-	-	-	-
Transfer between reserves	-	-	(300,762)	-	-	383,170	(82,408)	-	-	-
Exercised share options	58,893	10,637	-	-	-	-	-	69,530	-	69,530
As at 30 June 2017	157,239,388	170,740	464,030	(4,847,086)	(1,152,090)	2,864,930	3,492,666	158,232,578	23,351,203	181,583,781

condensed interim statements of changes in equity

For the six months ended 30 June 2017

Group

	Attributable to equity shareholders of the Bank							Non-controlling interests USD	Total equity USD	
	Share capital USD	Share premium USD	Reserve for general banking risks USD	Currency translation reserve USD	Fair value reserve USD	Other reserve USD	Accumulated losses USD			Total USD
At 1 January 2016	149,268,322	8,072,276	1,000,027	(5,690,377)	(409,528)	2,486,644	(5,644,809)	149,082,555	25,837,059	174,919,614
Total comprehensive income										
<i>Comprehensive income for the period</i>										
Profit for the period	-	-	-	-	-	-	1,104,936	1,104,936	104,958	1,209,894
<i>Other comprehensive income</i>										
Change in fair value of available-for-sale assets	-	-	-	-	(251,969)	-	-	(251,969)	-	(251,969)
Currency translation reserve	-	-	-	(74,130)	-	-	-	(74,130)	383,632	309,502
Total comprehensive income for the period	-	-	-	(74,130)	(251,969)	-	1,104,936	778,837	488,590	1,267,427
Transactions with owners of the Bank										
<i>Contributions and distributions</i>										
Bonus issue of shares	5,970,941	(5,970,941)	-	-	-	-	-	-	-	-
Share issue transaction costs by subsidiaries	-	-	-	-	-	(4,939)	-	(4,939)	-	(4,939)
<i>Changes in ownership interests</i>										
Change in non-controlling interests at subsidiaries	-	-	-	-	-	-	-	-	(882,955)	(882,955)
Total transactions with owners of the Bank	5,970,941	(5,970,941)	-	-	-	(4,939)	-	(4,939)	(882,955)	(887,894)
As at 30 June 2016	155,239,263	2,101,335	1,000,027	(5,764,507)	(661,497)	2,481,705	(4,539,873)	149,856,453	25,442,694	175,299,147

condensed interim statements of changes in equity

For the six months ended 30 June 2017

Bank

	Share capital USD	Share premium USD	Reserve for general banking risks USD	Fair value reserve USD	Other reserve USD	Accumulated losses USD	Total USD
At 1 January 2017	155,239,263	2,101,335	764,792	(1,891,140)	2,681,041	(36,040,473)	122,854,818
Total comprehensive income							
<i>Total comprehensive income for the period</i>							
Profit for the period	-	-	-	-	-	2,624,819	2,624,819
Total comprehensive income for the period	-	-	-	-	-	2,624,819	2,624,819
Transactions with owners of the Bank							
<i>Contributions and distributions</i>							
Bonus issue of shares	1,941,232	(1,941,232)	-	-	-	-	-
Total transactions with owners of the bank	1,941,232	(1,941,232)	-	-	-	-	-
Transfer between reserves	-	-	(300,762)	-	-	300,762	-
Exercised share options	58,893	10,637	-	-	-	-	69,530
Adjustment of AFS valuation	-	-	-	(655,890)	-	-	(655,890)
Adjustment of SIF and EMTFF valuation	-	-	-	190,630	-	-	190,630
Amortisation of AFS instruments	-	-	-	1,204,310	-	-	1,204,310
As at 30 June 2017	157,239,388	170,740	464,030	(1,152,090)	2,681,041	(33,114,892)	126,288,217

condensed interim statements of changes in equity

For the six months ended 30 June 2017

Bank

	Share capital USD	Share premium USD	Reserve for general banking risks USD	Fair value reserve USD	Other reserve USD	Accumulated losses USD	Total USD
At 1 January 2016	149,268,322	8,072,276	1,000,027	(409,528)	2,681,041	(36,616,090)	123,996,048
Total comprehensive income							
<i>Total comprehensive income for the period</i>							
Profit for the period	-	-	-	-	-	296,796	296,796
<i>Other comprehensive income</i>							
Change in fair value of available-for-sale assets	-	-	-	(251,969)	-	-	(251,969)
Total comprehensive income for the period	-	-	-	(251,969)	-	296,796	44,827
Transactions with owners of the Bank							
<i>Contributions and distributions</i>							
Bonus issue of shares	5,970,941	(5,970,941)	-	-	-	-	-
Total transactions with owners of the bank	5,970,941	(5,970,941)	-	-	-	-	-
As at 30 June 2016	155,239,263	2,101,335	1,000,027	(661,497)	2,681,041	(36,319,294)	124,040,875

