FIMBANK
GROUP

Annual Report & Financial Statements 2019

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Chairman's statement to the shareholders

The FIMBank Group's financial results for 2019, highlight a fourth successive year of profitability. Despite myriad challenges we faced throughout this period, the Bank's performance continues to reflect the resilience of a business model designed and spurred by our management team. Our objective remains that of building a strong, diversified and sustainable business that can deliver long-term returns to our shareholders.

The FIMBank Group's Consolidated Audited Financial Statements for 2019 show that as at 31 December of that year, the Group registered a pre-tax profit of USD7.3 million, compared to a profit of USD13million in 2018. The reduction in revenues which had an impact on this year's bottom line can be mainly traced to significant de-risking measures implemented during this period and a number of non-performing assets. It is also important to mention that during the year, the Bank received dividend income from a subsidiary undertaking which reduced its accumulated losses to significant levels when compared to prior years.

Prompt and determined action by our senior management team has proven decisive towards ensuring that the Group continues to respond to future challenges effectively, and to secure a more sustainable growth trajectory for FIMBank in the coming years. More specifically, measures undertaken during this period have led to the critical transformation of the underlying portfolios of the Group, the result of which places FIMBank in a position of strength, as it makes its business model fundamentals even more sustainable and attractive.

When assessing this year's performance, one must take into account the higher impairment coverage on trade commodity facilities which characterised the past months, especially the second half of the year. In this regard, management continues to operate targeted and determined recovery efforts, which should see the desired results in the near future.

FIMBank's corporate culture, which is underpinned by a customer-centric organisation with a strong emphasis on professional excellence and teamwork, is something we are proud of. In an industry which puts so much value on long and positive business relationships, FIMBank continues to command the trust and respect of customers and partners worldwide. This is, to a great extent, a result of the value we give to our human resources, by providing a positive working environment and the opportunities for our employees to grow as professionals. FIMBank, today is an employer of choice, attracting some of the best talent around, and more importantly, successfully retaining them. This is no mean feat, especially in Malta, where the competition for talent is exceptionally high. FIMBank today boasts a professional team of specialists focused on providing innovative and tailor-made customer-centric solutions that exceed client expectations. There is no doubt that our employees and management at head office and across the globe, deserve our praise for the results which have been registered over these past years.

In order to fulfil our mission to create value for all of our shareholders, during the year in review, we continued to engage with our investors to better inform them of our activities, and to create mutually supportive opportunities and outcomes for them. We provided opportunities for engagement via different forums and channels – including update meetings, our Annual General Meeting and our Shareholders' Newsletter - to help shape the direction of our business, aligned to shareholders' needs and expectations. Meanwhile, the backing which we continue to receive from our majority shareholders, particularly that of United Gulf Holding of the KIPCO Group, remains an important foundation for our business.

There is no doubt that our efforts in promoting investor relations have given rise to a strong measure of mutual goodwill and cooperation, and on behalf of my Board, I extend our sincere gratitude for the demonstration of trust and loyalty forthcoming from all our shareholders.

The year 2019 was one in which we celebrated a significant milestone, FIMBank's 25th anniversary. This landmark in FIMBank's history was an opportunity for my Board and management to determine where we are heading, keeping in focus our mission. The fundamentals which have determined the success of the FIMBank Group during its history are here to stay. Over the years, FIMBank has established itself as a leading provider of trade finance, factoring and forfaiting solutions, and more recently, selective real estate financing, developing a customer-driven ethos focused on optimising clients' business performance and growth. This is underlined by our innate desire and ability to treat local and international clients as partners in growth.

John C. Grech
Chairman

Il-Messaġġ taċ-Ċermen

Ir-riżultati finanzjarji tal-Grupp FIMBank għas-sena 2019 jenfasizzaw ir-raba' sena ta' profittabbiltà konsekuttiva. Minkejja l-bosta sfidi li ffaċċjajna tul dan il-perjodu, il-prestazzjoni tal-Bank tibqa' tirrifletti r-reżiljenza ta' mudell kummerċjali mmexxi mit-tim tal-immaniġġjar tagħna. L-għan tagħna jibqa' li nibnu negozju b'saħħtu, diversifikat u sostenibbli li fit-tul ikun jista' jtejjeb il-valur għall-azzjonisti tagħna.

Ir-Rapporti Finanzjarji Konsolidati Awditjati tal-Grupp FIMBank għall-2019 juru li matul is-sena li ghalqet fil 31 ta' Diċembru, il-Grupp irreġistra profitt qabel it-taxxa ta' USD7.3 miljun meta mqabbel ma' profitt ta' USD13-il miljun fl-2018. Ir-raġuni ewlenija għat-tnaqqis fid-dħul li ħalla impatt fuq ir-riżultat ta' din is-sena huma l-miżuri sinifikanti ta' tnaqqis tar-riskji li ġew implimentati tul dan il-perjodu, u għadd ta' assi li ma jirrendux. Huwa importanti li nsemmu wkoll li tul is-sena, il-Bank irċieva dħul minn dividend minn kumpanija sussidjarja. B'hekk, il-Bank naqqas it-telf akkumulat tiegħu għal livelli sinifikanti meta mqabbel ma' snin preċedenti.

L-azzjoni li ttieħdet b'mod determinat u fil-pront mit-tim tal-immaniġġjar tagħna żgurat li l-Grupp ikompli jwieġeb għall-isfidi b'mod effettiv u li jikseb tkabbir aktar sostenibbli għal FIMBank fis-snin li ġejjin. B'mod aktar speċifiku, il-miżuri li ttieħdu tul dan il-perjodu wasslu għall-bidla importanti tal-portafolli ewlenin tal-Grupp. Ir-riżultat ta' din il-bidla poġġiet lil FIMBank f'pożizzjoni b'saħħitha minħabba li s-sisien tal-mudell kummerċjali tiegħu saru aktar sostenibbli u attraenti.

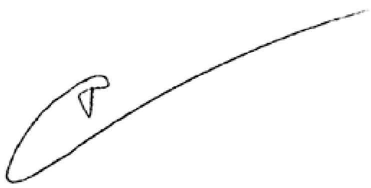
Meta nqisu l-prestazzjoni ta' din is-sena, ikkunsidrajna l-kopertura ogħla ta' indebbolimenti fil-faċilitajiet tal-komoditajiet kummerċjali, li kkaratterizzaw ix-xhur li għaddew, speċjalment it-tieni nofs tas-sena. F'dan ir-rigward, it-tim tal-immaniġġjar baqa' jaħdem fuq sforzi ta' rkupru determinati u mmirati li għandhom irendu r-riżultati mixtieqa fil-futur qarib.

Aħna kburin bil-kultura korporattiva ta' FIMBank li tpoġġi lill-klijent l-ewwel u tagħmel enfasi qawwija fuq l-eċċellenza professjonali. F'industrija li tagħti tant valur lir-relazzjonijiet twal u pożittivi, FIMBank ikompli jgawdi l-fiduċja u r-rispett tal-klijenti diversi madwar id-dinja. Fil-parti l-kbira tiegħu, dan huwa r-riżultat tal-valur li nagħtu lir-riżorsi umani tagħna fejn nipprovdu ambjent pożittiv ta' xogħol, u l-opportunitajiet li nagħtu lill-impjegati tagħna sabiex itejbu l-karriera tagħhom. FIMBank illum huwa Bank li jattira talent b'saħħtu, u aktar importanti minn hekk, iżommu. Din hija kisba sinifikanti fis-suq Malti fejn il-kompetizzjoni għat-talent hija għolja ħafna. FIMBank illum jista' jgħid li għandu tim professjonali ta' speċjalisti li jipprovdu soluzzjonijiet innovattivi lill-klijenti li huma magħmula apposta għalihom, u li jeċċedu l-aspettattivi tagħhom. M'hemm l-ebda dubju li l-impjegati u t-tim tal-immaniġġjar tagħna fil-"Head Office" u madwar id-dinja jistħoqqilhom it-tifħir tagħna għar-riżultati li ksibna tul l-aħħar snin.

Sabiex inwettqu l-għan tagħna li noħolqu valur għall-azzjonisti kollha, tul l-2019 bqajna f'kuntatt mal-investituri sabiex ikunu infurmati aħjar dwar l-attivitajiet tagħna. Ħloqna modi ta' komunikazzjoni, fosthom laqgħat ta' aġġornament, il-Laqgħa Annwali Ġenerali tagħna u x-"Shareholders' Newsletter", sabiex ngħinu niffurmaw id-direzzjoni tal-kummerċ tagħna biex dan jikkonforma mal-ħtiġijiet u l-aspettattivi tal-azzjonisti. Sadattant, l-appoġġ li nibqgħu nirċievu mill-azzjonisti prinċipali tagħna, partikolarment minn United Gulf Bank tal-Grupp KIPCO, jibqa' pedament importanti għall-kummerċ tagħna.

M'hemm l-ebda dubju li l-isforzi tagħna biex nippromwovu r-relazzjoni mal-investituri wasslu għal sens qawwi ta' kollaborazzjoni, u f'isem il-Bord tiegħi, nestendi l-gratitudni sinċiera tagħna għat-turija ta' fiduċja u lealtà mill-azzjonisti kollha.

Fl-2019 iċċelebrajna okkażjoni sinifikanti, il-25 anniversarju ta' FIMBank. Dan il-punt importanti fl-istorja ta' FIMBank serva ta' opportunità għall-Bord tiegħi u għat-tim tal-immaniġġjar biex niddeterminaw id-direzzjoni li mexjin fiha. Il-pedamenti li ddeterminaw is-suċċess tal-Grupp FIMBank tul l-istorja tiegħu mhumiex se jinbidlu. Tul is-snin, FIMBank stabbilixxa lilu nnifsu bħala Bank ewlieni tal-finanzjament tal-kummerċ, il-"factoring", u "forfaiting", u aktar reċentament, tal-finanzjament selettiv tal-proprjetà immobbli fejn żviluppajna strateġija mmirata lejn it-titjib tal-prestazzjoni u t-tkabbir tal-klijenti, u li jpoġġi lill-klijent l-ewwel. Dan huwa enfasizzat mix-xewqa u l-ħila intrinsika tagħna li nqisu lill-klijenti lokali u internazzjonali bħala sħab fit-tkabbir.



John C. Grech
Ċermen

FIMBank Group performance 2019

CEO's message

The year 2019 was another profitable year for FIMBank. Despite having faced a challenging year, we remain committed to our strategic focus and the transformation of the Group to one based on a culture of excellence, sustainable growth and long-term returns.