condensed interim statements of cash flows

For the six months ended 30 June 2017

	Group		Bank	
	2017 USD	2016 USD	2017 USD	2016 USD
Cash flows from operating activities				
Interest and commission receipts	40,236,561	30,682,617	18,741,506	12,697,568
Exchange (paid)/received	(3,386,784)	5,211,310	(4,207,496)	5,827,755
Interest and commission payments	(15,532,541)	(15,736,283)	(10,255,541)	(13,499,999)
Payments to employees and suppliers	(18,357,994)	(18,011,466)	(9,818,333)	(7,941,890)
Operating profit/(loss) before changes in operating assets / liabilities	2,959,242	2,146,178	(5,539,864)	(2,916,566)
(Increase)/decrease in operating assets:				
- Trading assets and financial assets at fair value through profit or loss	108,535,834	(64,128,638)	-	-
- Loans and advances to customers and banks	94,637,048	7,954,386	99,634,588	(20,408,721)
- Other assets	(2,977,018)	(3,322,351)	(938,572)	(132,910)
Increase/(decrease) in operating liabilities:				
- Amounts owed to customers and banks	(82,551,923)	234,608,950	(178,858,700)	228,274,561
- Other liabilities	(265,776)	80,714	(24,697)	963,669
- Net advances from/(to) subsidiary companies	-	-	100,986,251	(37,800,588)
Net cash generated from operating activities before income tax	120,337,407	177,339,239	15,259,006	167,979,445
Income tax refunded/(paid)	384,654	(483,232)	(4,564)	(480,654)
Net cash flows from operating activities	120,722,061	176,856,007	15,254,442	167,498,791
Cash flows from investing activities				
- Payments to acquire property and equipment	(783,016)	(428,329)	(160,322)	(267,482)
- Payments to acquire intangible assets	(584,591)	(1,064,468)	(615,036)	(1,024,793)
- Payments to acquire shares in subsidiary companies	-	-	(10,000,000)	(5,000,000)
- Proceeds from disposal of available-for-sale financial assets	8,871,894	699,802	8,871,894	699,802
- Proceeds on disposal of financial assets at FV through P&L	17,870,000	-	17,870,000	-
- Proceeds on disposal of sale of property and equipment	1,174	558,596	-	550,090
- Net investment in discontinued operations	-	651,370	-	-
- Receipt of dividend	3,873,571	2,872,721	5,321,972	2,872,721
Net cash flows from/(used in) investing activities	29,249,032	3,289,692	21,288,508	(2,169,662)
Cash flows from financing activities				
- Proceeds from issue of share capital	69,529	-	69,529	-
- Net movement in debt securities	34,303,383	(32,431,370)	35,000,000	(20,000,000)
- Share issue costs	-	(4,939)	-	-
Net cash flows from/(used in) financing activities	34,372,912	(32,436,309)	35,069,529	(20,000,000)
Increase/(decrease) in cash and cash equivalents	184,344,005	147,709,390	71,612,479	145,329,129
Analysed as follows:				
- Effect of exchange rate changes on cash and cash equivalents	(15,607,227)	1,072,125	(7,480,889)	1,114,301
- Net increase in cash and cash equivalents	199,951,232	146,637,265	79,093,368	144,214,828
Increase in cash and cash equivalents	184,344,005	147,709,390	71,612,479	145,329,129
Cash and cash equivalents at beginning of period	35,550,126*	(130,391,611)	43,676,465*	(145,334,098)
Cash and cash equivalents at end of period	219,894,131	17,317,779	115,288,944	(4,969)

(*) Cash and cash equivalents at beginning of period have been restated for a change in classification of certain operating assets and liabilities.

notes to the condensed interim financial statements

For the six months ended 30 June 2017

1 reporting entity

FIMBank p.l.c. (“the Bank”) is a credit institution domiciled in Malta with its registered address at Mercury Tower, The Exchange Financial and Business Centre, Elia Zammit Street, St. Julian’s, STJ3155, Malta. The condensed interim financial statements of the Bank as at and for the six months ended 30 June 2017 include the Bank and its subsidiaries (together referred to as the “Group” and individually as “Group Entities”).

The consolidated financial statements of the Group as at, and for the year ended, 31 December 2016 are available upon request from the Bank’s registered office and are available for viewing on its website at www.fimbank.com.

2 basis of accounting

The condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, adopted by the EU. The interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of FIMBank p.l.c. as at and for the year ended 31 December 2016.

The condensed interim financial statements were approved by the Board of Directors on 9 August 2017.

3 significant accounting policies

The accounting policies applied by the Group in these condensed interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

3.1 standards issued but not yet effective

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments, Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The actual impact of adopting IFRS 9 on the Group’s consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at the time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are in process of being reviewed.

At reporting date, the Group is in the process of conducting an impact assessment based on its positions at 31 December 2016, which follows a preliminary assessment conducted on the 31 December 2015 positions. The current assessment is being based on the IFRS9 technical elections being made as part of the implementation process as well as more updated reference data required to calculate impairments using the expected loss model.

IFRS 9 Implementation Strategy

The Group's IFRS 9 implementation process is governed by a Steering Committee whose members include representative from Finance and Risk functions. The Group is following the implementation process of Burgan Bank, a shareholder having a significant influence, and a subsidiary of KIPCO Group (the ultimate parent of FIMBank p.l.c.).

As part of the implementation process, reputable external advisors have been engaged to assist the Group in the technical accounting interpretation of IFRS9 as well as risk-data modelling and calculations. A new suite of IT risk-related software tool was procured and is in process of being installed and configured to be in line with IFRS9, internal accounting elections, as well as other risk-related controls and policies.

It is expected that the current phase related to accounting elections, software installations and data management is concluded by the end of the 3rd financial quarter, with the final modelling and implementation phase being finalised by mid-4th financial quarter.

4 use of judgements and estimates

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

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2016.

5 operating segments

The Group identified five significant reportable segments: Trade Finance, Forfaiting, Factoring, Treasury and Real Estate, which are represented by different Group entities. For each of the entities, Executive Management reviews internal management reports on a monthly basis.

information about operating segments

Group - June 2017
USD

	Trade Finance	Forfaiting	Factoring	Treasury	Real Estate	Other	Total
External revenue:							
Interest income	8,909,154	7,295,692	8,854,169	949,117	447,636	3,024	26,458,792
Fee and commission income	3,983,028	4,957,291	2,435,210	-	201,677	69,541	11,646,747
Trading income	-	(147,405)	200,141	(17,682,289)	-	(86,618)	(17,716,171)
	12,892,182	12,105,578	11,489,520	(16,733,172)	649,313	(14,053)	20,389,368
Intersegment revenue:							
Interest income	-	2,242,375	681,524	-	-	557,880	3,481,779
Fee and commission income	4,288	60	11,992	-	-	54	16,394
	4,288	2,242,435	693,516	-	-	557,934	3,498,173
Reportable segment profit/(loss) before income tax	2,091,565	4,686,621	126,119	(5,158,997)	649,313	(518,039)	1,876,582

Group – June 2016
USD

	Trade Finance	Forfaiting	Factoring	IT Solutions	Other	Total
External revenue:						
Interest income	7,144,056	7,312,503	7,213,054	-	-	21,669,613
Fee and commission income	3,786,552	4,336,876	1,877,643	154,281	113,987	10,269,339
Trading income	2,504,426	(1,380,396)	58,801	(157)	5,560	1,188,234
	13,435,034	10,268,983	9,149,498	154,124	119,547	33,127,186
Intersegment revenue:						
Interest income	3,071,714	-	-	-	-	3,071,714
Fee and commission income	-	26,412	-	134,876	-	161,288
	3,071,714	26,412	-	134,876	-	3,233,002
Reportable segment profit/(loss) before income tax	3,512,245	3,096,240	(2,782,400)	5,014	(368,270)	3,462,829

Group - June 2017
USD

	Trade Finance	Forfaiting	Factoring	Treasury	Real Estate	Other	Total
Reportable segment assets	490,139,347	282,673,324	339,252,036	580,436,184	28,254,938	37,420,955	1,758,176,784
Reportable segment liabilities	1,014,370,915	90,145,235	114,426,900	341,930,117	-	1,458,853	1,562,332,020