Our focus has continued to be directed towards embedding a performance-orientated environment, based on strong initiative and innovation, underlined by principles of good governance and sustainability. We have continued to invest in the acceleration of growth in our higher revenue generation lines of business, while proceeding with efforts to divest the Group from low-returning operations and markets. We have maintained focus on the streamlining of our Group operations in order to drive productivity, increase automation and boost FIMBank's ability to face future challenges.

Overview of financial results

For the year 2019, FIMBank Group made a pre-tax profit of USD7.3 million compared to a pre-tax profit of USD13 million in 2018. The months characterising 2019 were underpinned by significant efforts aimed at de-risking our current portfolio, to enhance the sustainability of our business. Such efforts need to be considered in the context of the long-term business strategy and although net operating results contracted, we are optimistic that these measures will bear fruit, as the Bank significantly improves its risk profile and enhances its overall standing. During the past year, the Group also continued to invest in its human resources and technology to reinforce the Bank's core operational assets.

A challenging year was marked by a number of non-performing exposures in FIMBank and India Factoring, leading to an impairment coverage increase of USD14.2 million on legacy and new delinquent exposures. Nevertheless, the Bank also managed to improve its risk profile across a number of non-performing exposures which ultimately resulted in reversal of impairments of USD0.7 million. The Bank's management team is spearheading several efforts to address these exposures, and recoveries are expected to accelerate in the near future. This is underlined by the recent engagement of a specialist Head of Recoveries to manage the impaired assets of the Group on a global scale.

The period under review, saw FIMBank absorbing most of the de-risking outcome in its core trade and commodity finance portfolio, with the consequent impact on interest and fee revenues. Results from our shipping portfolio reflected market volatility and therefore limited scope for the financing of targeted vessels. In Malta, the real estate portfolio grew to its set targets, and will continue to move towards cautious growth, with a select number of established clients. Results forthcoming from our treasury and cash management operations highlight a positive performance in the areas of liquidity and funding, foreign currency and capital markets.

London Forfaiting Company Ltd ("LFC") registered an exceptionally successful year. Over the past years, the company has developed a solid business model on the back of an expert team of professionals and an effectively balanced risk portfolio. This, together with an efficient mix of funding from the Bank and third-party institutions with a likewise lean operational cost structure, have enabled LFC to secure successive positive financial results. Thanks to a strong risk diversification strategy and diverse geographic spread, the organisation is in a strong position to manage identifiable risks.

Meanwhile, following on a successful trend to move away from domestic to an increasingly diversified and larger-scale export driven business, India Factoring also grew during the year, with higher asset turnover contributing to a pipeline set to provide momentum for future business. In a climate of stronger competition, the performance of Egypt Factors was a solid one, with the subsidiary managing to expand successfully in the year in review, while also building a growing pipeline for the future. Significantly, during this period the company also managed to recover a legacy non-performing exposure, thus enhancing its profitability for the year while furthering its contribution to the Group.

People

During the year in review we continued to strengthen our specialist teams and maintain a leading edge in our capabilities. A major project was the installation of a financial crime risk management project involving the implementation of an advanced anti-money laundering system capable of monitoring and providing enhanced fraud detection capabilities, and a strong defence mechanism combining intelligence from multiple risk silos.

CSR and societal contributions

One of the Bank's mainstays is our commitment to promote the well-being of others and the sustainability of the society which we form part of. Any business strategy today, would surely be incomplete if it does not consider engagement with the society that it forms part of. Over the past year, FIMBank has supported Beating Hearts, an independent non-profit foundation established primarily to support the needs of parents having children born with a congenital heart defect. We also supported other initiatives aimed at promoting environmental sustainability, such as the planting of trees.

Outlook and way forward

The macroeconomic environment in 2020 presents a highly challenging scenario. As far as the Group is concerned, 2020 should see us continue building on achievements registered during the past five years, maintaining our focus on FIMBank's key competences. The strengthening of our organisational framework will allow us to better exploit opportunities to present an increasingly diverse range of products and expand our business portfolio, utilising our specialist expertise to support our clients' supply chain in key markets across the world. We will do this while constantly reviewing and monitoring the viability of all aspects of our operations, to ensure that we deliver consistent returns and long-term value. The management of the recovery of non-performing assets by our dedicated team will continue to be a priority, while attention to internal controls, our modus operandi and governance considerations will reflect a more stringent regulatory and business environment.

Murali Subramanian
Chief Executive Officer

Il-prestazzjoni tal-Grupp FIMBank għall-2019

Il-Messaġġ tal-uffiċjal ezekuttiv ewlieni

Is-sena 2019 kienet sena oħra ta' profitt għal FIMBank. Minkejja li kelna sena ta' sfidi, nibqgħu naħdmu b'impenn lejn il-mira strateġika fit-tul u t-trasformazzjoni tal-Grupp f'wieħed ibbażat fuq kultura ta' eċċellenza, u tkabbir sostenibbli.

Bqajna niffukaw l-isforzi tagħna fuq il-prestazzjoni abbażi ta' inizjattiva qawwija u l-innovazzjoni, kif ukoll permezz ta' prinċipji ta' governanza tajba, u sostenibbiltà. Bqajna ninvestu biex inżidu t-tkabbir tan-negozju tagħna li jiġġeneraw l-ogħla dħul, filwaqt li komplejna fuq l-isforzi tagħna biex inbiegħdu l-Grupp minn operati u swieq bi dħul baxxi. Bqajna niffukaw fuq is-simplifikazzjoni tal-operati tal-Grupp sabiex inżidu l-produttività, l-awtomatizzazzjoni u l-abbiltà ta' FIMBank biex jiffaċċja l-isfidi aħjar fil-futur.

Ħarsa ġenerali lejn ir-riżultati finanzjarji

Fis-sena 2019, il-Grupp FIMBank għamel profitt qabel it-taxxa ta' USD7.3 miljun meta mqabbel ma' profitt ta' qabel it-taxxa ta' USD13-il miljun fl-2018. Tul l-2019 għamilna sforzi sinifikanti immirati lejn it-tnaqqis tar-riskji fil-portafoll kurrenti tagħna sabiex insaħħu s-sostenibbiltà tal-kummerċ tagħna. Dawn l-isforzi għandhom jitqiesu fil-kuntest tal-istrateġija kummerċjali fit-tul, u minkejja t-tnaqqis nett fir-riżultati operattivi, ninsabu ottimisti li dawn il-miżuri se jrendu riżultati tajbin hekk kif il-Bank qed itejjeb l-profil ta' riskju tiegħu u qed isaħħaħ il-pożizzjoni ġenerali tiegħu. Tul l-aħħar sena, il-Grupp kompla jinvesti wkoll fir-riżorsi umani tiegħu u fit-teknoloġija sabiex isaħħaħ l-assi operattivi tal-Bank.

Din is-sena ta' sfida kienet ikkaratterizzata minn għadd ta' assi li ma jirrendux f'FIMBank u fl-India Factoring, li wasslu għal żieda fil kopertura ta' USD14.2 miljun fuq djun preċedenti u ġodda fejn il-ħlas fuqhom mhux qed jiġi onorat. Minkejja dan, il-Bank irnexxielu jtejjeb ukoll il-profil ta' riskju tiegħu fuq għadd ta' assi li ma jirrendux, li fl-aħħar mill-aħħar wassal għat-tnaqqis ta' dawn l'assi li ma jirrendux b'USD0.7 miljun. It-tim tal-immaniġġjar tal-Bank qed iwettaq bosta sforzi sabiex jindirizza dawn l-assi, u huwa mistenni li l-irkupri se jiżdiedu fil-futur qarib. Dan hu enfasizzat mill-ingaġġ riċenti ta' Kap tal-Irkupru li hija speċjalista li qed timmaniġġja l-assi indeboliti tal-Grupp fuq skala globali.

L-2019 rat lil FIMBank jassorbi l-parti l-kbira tar-riżultati tat-tnaqqis tar-riskji fil-portafoll ewlieni tiegħu tal-kummerċ u l-finanzjament tal-komoditajiet, fejn l-impatt konsegwenti waqa' fuq id-dħul mill-imgħax u mit-tariffi miġbura. Ir-riżultati mill-portafoll tagħna tal-qasam marittimu rriflettew il-volatilità tas-suq u għalhekk, l-iskop limitat għall-iffinanzjar ta' bastimenti. F'Malta, il-portafoll tal-kostruzzjoni tal-proprjetà laħaq il-miri stabbiliti tiegħu, u se jkompli jimxi fid-direzzjoni ta' tkabbir kawt abbażi ta' klijenti stabbiliti. Ir-riżultati li ħarġu mill-operati tagħna tat-teżor u l-ġestjoni tal-flus jixħtu dawl fuq prestazzjoni pożittiva fl-oqsma tal-likwidità u l-finanzjament, il-muniti barranin, u s-swieq kapitali.

London Forfaiting Company Ltd (LFC) irreġistrat sena ta' suċċess. Tul l-aħħar snin, il-kumpanija żviluppat mudell kummerċjali sod bis-saħħa ta' tim professjonali u portafoll ta' riskju bbilanċjat b'mod effettiv. Dan, flimkien ma' taħlita effiċjenti ta' finanzjament mill-Bank u minn istituzzjonijiet ta' partijiet terzi bi struttura simili ta' spejjeż operattivi mill-anqas, wassal lil LFC biex takkwista riżultati finanzjarji pożittivi. Bis-saħħa ta' strateġija b'saħħitha ta' diversifikazzjoni tar-riskji u bis-saħħa tal-firxa ġeografika wiesgħa, l-organizzazzjoni tinsab f'pożizzjoni b'saħħitha sabiex timmaniġġja r-riskji.

India Factoring ukoll kibret tul is-sena b'fatturat akbar tal-assi li kkontribwixxa għal sors kummerċjali bil-mira li jwassal għal aktar kummerċ fil-futur. Egypt Factors, f'ambjent ta' kompetizzjoni iżjed qawwija, il-prestazzjoni kienet waħda soda peress li s-sussidjarja rnexxielha tespandi b'suċċess fl-2019, filwaqt li bniet għat-tkabbir fil-futur. B'mod sinifikanti, tul dan il-perjodu, il-kumpanija rnexxielha wkoll tirkupra assi li ma jirrendux mill-passat u b'dan żiedet il-profittabbiltà għas-sena 2019.