Group - December 2016
USD

	Trade Finance	Forfaiting	Factoring	Treasury	Other	Total
Reportable segment assets	606,726,271	426,111,143	660,730,427	445,973,460	51,042,818	2,190,584,119
Reportable segment liabilities	1,151,611,801	314,566,640	111,763,995	243,572,384	34,291,705	1,855,806,525

reconciliation of reportable segment profit or loss

Group

	2017 USD	2016 USD
Total profit or loss for reportable segments	2,394,621	3,831,099
Other profit or loss	(518,039)	(368,270)
	1,876,582	3,462,829
Share of loss of equity accounted investees	(245,969)	(234,612)
Effect of other consolidation adjustments on segment results	2,594,755	(1,078,989)
Consolidated profit before income tax	4,225,368	2,149,228

6 financial instruments

measurements of fair value

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

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

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

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

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

The Group has an established control framework with respect to the measurement of fair values. This framework includes reports to the Group's Executive Management having overall responsibility for verifying the results of trading in financial instruments and all significant fair value measurements. Market risk and related exposure to fair value movement is also a key function of the Group's Asset-Liability Committee and all valuations of financial instruments are reported to the Committee for review and approval.

accounting classifications and fair values

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group - 30 June 2017

	Trading USD	Designated at fair value USD	Loans and receivables USD	Available- for- sale USD	Liabilities at amortised cost USD	Total carrying amount USD
Financial assets measured at fair value						
Trading assets	270,705,117	-	-	-	-	270,705,117
Derivative assets	-	1,309,471	-	-	-	1,309,471
Investments available-for-sale	-	-	-	312,482,395	-	312,482,395
Financial assets not measured at fair value						
Balances with the central bank of malta, treasury bills and cash	-	-	208,870,920	-	-	208,870,920
Loans and advances to banks	-	-	329,485,027	-	-	329,485,027
Loans and advances to customers	-	-	505,432,051	-	-	505,432,051
Financial liabilities measured at fair value						
Derivative liabilities	-	246,985	-	-	-	246,985
Financial liabilities not measured at fair value						
Amounts owed to banks	-	-	-	-	560,966,904	560,966,904
Amounts owed to customers	-	-	-	-	873,049,967	873,049,967
Debt securities in issue	-	-	-	-	42,529,251	42,529,251
Subordinated liabilities	-	-	-	-	50,000,000	50,000,000

Group - 31 December 2016

	Trading USD	Designated at fair value USD	Loans and receivables USD	Available- for- sale USD	Liabilities at amortised cost USD	Total carrying amount USD
Financial assets measured at fair value						
Trading assets	379,397,964	-	-	-	-	379,397,964
Derivative assets	-	1,502,704	-	-	-	1,502,704
Financial assets designated at fair value through profit or loss	-	17,799,900	-	-	-	17,799,900
Investments available-for-sale	-	-	-	327,076,529	-	327,076,529
Financial assets not measured at fair value						
Balances with the central bank of malta, treasury bills and cash	-	-	33,193,245	-	-	33,193,245
Loans and advances to banks	-	-	454,362,226	-	-	454,362,226
Loans and advances to customers	-	-	426,612,356	-	-	426,612,356
Financial liabilities measured at fair value						
Derivative liabilities	-	8,816,410	-	-	-	8,816,410
Financial liabilities not measured at fair value						
Amounts owed to banks	-	-	-	-	528,939,251	528,939,251
Amounts owed to customers	-	-	-	-	948,710,544	948,710,544
Debt securities in issue	-	-	-	-	8,225,869	8,225,869
Subordinated liabilities	-	-	-	-	50,000,000	50,000,000

Bank - 30 June 2017

	Designated at fair value USD	Loans and receivables USD	Available- for- sale USD	Liabilities at amortised cost USD	Total carrying amount USD
Financial assets measured at fair value					
Derivative assets	1,309,471	-	-	-	1,309,471
Investments available-for-sale	-	-	312,482,395	-	312,482,395
Financial assets not measured at fair value					
Balances with the central bank of malta, treasury bills and cash	-	208,840,316	-	-	208,840,316
Loans and advances to banks	-	297,729,057	-	-	297,729,057
Loans and advances to customers	-	550,834,089	-	-	550,834,089
Financial liabilities measured at fair value					
Derivative liabilities	264,429	-	-	-	264,429
Financial liabilities not measured at fair value					
Amounts owed to banks	-	-	-	448,016,611	448,016,611
Amounts owed to customers	-	-	-	838,978,649	838,978,649
Debt securities in issue	-	-	-	35,000,000	35,000,000
Subordinated liabilities	-	-	-	50,000,000	50,000,000

Bank - 31 December 2016

	Designated at fair value USD	Loans and receivables USD	Available- for- sale USD	Liabilities at amortised cost USD	Total carrying amount USD
Financial assets measured at fair value					
Derivative assets	1,502,704	-	-	-	1,502,704
Financial assets designated at fair value through profit or loss	17,799,900	-	-	-	17,799,900
Investments available-for-sale	-	-	327,075,827	-	327,075,827
Financial assets not measured at fair value					
Balances with the central bank of malta, treasury bills and cash	-	33,165,601	-	-	33,165,601
Loans and advances to banks	-	438,799,241	-	-	438,799,241
Loans and advances to customers	-	589,579,473	-	-	589,579,473
Financial liabilities measured at fair value					
Derivative liabilities	8,834,092	-	-	-	8,834,092
Financial liabilities not measured at fair value					
Amounts owed to banks	-	-	-	426,137,477	426,137,477
Amounts owed to customers	-	-	-	915,367,604	915,367,604
Subordinated liabilities	-	-	-	50,000,000	50,000,000

financial instruments measured at fair value – fair value hierarchy

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

Group- 30 June 2017

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Trading assets	-	-	270,705,117	270,705,117
Derivative assets held for risk management	-	1,309,471	-	1,309,471
Investments available-for-sale	146,955,109	159,775,927	5,751,359	312,482,395
	146,955,109	161,085,398	276,456,476	584,496,983
Derivative liabilities held for risk management	-	246,985	-	246,985
	-	246,985	-	246,985

Group- 31 December 2016

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Trading assets	-	-	379,397,964	379,397,964
Derivative assets held for risk management	-	1,502,704	-	1,502,704
Financial assets designated at fair value through profit or loss	-	-	17,799,900	17,799,900
Investments available-for-sale	161,841,816	159,658,216	5,576,479	327,076,529
	161,841,816	161,160,920	402,774,343	725,777,097
Derivative liabilities held for risk management	-	8,816,410	-	8,816,410
	-	8,816,410	-	8,816,410

Bank- 30 June 2017

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Derivative assets held for risk management	-	1,309,471	-	1,309,471
Investments available-for-sale	146,955,109	159,775,927	5,751,359	312,482,395
	146,955,109	161,085,398	5,751,359	313,791,866
Derivative liabilities held for risk management	-	264,429	-	264,429
	-	264,429	-	264,429

Bank- 31 December 2016

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Derivative assets held for risk management	-	1,502,704	-	1,502,704
Financial assets designated at fair value through profit or loss	-	-	17,799,900	17,799,900
Investments available-for-sale	161,841,816	159,658,216	5,575,795	327,075,827
	161,841,816	161,160,920	23,375,695	346,378,431
Derivative liabilities held for risk management	-	8,834,092	-	8,834,092
	-	8,834,092	-	8,834,092

measurement of fair values

valuation techniques and significant unobservable inputs

The below sets out information about valuation techniques used in measuring Level 2 and Level 3 fair values at 30 June 2017 and 31 December 2016 as well as the significant unobservable inputs used.

trading assets

The trading assets portfolio represent Forfaiting Assets, that is the discounting of receivables generated from an export contract on a without recourse basis. The assets would be evidenced by a number of different debt instruments including Bills of Exchange, Promissory Notes, Letters of Credit and trade or project related Syndicated and Bi-lateral Loan (Financing) Agreements.

The Group establishes fair value of its trading assets using a valuation technique based on the discounted expected future principal and interest cash flows. The discount rate is an estimate based on current expected credit margin spreads and interest rates at the reporting date. Inputs to valuation technique reasonably represent market expectation and measures of risk-return factors inherent in the financial instrument.

The Group uses the LIBOR yield curve as of each reporting date plus an adequate credit margin spread to discount the trading assets held. At 30 June 2017, the interest rates used range between 0.49% and 11.75% (2016: between 0.54% and 9.81%).

The effect of an estimated general increase of one percentage point in interest rate on trading assets at 30 June 2017 would reduce the Group's profit before tax by approximately USD117,527 (2016: USD388,913).

derivative assets and liabilities

Derivative assets and liabilities comprise Foreign-exchange forward contracts and interest-rate future contracts, classified as held for risk management. The forward contracts are over-the-counter derivatives whilst the interest-rate futures are traded on appropriate exchanges.