L-impjegati

Tul l-2019, komplejna nsaħħu t-timijiet tagħna magħmula minn speċjalisti. Proġett maġġuri kien il-ġestjoni tar-riskju għal kontra l-kriminalità finanzjarja. Dan kien jinvolvi l-implimentazzjoni ta' sistema avvanzata fil-ġlieda kontra l-ħasil tal-flus, liema sistema timmonitorja u tipprovdi kapaċitajiet tajba fl-iskoperta tal-frodi. Għandha wkoll mekkaniżmu ta' difiża qawwija ta' kif tiġbor l-intelliġenza.

Responsabbiltà Soċjali Korporattiva u Kontribuzzjonijiet lejn is-Soċjetà

Wieħed mill-pilastri tal-Bank huwa l-impenn tagħna biex nippromwovu l-ġid komuni u s-sostenibbiltà tas-soċjetà li nagħmlu parti minnha. Bla dubju, kwalunkwe strateġija kummerċjali mhix se tkun kompleta jekk ma tqisx l-impenn għas-soċjetà. Tul l-aħħar sena, FIMBank appoġġja lil Beating Hearts li hija fondazzjoni indipendenti mingħajr skop ta' qligħ li twaqqfet bil-għan prinċipali li tappoġġja l-ħtiġijiet ta' ġenituri ta' tfal li twieldu bi problema konġenitali tal-qalb. Appoġġjajna wkoll inizjattivi oħrajn immirati li jippromwovu s-sostenibbiltà tal-ambjent, bħat-tħawwil tas-siġar.

Ħarsa 'l quddiem u t-triq għall-futur

L-ambjent makroekonomiku fl-2020 jippreżenta xenarju ta' sfida kbira. F'dak li jirrigwardja lill-Grupp, fis-sena 2020 għandna nkomplu nibnu fuq il-kisbiet li għamilna tul l-aħħar ħames snin billi nibqgħu niffukaw fuq il-kompetenzi ewlenin ta' FIMBank. Il-qafas organizzattiv tagħna se jgħinna nwasslu prodotti iżjed diversifikati, u nespandu l-portafoll billi nutilizzaw il-ħila speċjalizzata tagħna biex nappoġġjaw lill-klijenti tagħna fis-swieq globali. Se nagħmlu dan filwaqt li nirrivedu u nosservaw b'mod kontinwu l-vijabbiltà tal-operati tagħna sabiex niżguraw li nipprovdu dħul konsistenti u valur fit-tul. Il-ġestjoni tal-irkupru tal-assi li ma jirrendux mit-tim dedikat tagħna se tibqa' tkun ta' prijorità, filwaqt li l-enfasi fuq il-kontrolli interni, il-mod kif noperaw, u l-governanza se jirriflettu ambjent regolatorju u kummerċjali aktar strett.

Murali Subramanian
Uffiċjal Ezakuttiv Ewlieni

Directors' report

For the year ended 31 December 2019

The Directors present their report together with the Audited Financial Statements of FIMBank p.l.c. (the "Bank"), and FIMBank Group of Companies (the "Group") for the year ended 31 December 2019. This report is prepared in accordance with Article 177 of the Companies Act, 1995 (Chapter 386, Laws of Malta, ("The Companies Act")) including the further provisions as set out in the Sixth Schedule of the Companies Act.

Results for the year

The Group and the Bank reported a profit after tax of USD4,530,103 and USD29,588,944 respectively for the year under review.

Further information about the results is provided in the Statements of Profit or Loss and the Statements of Other Comprehensive Income on pages 27 and 28 and in the Review of Performance section within this report.

Group structure and principal activities

The Group comprises the Bank and its wholly owned subsidiaries, London Forfaiting Company Limited ("LFC"), FIM Business Solutions Limited ("FBS"), FIM Property Investment Limited ("FPI"), The Egyptian Company for Factoring S.A.E. ("Egypt Factors"), FIM Holdings (Chile) S.p.A. ("FHC") and FIMFactors B.V. ("FIMFactors"). LFC and FIMFactors are themselves parents of a number of subsidiaries as set out in Note 28 to the Financial Statements. 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):

- 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, factoring and loan syndications.

  The Bank has two branches registered in Dubai International Finance Centre, Dubai, United Arab Emirates and Athens, Greece. Both branches are regulated by their respective Regulators;

- 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;

- 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;

- 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;

- Egypt Factors (100%), registered in Egypt, is active in providing factoring and forfaiting services to Egyptian companies;

- FHC (100%), registered in Chile, served as the corporate vehicle for Latam Factors S.A., which entity was sold to third parties during 2018. FHC is currently in liquidation; and

- FIMFactors (100%), registered in the Netherlands, is the corporate vehicle for the Bank's holdings in factoring subsidiaries and associated companies. These are:

  a. India Factoring and Finance Solutions (Private) Limited (87.19%), incorporated in Mumbai, India, to carry out the business of factoring, forfaiting and trade finance activities in India. India Factoring is regulated by the Reserve Bank of India; and

  b. BrasilFactors S.A. (50%), an equity-accounted investee incorporated in São Paulo, Brazil, with its core business focused on factoring services and forfaiting, targeting small and medium-sized companies. The other shareholder is China Construction Bank (50%).

During the year Menafactors Limited and FactorRus L.L.P. were liquidated.

Review of performance

During the financial year 2019, the Group continued its transformation into a strong trade finance player, proactively seeking to optimise its business fundamentals whilst also reacting to market, industry and regulatory developments in the regions in which it operates. The overall financial performance of the Group reflects the execution of a de-risking process resulting in a temporary asset reduction positively improving the risk profile of the key portfolios. Following the conclusion of this process, the Group strengthened the structures of its credit transactions, migrated to superior counterparty profiles and reduced its concentrations on product, single obligor and geographical presence. This has however led to a decrease in revenues as a result of lower new business and stock levels carried during the year. Continuing from prior years, the Group remained highly effective in the management of its asset-liability structures, driving performance in funding efficiency and costs, and generating additional revenues from favourable capital markets conditions. During the year, impairment coverage on legacy and new delinquent exposures has increased on the back of developments in the different resolution tracks. Such impairments were offset by the recovery of other long overdue exposures reflecting the ongoing actions to recoup lost value in past years. The Group continued investing in its human capital and IT infrastructure with the aim of reinforcing its core operational assets, and concurrently ensuring the best use of its resources through operational innovations and cost efficiencies.

The Bank, as the parent of the Group, maintains overall responsibility for the Group's business and development. During the year, the Bank absorbed most of the de-risking outcome in its core trade and commodity finance portfolio, with a direct impact on interest and fee revenues. The shipping portfolio also experienced volatility due to market conditions limiting financing opportunities of targeted vessels. In Malta, the real estate portfolio grew to its set targets, with the Bank aware of the industry's inherent risks and therefore executing a vigilant approach to this line of business. Treasury and cash management operations were also effective in the areas of liquidity and funding, foreign currency and capital markets, with financial institutions' relationships remaining adequate to support business across the Group. The financial results also reflect the need for higher impairment coverage on trade commodity facilities. Recoveries were slower than expected but are expected to pick up during the forthcoming year. During the year, the Bank received dividend income from a subsidiary undertaking, with no impact on the Group consolidated results.

Across the Group, LFC had another successful year and delivered strong results. With no significant need to de-risk, LFC further expanded its portfolio with a corresponding increase in trading volumes. Its robust business model, institutional expertise and a risk-balanced portfolio enable LFC to achieve consistently superior revenue margins, complemented by an efficient mix of funding from the Bank and third party institutions with a likewise lean operational cost structure. During 2019 LFC continued to recover on past overdue transactions whilst actively managing new risks and market developments as they arise. As LFC is domiciled in the United Kingdom, the Group continued to assess the impact of Brexit on the company's operations and its affiliation within the Group. The impact is considered to be minimal as LFC's appetite for diverse risks across different business sectors and geographies coupled with a global footprint, places LFC in a strong position to manage any identifiable risks associated with the United Kingdom withdrawing from the EU.

India Factoring also grew during the year, at a slower-than-planned pace, returning modest results. During 2019, the business continued pivoting away from the domestic business to an export-driven book, upgrading and diversifying the exposures to a stream of larger-scale counterparties. Notwithstanding the marginal growth, India Factoring has significantly increased its asset turnover particularly in the second half of the year, building adequate pipeline and gaining the required momentum for the months ahead. Impairments were lower than prior years as no new delinquent loans were identified during the year with recoveries partly offsetting resulting impairments on assets at different impairment stages.

Egypt Factors produced another stable performance. As the Egypt market and economic context becomes more stable, Egypt Factors faces a higher level of competition in sourcing new clients at the right level of risk. Yet, the subsidiary has successfully expanded its portfolio during the year, with a growing pipeline and asset levels at superior margins. In 2019, Egypt Factors also recovered a legacy non-performing exposure, boosting its annual profitability and contribution to the Group.

At the beginning of the year the Group implemented the IFRS 16 leasing accounting standard impacting the classification and measurement of leases, particularly where the Group is a lessee. As a result of these requirements, the Group recognised new "right-of-use assets" and related "lease liabilities". There have been no changes to leases where the Group is a lessor. The introduction of IFRS 16 did not have an impact on the Group reserves at the beginning of the year.

Statements of profit or loss

For the year ended 31 December 2019, the Group registered a post-tax profit of USD4.5 million compared to a profit of USD10.2 million in 2018. Group earnings per share stood at US cents 0.86 (2018: US cents 2.22). The results for the year under review are summarised in the table below, which should be read in conjunction with the explanatory commentary that follows:

	Group		
	2019 USD	2018 USD	Movement USD
Net interest income	32,321,233	31,198,703	1,122,530
Net fee and commission income	12,480,522	17,645,824	(5,165,302)
Dividend income	3,591,794	7,660,271	(4,068,477)
Net results from foreign currency operations	1,946,289	1,293,996	652,293
Other operating income	932,009	911,206	20,803
Net operating income	**51,271,847**	**58,710,000**	**(7,438,153)**
Operating expenses	(37,019,821)	(37,576,677)	556,856
Net operating results	**14,252,026**	**21,133,323**	**(6,881,297)**
Net impairment losses	(13,066,172)	(13,283,010)	216,838
Net results from trading assets and other financial instruments	6,076,270	5,982,890	93,380
Share of results of equity-accounted investees	-	238,634	(238,634)
Loss upon disposal of equity-accounted investee	-	(2,062,937)	2,062,937
Fair value gain from investment property	-	984,951	(984,951)
Profit before tax	**7,262,124**	**12,993,851**	**(5,731,727)**
Taxation	(2,732,021)	(2,790,218)	58,197
Profit for the period	**4,530,103**	**10,203,633**	**(5,673,530)**

For the year under review, ‘net operating results’, that is operating income less operating expenses, contracted by USD6.9 million to USD14.3 million, as the Group embarked on a de-risking process, with the aim of strengthening the quality of the portfolio, through improved transaction structures and mitigation of several risks.