The Group establishes the fair value of:

- i) forward foreign-exchange contracts by reference to forward exchange rates published by financial information agencies on each valuation date;
- ii) interest rate futures by reference to independent valuations provided by portfolio custodians.

No significant unobservable inputs are used in valuing the derivative assets and liabilities.

financial assets designated at fair value through profit or loss

The Financial assets designated at fair value through profit or loss ("FVTPL") consisted of credit linked notes, whereby the Group was funding the risk of default with respect to specified borrowers.

The FVTPL portfolio was fair valued using a model based on the current credit worthiness of the counterparties by reference to specialised dealer price quotations. Periodical changes in dealer quotations are compared to changes in quoted prices for instruments with similar characteristics issued by the borrowers.

All credit linked notes matured or were sold during the current period.

investments available-for-sale

Available-for-sale investments mainly represent holdings in two unlisted sub-funds of a collective investment scheme whose underlying investments would be classified as either Level 2 or Level 3 assets.

The fair value is measured by the Group based on periodical net-asset-valuations prepared by the scheme's independent administrator. The sub-fund's assets are marked at fair market value. Assets are marked at observable traded prices where that is possible. Where there is no observable price, the assets are marked in accordance with best market practise. This may involve the use of models and forward projections. Inputs and assumptions used in these models may be subjective and could include a number of highly judgemental assertions.

For Level 2 assets, the effect of a ten percentage point decrease in the net asset value of the sub-fund at 30 June 2017 would decrease the Bank and Group equity by approximately USD15,977,593 (31 December 2016: USD15,965,892).

For Level 3 assets, the effect of a ten percentage point decrease in the net asset value of the sub-fund at 30 June 2017 would decrease the Bank and Group equity by approximately USD575,136 (31 December 2016: USD557,580).

reconciliation of Level 3 fair values

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

Group	Financial assets designated at fair value through profit or loss			Investments available-for-sale	Total
	Trading assets USD	loss USD			
Balance at 1 January 2016	355,063,998	17,741,000		5,665,354	378,470,352
Total gains and losses in trading income	(1,374,359)	(128,500)		-	(1,502,859)
Total gains and losses in other comprehensive income	-	-		319,039	319,039
Purchases	322,278,414	-		-	322,278,414
Settlements	(257,139,622)	-		-	(257,139,622)
Balance at 30 June 2016	418,828,431	17,612,500		5,984,393	442,425,324
Balance at 1 January 2017	379,397,964	17,799,900		5,575,795	402,773,659
Total losses in trading income	9,904,798	70,100		-	9,974,898
Total gains and losses in other comprehensive income	-	-		175,564	175,564
Purchases	236,578,776	-		-	236,578,776
Settlements	(355,176,421)	(17,870,000)		-	(373,046,421)
Balance at 30 June 2017	270,705,117	-		5,751,359	276,456,476
Bank		Financial assets designated at fair value through profit or loss		Investments available-for-sale	Total
			USD	USD	USD
Balance at 1 January 2016		17,741,000		5,665,354	23,406,354
Total gains and losses in trading income		(128,500)		-	(128,500)
Total gains and losses in other comprehensive income		-		319,039	319,039
Balance at 30 June 2016		17,612,500		5,984,393	23,596,893
Balance at 1 January 2017		17,799,900		5,575,795	23,375,695
Total gains and losses in trading income		70,100		-	70,100
Total gains and losses in other comprehensive Income		-		175,564	175,564
Settlements		(17,870,000)		-	(17,870,000)
Balance at 30 June 2017		-		5,751,359	5,751,359

sensitivity analysis of Level 3 fair values

For the fair values of Level 3 financial instruments, reasonably possible changes at 30 June 2017 and 31 December 2016 to one of the significant unobservable inputs, holding other inputs constant, has been disclosed in "Valuation techniques and significant unobservable inputs" above.