The Group’s ‘net operating income’ dropped by 13% from USD58.7 million to USD51.3 million. Net interest income, net fees and commission income and dividend income combined together decreased by 14%, from USD56.5 million to USD48.4 million. Revenues dropped due to a combination of certain measures implemented by the Group and economic conditions. As a result of a number of non-performing loans that were identified in prior years, the Group has implemented various changes to its risk frameworks, which led the Group to de-risk its main portfolios – and as a consequence the income generated from these portfolios decreased accordingly. In addition, interest and fee income on exposures that were classified as “non-performing” ceased being recognised in the income statement. Notwithstanding this, the Group optimised on its funding structure to offset the drop in revenues. The Group has implemented various asset and liability management measures to create funding efficiencies, to save on interest costs and to limit non-remunerative excess liquidity, while ensuring that sufficient liquidity remains available to meet business and regulatory requirements. The increase in ‘net interest income’ of USD1.1 million is evidence of this optimisation.

‘Net results from foreign currency operations’ increased by 50% to USD1.9 million. During the year, the Group increased the volume of foreign currency transactions with clients. In addition, as a result of stringent asset/liability management, it was also able to minimise the use of FX swaps and minimise related costs.

‘Operating expenses’ were contained at USD37.0 million, a marginal drop of USD0.6 million. The Group continued investing in its human resources through the attraction, retention and training of staff. Likewise significant investments were made in the IT infrastructure and systems, upgrading a number of tools in the business and regulatory spaces.

During the year, the Group recognised additional IFRS 9 “Stage 3” impairments of USD14.2 million largely on a number of non-performing exposures in FIMBank and India Factoring. As in other similar cases, uncertainty on the potential resolution and recovery still exists at the reporting date and judgement was applied in determining the appropriate level of impairment – guided by a cautious approach based on the facts and circumstances available. IFRS 9 “Stage 1” and “Stage 2” impairment allowances decreased by USD0.5 million following an improvement in the risk profile of a number of exposures, as well as stage transfers between Stage 1 or 2 and Stage 3. During the year, the Group has also made recoveries of exposures previously recognised as non-performing of USD0.7 million.

‘Net results from trading assets and other financial instruments’ were strong, owing to gains arising out of the trading book and opportunistic sales in the fixed-income bond book, held for liquidity purposes. During 2019, the Group has also made recoveries of exposures within the trading book of USD3.0 million.

Investment property was not revalued during the year under review, as that the market value of the property remained largely unvarying to prior year.

Financial position

At 31 December 2019, total consolidated assets stood at USD1.89 billion, up by USD24 million from end-2018. As a result of the de-risking process there has been a significant shift in portfolios. Loans and advances to banks and customers fell by USD90.6 million and financial assets held at fair value also dropped by USD56.2 million. In contrast, ‘trading assets’ grew by USD113 million and treasury balances increased by USD56.4 million. Other changes in consolidated assets reflect the recognition of the right-of-use assets following the implementation of IFRS 16 and the utilisation of deferred tax.

Total consolidated liabilities as at 31 December 2019 stood at USD1.61 billion, an increase of USD21.7 million over end-2018. The growth in liabilities is largely due to an increase of USD30.3 million in deposits from corporate and retail clients offset by a marginal drop of USD9.7 million from wholesale funding sources (‘amounts owed to banks’ and ‘debt securities in issue’). Other changes in consolidated liabilities reflect the recognition of the lease liabilities following the implementation of IFRS 16.

‘Total equity attributable to the equity holders of the Bank’ as at financial reporting date stood at USD282.5 million, remaining relatively flat when compared to the prior period. The marginal increase of USD2.2 million reflects profits for the year and other equity adjustments.

At 31 December 2019 the Group’s CET1 ratio stood at 16.9% (2018: 17.6%) and total capital ratio at 16.9% (2018: 18.0%).

Total Group ‘commitments’, consisting mainly of confirmed letters of credit, documentary credits, commitments to purchase forfaiting assets and factoring commitments, stood at USD166 million while ‘contingent liabilities’, principally consisting of outstanding guarantee obligations, stood at USD5 million.

Principal risks and uncertainties

FIMBank is a banking group offering a suite of trade finance products across the different geographies it operates in, mainly emerging markets. The risks associated with this business model are multiple and varied. Exposure to credit risk, liquidity risk, interest rate risk and foreign exchange risk arises in the normal course of the Group’s business. As the Group is mainly engaged in cross-border trade finance transactions, the business performance is also impacted by the overall performance of the world economy, in particular to the level of cross-border trade between countries at varying stages of their economic development and which may not yet have achieved the level of stability of developed countries. This exposes the Group to risks of political and economic changes including volatilities to commodity prices, exchange control regulation and difficulties in preserving own legal rights.

Both FIMBank and its main operating subsidiaries are exposed to such risks in different degrees based on their size and complexity. FIMBank, as the parent company, ensures that all business units adhere to the Group’s risk, governance and compliance frameworks as updated from time to time.

The withdrawal of the United Kingdom from the European Union, referred to as “Brexit”, is not expected to have a significant impact on the Group’s business and operations. The Group operates in a diversified array of markets, sectors and geographies mainly in emerging markets and its exposure to the United Kingdom, with the exception of its investment in LFC, is limited both in terms of business and human resources. Specifically for LFC, with its Head Office in the United Kingdom, the impact is also expected to be minimal since LFC’s portfolio and funding are likewise well diversified. Notwithstanding a portion of its forfaiting assets are Euro-denominated, LFC’s counterparties are not based in the European Union and the recoverability of these exposures are likely to be unaffected by Brexit. LFC’s funding is sourced from EU and non-EU entities, beside own equity and other than loans from FIMBank, LFC does not place a reliance on EU-sourced funding. The business model of LFC will therefore not require any modifications as a result of an orderly Brexit.

Further disclosures on the Group’s principal risks and uncertainties are provided in Note 5 to the Financial Statements and Schedule V to this Annual Report.

Outlook for 2020

For 2020, the Group is expected to grow the key areas of business, building on core established strengths and applying the rigorous approach to business implemented over the past months. With a reinforced front office organisation, the Group will continue pursuing business opportunities and offering differentiated products, exploiting its expertise in the industries and geographies across the clients' supply chain. Concurrently, the Group will keep assessing the viability of its different businesses, looking for scalability and returns as the key drivers to generate consistent returns and value to the organisation. Supported by a dedicated function, recoveries of non-performing assets will remain a focus area, both from an income perspective' as well as in improving the overall portfolio quality. In a context of tighter regulation and a competitive business context, the attention to controls, operations and governance remains paramount to remain agile in preparing for the future. With a talented human capital pool, and backed by a solid shareholding base, FIMBank will progress towards its strategic objectives in a paced and effective manner.

Dividends and reserves

The Directors will not be recommending the payment of a dividend to the Annual General Meeting of Shareholders (2018: Nil) however, following the Board recommendation and the Regulator's approval, a 1 for 30 Bonus Issue of Ordinary Shares, by way of capitalisation of the Share Premium Account, was issued to shareholders on the Register at the Central Securities Depository of the Malta Stock Exchange on 7 April 2019 (the 'Record Date').

Standard licence conditions and regulatory sanctions

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

Approvals at the annual general meeting of shareholders

The Bank convened its Annual General Meeting on 7 May 2019 and all statutory Ordinary Resolutions were approved.

Shareholder register information pursuant to Listing Rule 5.64

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

a. details of the structure of the share capital, the class of shares and the rights and obligations attached to it and the percentage of total share capital that it represents are, unless otherwise stated in this report, disclosed in the Notes to the Financial Statements;

b. except as provided for by Article 41 of the Articles of Association of the Bank, or where the consents of the supervisory authorities may be required, there are no restrictions on the transfer of securities, or limitations on the holding of securities, or the need to obtain the approval of the Bank or other holders of securities of the Bank for any such transfer or holding. Shareholders holding 5% or more of the share capital as at 31 December 2019 are as follows

	No of shares	% holding
United Gulf Holding Company B.S.C	410,812,110	78.63%
Burgan Bank K.P.S.C. ("BBK")	44,394,499	8.50%

In addition to Shareholders listed in the above table, as at 31 December 2019, Tunis International Bank S.A. (a subsidiary of BBK) holds 9,207,000 shares (1.76%);

c. there is no share scheme in place which gives employees rights to any form of control;

d. the Bank's Articles of Association do not contain more stringent provisions than the ones contained in the Companies Act governing the changes or variations in the rights attached to shares;

e. in terms of Article 12 of the Bank's Articles of Association, the rights attached to any class of shares may be varied either with the consent in writing of the holders of not less than 80% of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of that class. The Banking Act obliges the Bank to obtain the consent of the Supervisory Authority (MFSA) to effect any material change in voting rights;

f. the rules and procedures governing the appointment and replacement of Board Members are provided by the Articles of Association and are referred to in the Statement of Compliance with the Principles of Good Corporate Governance. Any amendments to the Articles shall be by means of an Extraordinary Resolution in accordance with the provisions of Articles 90 and 91;

g. Articles 115 to 122 of the Articles of Association indicate the powers and duties of Directors. More specifically, at the 2019 Annual General Meeting, the Bank requested and obtained a renewal authorisation from the shareholders to i) generally authorise the Board of Directors (with full powers of delegation) to restrict or withdraw the statutory pre-emption rights of the Bank's Equity Security Holders for as long as the Board remains authorised to issue and allot Equity Securities in terms of Article 85 of the Companies Act; and ii) authorise the Board of Directors to issue and allot up to a maximum of 10,000,000 Equity Securities over a five year period from the date of this Annual General Meeting limitedly for the purpose of implementing the Employee Share Award Scheme Rules.

h. unless otherwise disclosed in this Annual Report, there are no significant agreements to which the Bank is a party and which take effect, alter or terminate upon a change of control of the Bank following a takeover bid and the effects thereof; and

i. there are no agreements between the Bank and its Board Members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

At 31 December 2019 the Bank had no securities with special control rights in accordance with Listing Rule 5.64.4.

Events after the financial reporting date

In March 2020 the Group made an additional investment of INR350 million (c. USD5 million on investment date) in India Factoring.

There were no other material events or transactions which took place after the financial reporting date which would require disclosure in or adjustment to this Annual Report and Financial Statements.