7 net loss from other financial instruments carried at fair value

	Group		Bank	
	2017 USD	2016 USD	2017 USD	2016 USD
Net income/(loss) on derivatives held for risk management purposes	15,662,747	(2,277,353)	15,697,784	(2,196,414)
Investment securities designated at fair value through profit or loss	43,292	2,068,333	43,292	2,068,333
	15,706,039	(209,020)	15,741,076	(128,081)

8 dividend income

	Group		Bank	
	2017 USD	2016 USD	2017 USD	2016 USD
Dividend from an available-for-sale investment	3,749,265	2,872,721	3,749,265	2,872,721
Dividend from subsidiary	-	-	1,448,401	-
	3,749,265	2,872,721	5,197,666	2,872,721

9 taxation

Taxation is recognised based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

For the six months ended 30 June 2017, the Group is estimating a net taxation credit of USD 101,477 (30 June 2016: charge of USD 892,532). The change in effective tax rate when compared to the Malta corporate income tax rate of 35% was caused mainly by different rates of tax for non-Malta based entities (in the United Kingdom, United Arab Emirates, India, Russia, Chile and Brazil).

10 discontinued operations

During the year ended 31 December 2016, the Group placed FactorRus LLC into liquidation which resulted in the Group losing control over the Subsidiary. Consequently, the Group discontinued the consolidation of the financial position and performance of this subsidiary. At 30 June 2016 the results of the entity were presented in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations".

11 derivative assets and liabilities

	Group		Bank	
	30 Jun 2017 USD	31 Dec 2016 USD	30 Jun 2017 USD	31 Dec 2016 USD
Derivative assets				
Held for risk management				
– foreign exchange	1,309,471	1,502,704	1,309,471	1,502,704
	1,309,471	1,502,704	1,309,471	1,502,704
Derivative liabilities				
Held for risk management				
– interest rate	-	-	-	17,682
– foreign exchange	246,985	8,816,410	264,429	8,816,410
	246,985	8,816,410	264,429	8,834,092

12 investments in subsidiaries

impairment assessment

At each reporting date the Bank carries out an assessment to conclude as to whether there are any indications that the investment in subsidiaries (at cost) in its separate financial statements and acquisition of India Factoring and Egypt Factors reported in the consolidated financial statements, may be further impaired. At the reporting date the Bank assessed the reasonableness of the impairment in subsidiaries as disclosed in the audited financial statements for the year ended 31 December 2016. This was carried out with reference to the underlying performance of each subsidiary during the period under review, with reference to the assumptions used in the 31 December 2016 assessment. The recoverable amounts for each investment have been calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing use of each entity. No indications for further impairments were noted and therefore no impairment movements were recognised during the period ended 30 June 2017 (31 December 2016: USD5,037,875).

India Factoring and Egypt Factors

As disclosed in the Financial Statements for the year ended 31 December 2016, Management has approved a set of budgets for India Factoring and Egypt Factors based on a strategy to grow the business in a changing market landscape, whilst ensuring an effective operational and control environment. These budgets formed the basis on which the recoverable amount is arrived at. In this respect, the recoverable amount for each subsidiary exceeds the carrying amount of the investment and the goodwill recognised on their initial accounting as a business combination. Whilst it is inherent that actual results may differ from those budgeted, and such variations may be significant, the Directors believe that the business plans can be supported, such that it will enable the Bank to recover the investments at least at the amount stated.

The key assumptions described above may change as economic, political and market conditions change. Whilst the recoverable amount is higher than the carrying amount, any significant adverse movement in a key assumption would lead to an impairment of the carrying amount of the investments and the related goodwill.

13 debt securities in issue

	Group		Bank	
	30 Jun 2017 USD	31 Dec 2016 USD	30 Jun 2017 USD	31 Dec 2016 USD
Unsecured promissory notes	42,529,251	8,225,869	35,000,000	-
	42,529,251	8,225,869	35,000,000	-

At 30 June 2017, promissory notes in issue have a tenor of up to one year. The Group's effective interest rate ranges between 1% and 3.23% (31 December 2016: 1.25% and 2.90%), and the Bank's effective interest rate ranges between 1.74% and 1.83% (31 December 2016: nil).

14 subordinated liabilities

	Group		Bank	
	30 Jun 2017 USD	31 Dec 2016 USD	30 Jun 2017 USD	31 Dec 2016 USD
Subordinated loan	50,000,000	50,000,000	50,000,000	50,000,000
	50,000,000	50,000,000	50,000,000	50,000,000

The subordinated loan was granted by a Bank holding a significant shareholding in the Group. The loan has a floating rate of interest priced on an arm's length basis and has a contractual maturity of five years. In the event of the Bank's liquidation, dissolution or winding up this loan will rank after the Bank's unsubordinated, secured and unsecured creditors. This loan qualifies as Tier 2 capital under the provisions of the Capital Requirements Regulation.