Going concern

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

Directors

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

John C. Grech (Chairman)	CGC, BCC, EC
Masaud M.J. Hayat (Vice Chairman)	NRC
Adrian Alejandro Gostuski	BRC
Edmond Brincat	AC, NRC
Eduardo Eguren Linsen *	
Geraldine Schembri **	AC
Hussain Abdul Aziz Lalani	AC, BRC, EC
Majed Essa Ahmed Al-Ajeel	CGC, NRC
Mohamed Fekih Ahmed	BCC, EC
Osama Talat Al-Ghoussein	BRC
Rabih Soukarieh	BCC, EC
Rogers David LeBaron	AC, CGC, NRC

' * ' Eduardo Eguren Linsen - Resigned on 7 May 2019
' ** ' Geraldine Schembri - Appointed on 7 May 2019 and resigned on 15 January 2020

Denotes membership of:

- Audit Committee (AC)
- Corporate Governance Committee (CGC)
- Board Risk Committee (BRC)
- Nomination and Remuneration Committee (NRC)
- Board Credit Committee (BCC)
- Executive Committee (EC)

Statement of responsibility

This Statement of Responsibility is required in terms of Listing Rule 5.55.2 and set out in the form required by Listing Rules 5.67 to 5.69.

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank and the Group and to enable them to ensure that the financial statements have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) and the Banking Act, 1994 (Chapter 371, Laws of Malta). The Directors also ensure that the financial statements of the Group are prepared in accordance with Article 4 of the IAS Regulation.

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 controls 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 (Chapter 386, Laws of Malta) and managing risks that may give rise to material misstatements in those financial statements.

In determining which controls to implement to prevent and detect fraud, management considers the risks that the financial statements may be materially misstated as a result of fraud.

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 10 March 2020 and signed on its behalf by:

John C. Grech
Chairman

Masaud M.J. Hayat
Vice Chairman

Registered Address
Mercury Tower
The Exchange Financial and Business Centre
Elia Zammit Street
St. Julian's STJ 3155
Malta

Statement of compliance with the principles of good corporate governance

For the year ended 31 December 2019

Introduction

Pursuant to the requirements of Listing Rules 5.94 et seq of the Malta Financial Services Authority (the "MFSA"), the Board of Directors (the "Board or Directors") of FIMBank p.l.c. hereby details the extent to which the Code of Principles of Good Corporate Governance (the "Principles"), published as Appendix 5.1 to Chapter 5 of the Listing Rules, have been adopted together with the effective measures taken to ensure compliance with such Principles.

Part 1: Compliance with the principles

The Board firmly believes that strong corporate governance permits the Bank and the Group to benefit from greater transparency in its activities, as well as in its relations with the market, thereby enhancing integrity and confidence. Although the Principles are not mandatory, the MFSA has recommended that listed companies endeavour to adopt such Principles. The Board has considered this to be in the best interest of the Shareholders because they commit the Directors, management and employees of the Bank to internationally recognised standards of corporate governance.

Ultimate responsibility for good corporate governance remains with the Directors who have therefore resolved to adopt the Principles and endorse them accordingly, except for those instances where particular circumstances exist that warrant non-adherence thereto, or at least postponement for the time being.

The Board is committed to improve further its corporate governance standards which is an ongoing process.

Principle 1: Roles and responsibilities of the board

The Board of Directors' terms of reference are included in the relevant Charter and can be summarised as follows.

The Board is responsible for the overall long-term direction of the Group, for setting its strategy and policies and ensuring that they are pursued through good management practices. The Board carries out its responsibilities by:

a. exercising prudent and effective controls and ensuring that such controls are appropriately reviewed for effectiveness and monitored for compliance on a regular basis;
b. determining the strategic aims and the organisational structure;
c. regularly reviewing management performance and ensuring that the Group has the appropriate mix of financial and human resources to run its business;
d. being conversant with relevant statutory and regulatory requirements;
e. ensuring that all Directors regularly attend meetings of the Board, agree on business objectives, financial plans and general parameters within which the Board, the Board Committees and management are to function;
f. ensuring that systems and controls are in place to mitigate significant business risks and that exposures are identified and properly managed;
g. setting appropriate business standards, codes of corporate governance and ethical behaviour for all Directors and employees, as well as monitoring their performance;
h. appointing the Chief Executive Officer ("CEO") who is entrusted with day-to-day management of the Group and its operations, together with members of management; and
i. appointing senior management through the Nomination and Remuneration Committee.

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

The Members of the Board of Directors of the Bank bring to their office a mix of backgrounds and capabilities, ranging from business to financial services. This ensures a good blend of expertise and experience. Moreover, the suitability of any individual to become a Director of the Bank is, in the first place assessed by the Nomination and Remuneration Committee. As part of its work, this committee is tasked with performing an annual evaluation of the Board's overall performance in addition to an evaluation on the performance of each individual Member. This includes an evaluation of the knowledge and experience of each Member while also assessing their authorities and leadership skills. As a result, this Committee screens individuals for the position of Director against the Bank's requirements at the time. Subsequently, the proposal for an individual to become a Director is assessed by the MFSA which reviews, inter alia, the individual's competence to serve as Director against established 'fit and proper' criteria. In this connection, the individual is required to provide all information, including detailed personal and career information, as the competent authorities may deem necessary. 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 CEO.

Principle 2: Roles and responsibilities of the chairman and of the chief executive officer

The roles of the Chairman and of the CEO are completely separate from one another to ensure clear division of responsibilities at the head of the Bank.

The Chairman is a non-executive officer who is selected from amongst the Directors. The Chairman is responsible for leading the Board and setting its agenda, ensuring that the Directors receive precise, timely and objective information so that they can properly execute their duties, encouraging their active engagement in meetings and issues and ensuring effective communication with Shareholders.

The CEO is the most senior executive of the Group. He is responsible for leading the management in the execution of the strategy and to run the day-to-day activities of the Group.

Principle 3: 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 the Directors. Directors hold office from the close of the Annual General Meeting at which they are appointed until the day of the consecutive Annual General 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 shares.

As at the date of this Statement, the Directors and their respective first date of appointment to the Board are as follows:

	Year when first appointed
John C. Grech (Chairman)	2004
Rogers David LeBaron	2006
Masaud M. J. Hayat (Vice Chairman)	2013
Mohamed Fekih Ahmed	2013
Adrian Alejandro Gostuski	2013
Majed Essa Ahmed Al-Ajeel	2013
Rabih Soukarieh	2013
Osama Talat Al-Ghoussein	2014
Hussain Abdul Aziz Lalani	2017
Edmond Brincat	2017
Geraldine Schembri	Appointed on 7 May 2019 and resigned on 15 January 2020

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

In March 2012, after noting the contents of an Internal Memorandum on the subject prepared by the Company Secretary, the Board considered and resolved that all non-executive Directors meet the requisites for them to be deemed independent. This decision was based on the representations given by the individual Directors, including those with a shareholding in the Bank or associated with entities having a shareholding in the Bank or have served on the Board for more than twelve consecutive years, which does not in any way impair these Directors' ability to consider appropriately the issues which are brought before the Board. This notwithstanding, Edmond Brincat and Geraldine Schembri are, as at 31 December 2019, the only independent Directors in terms of the Listing Rules. In terms of Principle 3.4, each non-executive Director has confirmed in writing to the Board that he undertook:

- to maintain in all circumstances his independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and
- to clearly express his opposition in the event that he finds that a decision of the Board may harm the Bank.

A written declaration of independence is signed annually by the non-executive Directors, with another written declaration of independence to be signed by the non-executive Directors in March 2020. Some of the Directors have served on the board for more than twelve years. This notwithstanding, the Board considers such Directors to bring a sufficiently balanced character and frame of mind to their duties and judgment that they are consequently deemed to be independent. The Bank monitors that each Director limits the number of any directorships held in other companies (see Schedule V, Section 3.4).

Principles 4 and 5: Duties and proceedings of directors

The Board of the Bank carries out its duties through a structure that starts with the strategy and policy formulated at meetings and subsequently delegated to committees and management for implementation and execution at various levels, both functional and operational.

In the first instance, the proceedings of Directors are regulated by the Bank's Articles of Association. Meetings of the Board for any calendar year are normally set at the last meeting of the preceding year, so that advance preparation and daily planning for the meetings can be made. Meetings are held at least quarterly and are formally notified by the Company Secretary at least seven days before the meeting with the issuance of the agenda for the forthcoming meeting. Occasionally, meetings are also called at short notice or on an ad hoc basis, in which case the Directors may decide to waive the statutory period of notice. The agenda is accompanied by such papers and documents as are necessary to inform Directors of issues relating to their roles and responsibilities, and in particular of the decisions they are expected to take. During the year, all Directors were duly notified of every meeting and given the statutory notice period, which, in the case of meetings by conference facilities, was waived by approval of the Directors. With notices of meetings, the Directors are also served with Alternate Director Appointment Forms which, in case of non-attendance, they are invited to complete and send to the Company Secretary prior to the meeting.

The Board held four meetings in 2019. All Members of the Board were present for all four meetings except for Rabih Soukarieh and Eduardo Eguren Linsen, who were excused in May and Majed Essa Al-Ajeel and Geraldine Schembri, who were excused for the December meeting. Meetings include presentations by management, whilst other information and documentation is made available for perusal by the Directors at their request. Members of senior management attend Board Meetings by invitation depending on the agenda content and relevance. The Board also might request that the Meetings be attended by other employees or by professional advisors, as and when necessary. In all other circumstances, the Directors are expected to play a full and constructive role in the Group's affairs. As soon as possible after a Meeting, draft minutes are circulated amongst the Members for their information. Minutes are then read and approved at the following Meeting. Directors are provided with Board documents and can also be provided all past minutes of Board and Committee Meetings on request.

Board Meetings also serve as an opportunity to report on the progress and decisions of the Committees, covered under Principle 8. All Board Committees are either a mix of Directors and management (Executive Committee and Credit Committee) or include the participation of management (Audit Committee, Nomination and Remuneration Committee, Governance Committee and Board Risk Committee). Committees report to the Board on their activities through their respective Chairman at each Board Meeting. Management reporting is also done directly to the Board at each meeting, either by means of an update presentation from the CEO or usually through the Executive Committee. In any case, each Board Meeting receives an update on the performance of the Bank and the Group, on known risk cases, litigation and potential problems, about key strategic developments, including the progress of investees such as subsidiaries and joint ventures and key financial indicators that enable performance to be measured against internal budgets, industry peers and prior financial periods.