15 capital and reserves

As disclosed in the Directors' Report under "Annual General Meeting 2017", during the Annual General Meeting held on 11 May 2017 the Shareholders approved a 1:80 Bonus Issue of Shares through the capitalisation of Share Premium account. This resulted in the allotment of 3,882,463 ordinary shares of USD0.50 each with the corresponding increase in Share Capital and decrease in Share Premium.

16 contingent liabilities

	Group		Bank	
	30 Jun 2017 USD	31 Dec 2016 USD	30 Jun 2017 USD	31 Dec 2016 USD
Guarantee obligations incurred on behalf of third parties	9,508,109	6,507,529	22,071,737	19,782,148
	9,508,109	6,507,529	22,071,737	19,782,148

17 commitments

	Group		Bank	
	30 Jun 2017 USD	31 Dec 2016 USD	30 Jun 2017 USD	31 Dec 2016 USD
Commitments to purchase assets:				
Undrawn credit facilities	124,357,527	74,532,067	100,542,095	53,964,313
Confirmed letters of credit	35,551,650	29,125,426	56,451,277	45,893,638
Documentary credits	9,462,194	15,268,323	9,462,194	15,268,323
Risk participations	15,972,000	5,000,000	15,972,000	5,000,000
Factoring commitments	264,944	156,142	264,944	156,142
Commitment to purchase assets	56,212,704	61,458,936	-	-
Credit default swaps	27,117,426	2,500,000	-	-
Commitments to sell assets:				
Commitment to sell assets	(12,404,134)	(2,010,000)	-	-
	256,534,311	186,030,894	182,692,510	120,282,416

statement pursuant to listing rule 5.75.3

We hereby confirm that to the best of our knowledge:

- the condensed interim financial statements give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2017, as well as of the financial performance and cash flows for the period then ended, fully in compliance with IAS 34, Interim Financial Reporting, adopted by the EU; and
- the Interim Directors' Report includes a fair review of the information required in terms of Listing Rules 5.75.2 and 5.81 to 5.84.



Murali Subramanian
Chief Executive Officer



Ronald Mizzi
Chief Financial Officer



independent auditors' report on review of condensed interim financial statements

To the Board of Directors of FIMBank p.l.c.

introduction

We have reviewed the accompanying condensed interim financial statements of FIMBank p.l.c. ("the Bank") and of the Group of which the Bank is the parent ("the Condensed Interim Financial Statements") set out on pages 7 to 32 which comprise the condensed statements of financial position as at 30 June 2017, and the related condensed statements of income, condensed statements of comprehensive income, condensed statements of changes in equity and condensed cash flow statements for the six-months period then ended. Management is responsible for the preparation and presentation of the condensed interim financial statements in accordance with IAS 34, Interim Financial Reporting, adopted by the EU. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

This report is made solely to the Board of Directors in accordance with the terms of our engagement and is released for publication in compliance with the requirements of Listing Rule 5.75.4 issued by the Listing Authority. Our review has been undertaken so that we might state to the Board of Directors those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors for our review work, for this report, or for the conclusions we have expressed.

scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements for the six month period ended 30 June 2017 are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting, adopted by the EU.



emphasis of matter

We draw attention to Note 12 to the condensed interim financial statements. At 31 December 2016, the Bank carried out an impairment assessment by calculating the recoverable amount of its investments in its subsidiary undertakings (and the related goodwill arising on the acquisition of India Factoring and Finance Solutions Private Limited and The Egyptian Company for Factoring S.A.E. reported in the Group's consolidated financial statements) to determine whether those amounts are at least equal to the carrying amounts at which such assets are stated. One of the principal assumptions underlying the models used to calculate the recoverable amount relating to the equity held in India Factoring and Finance Solutions Private Limited and The Egyptian Company for Factoring S.A.E. is the attainment of the approved set of budgets used as a basis to arrive at the recoverable amounts of the respective investment in these subsidiaries and the goodwill recognised on their initial accounting as a business combination. The Notes to the financial statements explain that actual results may differ from those projected (used to determine recoverable amounts) and that such variations may be material. Our opinion is not modified in respect of this matter.

Noel Mizzi (Partner) for and on behalf of

9 August 2017

KPMG

Registered Auditors

Portico Building

Marina Street

Pieta' PTA 9044

Malta