Principle 6: Information and professional development

Upon first appointment, all Directors are offered an introduction to the Bank and Group which includes a tailored induction and familiarisation by the CEO and the Company Secretary. This usually covers legal and statutory responsibilities as well as a good overview of the Group's business and activities. Access to the services of the Company Secretary and resources of the Bank, including where necessary, independent professional advice at the Bank's expense, are also available.

Training sessions have been held in 2019 in order for Directors to have the necessary knowledge on their duties and responsibilities.

Moreover, the Board ensures that the CEO maintains systems and procedures for the development and training of management and employees generally, in order to retain the best quality staff, optimise on management and staff morale and to continue developing the succession plan for senior management. The CEO is responsible for the recruitment and appointment of senior management following the approval of the Nomination and Remuneration Committee.

Principle 7: Evaluation of the board's performance

Members of the Board of Directors are subject to comprehensive fit and proper tests by the Supervisory Authorities before they are formally cleared for appointment to the Board. Each Director is required to complete a self-assessment form which is submitted on an annual basis. The self-assessment forms are then evaluated by a Committee, which function has been entrusted to the Nomination and Remuneration Committee, which then reports directly to the Board Chairman who is required to act on the results of the performance evaluation process. The outcome would be to ascertain the strengths and to address the weaknesses of the Board and to report this to the Board itself and, where appropriate, to report at the Annual General Meeting. This exercise began in 2013 and has been repeated annually ever since. The last self-assessment from Directors was requested in the last quarter of 2019, with the formal evaluation taking place, and expected to be concluded in March 2020.

Principle 8: Board committees

The Bank's Articles of Association establish that the Directors may delegate certain powers, authorities and discretions to any person and/or committee appointed by them. The composition of such Committees, as well as the participation of Directors on them, is decided upon by the Board.

Accordingly, the Board has established the following Committees:

- Executive Committee
- Audit Committee
- Board Risk Committee
- Assets-Liabilities Committee
- Nomination and Remuneration Committee (refer to Statement of the Nomination and Remuneration Committee on page 23)
- Board Credit Committee
- Corporate Governance Committee

Executive committee

The Executive Committee ("EC") acts as the delegated authority by the Board in overseeing the activities and management of the Group. The Executive Committee's terms of reference are included in the Executive Committee Charter.

The Members of the Executive Committee as at 31 December 2019 are the following:

Murali Subramanian (Chairman)
John C. Grech (Vice Chairman)
Andrea Batelli (Member & Secretary)
Howard Gaunt (Member)
Hussain Abdul Aziz Lalani (Member)
Michael Davis (Member)
Mohamed Fekih Ahmed (Member)
Rabih Soukarieh (Member)
Ronald Haverkorn (Member)
Simon Lay (Member)

Ronald Mizzi - CFO is a non-voting, permanent invitee of the EC.

The Executive Committee met on eight occasions during 2019.

Audit committee

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

- the monitoring of the financial reporting process, including the audit of the annual and consolidated accounts;
- the monitoring of the effectiveness of the Group's internal control, internal audit, compliance and risk management systems;
- the maintenance of communication on such matters between the Board, management, External Auditors, internal auditors and the compliance function;
- the monitoring and reviewing of the External Auditor's independence, and in particular, the provision of additional services to the Bank;
- the monitoring and reviewing of proposed transactions by the Group with related parties; and
- the performance of the Group's internal audit and compliance functions.

It is the responsibility of the Audit Committee to recommend the appointment of the Statutory Auditor in line with the Listing Rules 5.127.6 and in accordance with Article 16 of the Statutory Audit Regulation. The Audit Committee also considers the arm's length nature of related party transactions, vets and approves them. Both the Audit Committee's and the Head of Internal Audit's terms of reference clearly stipulate their independence from other Board Committees and management, and such independence is also acknowledged by external regulatory verification. The Head of Internal Audit has direct access to the Audit Committee Chairman at all times and attends all meetings. The Head of Compliance also has direct access to the Audit Committee Chairman and attends all meetings. In addition, the composition of the Members of the Audit Committee includes an individual who is also a Member of the Board Risk Committee. The Bank is currently putting in place changes required by the Shareholders' Rights Directive II.

The Members of the Audit Committee as at 31 December 2019 are the following:

Edmond Brincat (Chairman)
Hussain Abdul Aziz Lalani (Vice Chairman)
Geraldine Schembri (Member)

Geraldine Schembri was appointed member on 7 May 2019 and resigned on 15 January 2020.
Rogers David LeBaron was a member until May 2019, following which he became a non-voting, permanent invitee of the AC.
The Bank has started the process to appoint a new independent Director.

With reference to Listing Rule 5.117.3, all Members of the Audit Committee are designated as competent in auditing and/or accounting. Edmond Brincat joined the GO Group in 1999, part of the team entrusted to set up and launch Go Mobile, Malta's second mobile operator and in 2006 he was appointed as the Group's Chief Finance Officer, a position he held until 31 January 2018. In February 2018 Mr Brincat joined SmartCity (Malta), a subsidiary of Dubai Holding LLC, as its Chief Operations Officer. Hussain Abdul Aziz Lalani is the Chief Executive Officer of United Gulf Bank – Bahrain and has worked extensively with the Board of Directors on advisory transactions in his previous capacity as UGB's Chief Financial Officer. Geraldine Schembri is an accountant by profession and is the partner responsible for the international business team within EMCS Ltd.

The Members of the Audit Committee satisfy the independence criteria set out in the Listing Rules. All members of the Audit Committee have signed a written declaration of independence. In effect, the Board of Directors of the Bank consider these Members to be independent. Furthermore, the Committee Members as a whole have the competence relevant to the sector in which the Bank is operating.

The Audit Committee normally requests members of management to attend its Meetings for selective items of the respective agenda.

The Audit Committee held ten Meetings during 2019 and all members were present for all ten Meetings. The Group Head of Internal Audit was invited and attended all Meetings. The External Auditors were invited to three of the Audit Committee Meetings (March 2019, August 2019 and December 2019). The External Auditors were only present for the agenda item which considered and discussed the 2018 Annual Report (March 2019), 2019 Interim Report (August 2019) and an update on the 2019 financial results.

Board risk committee

The Board Risk Committee ("BRC") is responsible for overseeing the Group's risk management strategy, systems and policies, and for recommending appropriate risk appetite parameters for approval by the Board of Directors. The Board Risk Committee is also responsible for the oversight of operational and legal risk matters.

The Board Risk Committee Members as at 31 December 2019 are the following:

Adrian Alejandro Gostuski (Chairman)
Osama Talat Al-Ghoussein (Vice Chairman)
Hussain Abdul Aziz Lalani (Member)

During 2019, the Board Risk Committee met on thirteen occasions.

Assets-liabilities committee

The Assets-Liabilities Committee ("ALCO") is a decision-making body responsible for allocating the Group's assets and liabilities to meet the Group's risk and profitability objectives.

The ALCO is composed of representatives of senior management, vested with the power to make decisions. As at 31 December 2019, the voting members of the ALCO were the following:

Zbigniew Makula (Chairman)
Howard Gaunt (Member)
Murali Subramanian (Member)
Ronald Haverkorn (Member)
Ronald Mizzi (Member)
Simon Lay (Member)

Chris Trapani - Head of Cash Management & Central Customer Services, Tiziri Hamidouche - Deputy Head of Treasury, Corinne Lanfranco - Head of Financial Institutions & Deposits, Simon Vickery - Head of Non-Credit Risk Management and Clinton Bonnici - ALM Manager are non-voting, permanent invitees of the ALCO.

During 2019, the Assets-Liabilities Committee met on eleven occasions.

Board credit committee

The Board Credit Committee ("BCC") is a Committee appointed by the Board of Directors of FIMBank. The BCC is directly responsible and accountable to the Board. The Board may delegate any of its authorities and powers in relation to the BCC to the Board Risk Committee. The BCC's main powers and duties are to:

- review credit applications and approve credit limits and specific transactions, up to the legal lending limit of the Bank and within the guidelines specified in the Group's Credit Policy Procedures;
- recommend credit limits to the BRC or the Board for approval, as the case may be, when this is required according to the Bank's Credit Policy Procedures;
- in particular, the BCC will analyse and recommend country limits for approval by the Board; and
- inform and make recommendations about other risks (including but not limited to market, liquidity, operational and reputational risk) when this is deemed relevant for credit decisions to be taken by the BCC.

The Board Credit Committee Members as at 31 December 2019 are the following:

John C. Grech (Chairman)
Rabih Soukarieh (Vice Chairman)
Mohamed Fekih Ahmed (Member)

Murali Subramanian - CEO and Ronald Haverkorn - CRO are non-voting, permanent invitees of the BCC.

During 2019, the Board Credit Committee met on twenty occasions.

Corporate governance committee

The purpose of the Corporate Governance Committee ("CGC") is to review the Bank's internal delegations, policies and procedures to ensure compliance with legislative and regulatory requirements and alignment to industry's best practice.

The Corporate Governance Committee Members as at 31 December 2019 are the following:

Majed Essa Ahmed Al-Ajeel (Chairman)
John C. Grech (Vice Chairman)
Rogers David LeBaron (Member)

During 2019, the Corporate Governance Committee met on four occasions.

Nomination and remuneration committee

The Nomination and Remuneration Committee ("NRC") is currently composed by four members, one of whom is an independent Director. The NRC is governed by the NRC's Charter as may be amended by the Board of Directors ("Board") in line with the relevant laws and regulations. The Charter establishes the authority and responsibilities conferred by the Board to the NRC in line with Appendix 5.1 (8) (A) of the Code of Principles of Good Corporate Governance. Inter alia the NRC carries out the following tasks:

- presents recommendations to the Board regarding nomination to the Board's membership in accordance with approved policies, standards, and instructions on nomination regulations for the Board of Director's membership;
- performs an annual review of the needs required with regard to suitable skills for Board membership and performs an annual review of the Board of Directors' structure and present recommendations on the changes which can be performed in accordance with the Bank's interest; and
- performs an annual evaluation of the Board's overall performance and the performance of each Member and the Board Committees.

In addition to the above, the NRC provides information and summaries on the background of some important issues of the Bank and presents the reports and information to the Board. It ensures that the Board is continuously updated on the latest issues related to the banking profession. In this regard, the Board has in place a system to encourage its Members to attend seminars as well as other occasions that give them the opportunity to meet with local and global companies and institutions in order to develop their skills in the financial, banking and business fields.

Details regarding the Remuneration Policy and remuneration related matters have been disclosed under the Remuneration Policy and Statement of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee Members as at 31 December 2019 are the following:

Masaud M.J. Hayat (Chairman)
Majed Essa Ahmed Al-Ajeel (Vice Chairman)
Edmond Brincat (Member)
Rogers David LeBaron (Member)

Edmond Brincat was appointed member in December 2019.
John C. Grech – FIMBank Chairman and Murali Subramanian – CEO are non-voting, permanent invitees of the NRC.

During 2019, the Nomination and Remuneration Committee met on four occasions.

All members were present for all four meetings except for Majed Essa Ahmed Al-Ajeel, who was excused for the December meeting and Edmond Brincat who attended his first meeting following his appointment in December 2019.

Changes to committee membership during 2019

During 2019, Edmond Brincat was appointed Chairman of the Audit Committee, Geraldine Schembri was appointed Member of the Audit Comittee and Rogers David LeBaron resigned from the Audit Committee. Edmond Brincat was appointed Member of the Nomination and Remuneration Committee. Nilanjan Ray resigned from the Executive Committee.

Principles 9 and 10: Commitment to institutional shareholders, an informed market and transparency in dealings by directors, management and staff

The Chairman arranges for all Directors including the Chairmen of all the Committees to be available to answer questions at the Annual General Meeting. 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 fourteen clear days before the date of the Annual General Meeting. Advance notification of the resolutions proposed for approval is also given by way of a Company Announcement as soon as these are decided and approved, normally at the same Board Meeting that approves the Annual Financial Statements. The Board also considers the Annual Report to be an effective document which, in addition to the statutory disclosures, contains detailed information about the Group's performance. Moreover, the Board ensures that the Annual General Meeting serves as a medium at which information is communicated to Shareholders in a transparent and accountable manner. Additionally, the Bank holds meetings from time to time with financial intermediaries and financial market practitioners to disseminate information about the Group's progress, activities and financial performance. These meetings are usually organised to follow the publication of the half yearly and annual financial results as well as in connection with other Group developments and events. Procedures are in place to resolve conflicts between minority shareholders and controlling shareholders.

The Board complies with the provisions of the Bank's Memorandum and Articles of Association, as well as all legislation, rules and regulations that require it to maintain a fair and informed market in the Bank's equity securities. It discharges its obligations by having in place, formal procedures for dealing with potentially price-sensitive information and ensuring the proper conduct of its officers and staff in that regard. Regular contact with Shareholders and the general market is maintained through Company Announcements, which are issued in conformity with the obligations arising from the Listing Rules. During 2019 the Bank issued ten announcements.

The Board also complies with the provisions of the Bank's Articles of Association insofar as minority rights are concerned. In accordance with the Bank's Articles of Association, minority Shareholders may convene an Extraordinary General Meeting, in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors.

The Bank also maintains a presence on the web through www.fimbank.com, which includes an informative and comprehensive Investor Relations section that contains, amongst other things, all Company Announcements, Annual General Meeting information and regulated information.

The FIMBank Financial Instruments Internal Code of Dealing which has been drawn up in accordance with the requirements of the Listing Rules contains dealings restriction guidelines and reporting procedures to be observed by Directors, management and staff when dealing, or prospecting to deal, in the Bank's equity securities. Directors and employees are also notified by the Company Secretary of their obligations to observe the restricted 'time-windows' accompanying the publication of half yearly and annual financial results during which no dealings in the Bank's equity securities are allowed.

Control by any Shareholder, whether direct or indirect, and any potential abuse thereof, is regulated by the Banking Act and Rules issued thereunder. The Act and such Rules provide mechanisms for, and obligations on, persons intending to acquire control, as well as on all Directors and management, to notify and report to the supervisory authorities in such eventuality. There are additional obligations on Directors in terms of the Listing Rules and there is good communication in place between the management, the Company Secretariat and the Board to ensure that any issues are flagged and acted upon appropriately.

Principle 11: Conflicts of interest

While the overall tone for instilling a strong culture about the proper management of conflicts of interest is set at the top, situations of potential conflicts of interest with Board Members are in the first instance specifically regulated by Clauses 119 and 120 of the Bank's Articles of Association. In terms of the Articles of Association, 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 and his vote is excluded from the count of the decision. The minutes of Board Meetings, as well as those of Board Committees, invariably include a suitable record of such declaration and of the action taken by the individual Director concerned. Similar arrangements apply to management in the course of the conduct of their duties at Board Committees. Besides, where Directors and management have related party involvements, these are reported and it is an integral part of the Audit Committee's terms of reference to provide oversight on related party transactions.

The number of shares held in the Bank by Directors directly in their name as at 31 December 2019 is as follows:

John C. Grech* (Chairman)	1,760,000
Adrian Alejandro Gostuski*	Nil
Edmond Brincat	Nil
Geraldine Schembri	Nil
Hussain Abdul Aziz Lalani*	Nil
Majed Essa Ahmed Al-Ajeel*	Nil
Masaud M. J. Hayat* (Vice Chairman)	Nil
Mohamed Fekih Ahmed*	Nil
Osama Talat Al-Ghoussein*	Nil
Rabih Soukarieh*	Nil
Rogers David LeBaron	Nil

Aside from these direct interests in the shareholding of the Bank, the Directors marked above with an ' * ' are considered to be associated with companies that hold a beneficial interest in the Bank's shareholding. 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.

Principle 12: 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 economic and societal development. They also assist and promote small-scale projects of a charitable and humanitarian nature. Details of corporate social responsibility initiatives undertaken by the Group in 2019 are explained in other parts of the Annual Report.

Part 2: Non-compliance with the principles

Principle 2.3: Chairman and chief executive

The existing Chairman of the Board of Directors is not an independent member in terms of the Listing Rules. This notwithstanding, the Bank considers the non-compliance with this Principle not to be of concern in view of the fact that John C. Grech has signed a written declaration whereby he has declared that he undertakes to maintain in all circumstances his independence of analysis, decision and action, not to seek or accept any unreasonable advantages that could be considered as compromising his independence and to clearly express his opposition in the event that he finds that a decision of the Board may harm the Bank.

Principle 3: Composition of the board

The Board of Directors of FIMBank is made of non-executive Directors only and the majority of non-executive Directors are not independent. This notwithstanding the Bank considers the non-compliance with this principle not to be of concern since the Executive Committee already consists of a mix of non-executive Directors and members forming part of the Bank's executive management. This already provides the balance suggested in Principle 3.

Principle 4: Succession policy for directors

Whereas Listing Rule 4.2.7 calls on the Directors to develop a succession policy for the future composition of the Board, and 'particularly the executive component thereof, for which the Chairman should hold key responsibility', this is considered to be not applicable in view of the fact that the Board is composed solely of non-executive members. On the other hand, a succession policy for management is in place and is reviewed by the Nomination and Remuneration Committee.

Principle 8: Audit committee

Listing Rules 5.117.2 requires that the majority of the members of the Audit Committee shall be independent of the issuer. Hussain Abdul Aziz Lalani, the existing Vice Chairman of the Audit Committee and Rodgers David LeBaron are not independent members in terms of the Listing Rules. Rodgers David LeBaron resigned from the Audit Committee in May and Geraldine Schembri became a member of the Audit Committee. The Bank became compliant with the Listing Rules in May 2019. This notwithstanding, the Bank considers the non-compliance with this Principle not to be of concern in view of the fact that Hussain Abdul Aziz Lalani and Rodgers David LeBaron have signed a written declaration whereby they have declared that they undertake to maintain in all circumstances their independence of analysis, decision and action, not to seek or accept any unreasonable advantages that could be considered as compromising their independence and to clearly express their opposition in the event that they find that a decision of the Board may harm the Bank.

Principle 8: Nomination and remuneration committee

The manner in which the Directors are nominated for appointment follows the procedure set out in the Articles of Association, i.e. any nomination must be seconded by a Member or Members who in the aggregate hold at least 20,000 shares. This process is also rendered public with an announcement in the Maltese press, usually in the first quarter of the financial year and in good time before the Annual General Meeting, which allows at least ten business days for any nomination to be made to the Company Secretary.

The existing Chairman and Vice Chairman of the Nomination and Remuneration Committee are not independent members in terms of the Listing Rules, as required in terms of Principle 8.A.1 of the Code of Principles of Good Corporate Governance. This notwithstanding, the Bank considers the non-compliance with this Principle not to be of concern in view of the fact that Masaud M.J. Hayat and Majed Essa Ahmed Al-Ajeel have signed a written declaration whereby they have declared that they undertake to maintain in all circumstances their independence of analysis, decision and action, not to seek or accept any unreasonable advantages that could be considered as compromising their independence and to clearly express their opposition in the event that they find that a decision of the Board may harm the Bank.

Internal control

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

The Board has identified key features within the Group's environment of internal controls to ensure compliance with the Principles. The management is responsible for the identification and evaluation of key risks applicable to the respective areas of business. The Board receives regular reports from management giving detailed and comprehensive analysis of financial and operational performance, including variance analysis between budgeted and actual figures, activities and prospects.

Listing Rule 5.97.5

The information required by this Listing Rule is found in the Directors' Report.

It is also hereby declared that the contents of the Directors' Report and of this Statement of Compliance with the Principles of Good Corporate Governance cover the requirements of the provisions of Listing Rule 5.97.

Approved by the Board of Directors on 10 March 2020 and signed on its behalf by:

John C. Grech
Chairman

Masaud M.J. Hayat
Vice Chairman

Statement of the nomination and remuneration committee

For the year ended 31 December 2019

Terms of reference and membership

The Nomination and Remuneration Committee (the "NRC") is responsible for ensuring that the Directors and executive management of FIMBank Group have the appropriate mix of skills, qualifications and experience necessary to fulfil their supervisory and management responsibilities. The NRC also reviews on an annual basis, the remuneration of the Board of Directors and that of executive management and ensures that it is in line with principles of good governance.

For the major part of 2019 the NRC was composed of Masaud M.J. Hayat, Majed Essa Al-Ajeel and Rogers David LeBaron. In December 2019, Edmond Brincat was appointed as an independent director. John C. Grech in his capacity as Chairman of the Group and Murali Subramanian in his capacity as CEO attended the NRC's meetings as permanent invitees. Andrea Batelli in his capacity as Company Secretary was invited and attended part of the meeting held in March 2019. The Chief Human Resources Officer acted as Board Committee Secretary.

Meetings

The Committee met four times during the period under review, which meetings were attended as follows:

Members	**Attended**
Masaud M.J. Hayat (Chairman)	4
Majed Essa Ahmed Al-Ajeel (Vice Chairman)	3
Rogers David LeBaron (Member)	4
Edmond Brincat (Member)	1

The following matters were determined and, or discussed:

a. Chairman's role and performance;
b. membership of the Board Committees;
c. evaluation of a nominated independent director;
d. change in directorship for subsidiaries and associates;
e. duties of the Executive Committee;
f. group salary reviews and bonuses;
g. senior management promotions;
h. senior recruitment, appointments, succession and related compensation;
i. matters related to employee compensation including the Employee Share Award Scheme (ESAS);
j. HR budget utilisation;
k. group policies;
l. NRC Charter;
m. executive management review; and
n. Board of Directors evaluation and Directors self-assessment.

Remuneration statement

The NRC has the role of making recommendations on the Board of Directors' remuneration. The guiding principle, as outlined in the Remuneration Policy, is that the remuneration and other terms of engagement for the Directors shall be competitive to ensure that the Group attracts and retains outstanding individuals of integrity, calibre, credibility and who have the necessary skills and experience to bring an independent judgement to bear on the issues of strategy, performance and resources for the success of the Group.

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 held on 7 May 2019 the Shareholders approved the maximum aggregate emoluments of the Directors for the financial year ending 31 December 2019 at USD450,000. No Director, in his capacity as a Director of the Bank, is entitled to profit sharing, share options or pension benefits. The total fees paid for Board of Directors Meetings for the financial year ending 31 December 2019 amounted to USD190,941.

Code provision 8.A.5

For 2019, the total payments received by the Directors from the Bank and the Group were:

• fixed remuneration	USD396,124
• variable remuneration	Nil
• executive share options	Nil
• expenses relating to meetings	USD48,939
• fringe benefits	USD370

The fixed annual remuneration is inclusive of remuneration with respect to Committee/s the Directors sit on.

The NRC ensures that while its remuneration practices are in compliance with existing directives and regulations, namely the Capital Requirements Directive IV and the Capital Requirements Regulation, it also ensures that the remuneration packages reflect industry benchmarks. This makes it possible for the Group to attract and retain executives with the right qualities and skills for the proper management of the Group as well as the proper execution of the strategy laid down by the Board of Directors. Unless the current scenario changes no new significant changes are envisaged for the financial year ending 2020.

The various remuneration components, including that for executives are:

- fixed remuneration;
- variable remuneration; and
- fringe benefits.

These components are combined to ensure an appropriate and balanced remuneration package that reflects the employee's rank and professional activity within the Group.

For 2019, the total payments received by the executives from the Bank and the Group were:

• fixed remuneration	USD2,499,831
• variable remuneration	USD458,218
• executive share options granted	Nil
• fringe benefits	USD855,481

Additional disclosures on the governance process related to the variable portion of remuneration have been made under the Remuneration Policy.

Executives of the Bank hold both definite and indefinite contracts with varying notice periods, all of which are in line with local legislation.

NRC decisions are determined by the guidelines set by the Board of Directors when reviewing the Group budget.

Statements of financial position

As at 31 December 2019

	Note	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	20	208,277,004	151,910,865	208,259,407	151,891,005
Derivative assets held for risk management	21	142,249	92,852	96,285	109,727
Trading assets	22	460,238,536	347,284,967	-	-
Loans and advances to banks	23	246,078,195	325,569,729	232,351,750	321,550,241
Loans and advances to customers	24	649,890,157	661,026,491	811,152,849	730,708,445
Financial assets at fair value through profit or loss	25	125,342,798	173,438,374	125,342,798	173,438,374
Financial assets at fair value through other comprehensive income	26	79,367,556	87,468,166	79,367,556	87,468,166
Investments at amortised cost	27	9,785,496	9,923,499	9,785,496	9,923,499
Investments in subsidiaries	28	-	-	147,948,385	102,595,614
Property and equipment	29	33,786,469	31,111,769	5,229,059	968,472
Investment property	30	17,223,820	17,223,820	-	-
Intangible assets and goodwill	31	13,107,881	13,290,401	4,647,642	4,669,342
Current tax assets		1,846,627	1,720,921	226,886	-
Deferred tax assets	32	36,773,586	38,694,104	22,011,162	22,599,041
Other assets	33	11,169,850	10,213,932	8,824,153	7,352,443
Total assets		**1,893,030,224**	**1,868,969,890**	**1,655,243,428**	**1,613,274,369**
Liabilities and equity					
Liabilities					
Derivative liabilities held for risk management	21	187,700	2,928,925	193,691	2,928,925
Amounts owed to banks	34	452,291,304	454,398,279	405,072,025	398,815,757
Amounts owed to customers	35	1,057,824,242	1,027,544,811	978,134,002	961,292,743
Debt securities in issue	36	79,550,865	87,096,378	-	14,849,948
Current tax liabilities		588,368	356,579	-	-
Deferred tax liabilities	32	4,215,075	4,215,075	-	-
Provision for liabilities and charges	37	88,435	269,784	85,159	269,784
Other liabilities	38	17,271,633	13,470,239	13,077,128	5,708,599
Total liabilities		**1,612,017,622**	**1,590,280,070**	**1,396,562,005**	**1,383,865,756**
Equity					
Share capital	39	261,221,882	252,720,107	261,221,882	252,720,107
Share premium	39	858,885	9,275,773	858,885	9,275,773
Reserve for general banking risks	39	2,323,486	1,242,511	2,323,486	1,242,511
Currency translation reserve	39	(7,086,044)	(5,166,834)	-	-
Fair value reserve	39	11,311,278	11,712,299	357,233	758,254
Other reserve	39	2,916,863	2,837,122	2,681,041	2,681,041
Retained earnings/(Accumulated losses)	39	10,937,616	7,684,096	(8,761,104)	(37,269,073)
Total equity attributable to equity holders of the Bank		**282,483,966**	**280,305,074**	**258,681,423**	**229,408,613**
Non-controlling interests	40	(1,471,364)	(1,615,254)	-	-
Total equity		**281,012,602**	**278,689,820**	**258,681,423**	**229,408,613**
Total liabilities and equity		**1,893,030,224**	**1,868,969,890**	**1,655,243,428**	**1,613,274,369**

Statements of financial position

As at 31 December 2019

	Note	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Memorandum items					
Contingent liabilities	41	**4,899,827**	**2,864,826**	**61,628,654**	**67,466,612**
Commitments	42	**165,939,920**	**188,606,767**	**143,026,427**	**158,386,020**

The official middle rate of exchange issued by the European Central Bank between US Dollar and Euro as at 31 December 2019 was 1.1234.

The Notes on pages 35 to 145 are an integral part of these Financial Statements.

The Financial Statements on pages 25 to 145 were approved and authorised for issue by the Board of Directors on 10 March 2020 and were signed on its behalf by:

John C. Grech
Chairman

Masaud M. J. Hayat
Vice Chairman

Murali Subramanian
Chief Executive Officer

Ronald Mizzi
Chief Financial Officer

Statements of profit or loss

For the year ended 31 December 2019

	Note	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Interest income	9	50,531,699	56,136,377	30,311,233	35,303,561
Interest expense	9	(18,210,466)	(24,937,674)	(14,037,860)	(19,139,771)
Net interest income	9	**32,321,233**	**31,198,703**	**16,273,373**	**16,163,790**
Fee and commission income	10	18,426,111	23,002,373	7,753,143	12,849,903
Fee and commission expense	10	(5,945,589)	(5,356,549)	(3,078,283)	(2,799,252)
Net fee and commission income	10	**12,480,522**	**17,645,824**	**4,674,860**	**10,050,651**
Net trading results	11	5,837,243	7,287,784	922,619	2,643,350
Net gain/(loss) from other financial instruments carried at fair value	12	2,185,316	(10,898)	2,185,316	(10,898)
Dividend income	13	3,591,794	7,660,271	43,591,794	17,660,271
Loss upon disposal of equity-accounted investee	14	-	(2,062,937)	-	-
Fair value gain on investment property	30	-	984,951	-	-
Other operating income	15	932,009	911,206	118,904	125,068
Operating income before net impairment		**57,348,117**	**63,614,904**	**67,766,866**	**46,632,232**
Net impairment charge on financial assets	5	(13,066,172)	(13,283,010)	(14,210,257)	(16,970,119)
Operating income		**44,281,945**	**50,331,894**	**53,556,609**	**29,662,113**
Administrative expenses	16	(33,756,493)	(35,586,856)	(20,305,701)	(23,787,047)
Depreciation and amortisation	29/31	(3,263,328)	(1,989,821)	(2,896,531)	(1,022,470)
Total operating expenses		**(37,019,821)**	**(37,576,677)**	**(23,202,232)**	**(24,809,517)**
Operating profit		**7,262,124**	**12,755,217**	**30,354,377**	**4,852,596**
Share of results of equity-accounted investees (net of tax)	17	-	238,634	-	-
Profit before tax		**7,262,124**	**12,993,851**	**30,354,377**	**4,852,596**
Taxation	18	(2,732,021)	(2,790,218)	(765,433)	(1,115,249)
Profit for the year		**4,530,103**	**10,203,633**	**29,588,944**	**3,737,347**
Profit attributable to:					
Owners of the Bank		4,419,145	10,196,095	29,588,944	3,737,347
Non-controlling interests	40	110,958	7,538	-	-
		4,530,103	**10,203,633**	**29,588,944**	**3,737,347**
Earnings per share					
Basic earnings per share (US cents)	19	**0.86**	**2.22**	**5.75**	**0.81**

The Notes on pages 35 to 145 are an integral part of these Financial Statements.

Statements of other comprehensive income

For the year ended 31 December 2019

	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Profit for the year	**4,530,103**	**10,203,633**	**29,588,944**	**3,737,347**
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Fair value reserve (property and equipment), gross of deferred tax	-	2,119,688	-	-
Movement in fair value reserve (fair value through other comprehensive income equity instruments):				
- Equity investments at fair value through other comprehensive income - net change in fair value	-	(7,608)	-	(7,608)
Related tax	-	(614,933)	-	2,662
	-	**1,497,147**	**-**	**(4,946)**
Items that are or may be reclassified subsequently to profit or loss:				
Movement in translation reserve:				
- Foreign operations - foreign currency translation differences	(1,886,278)	(2,263,430)	-	-
Movement in fair value reserve (fair value through other comprehensive income debt instruments):				
- Debt investments in fair value through other comprehensive income - net change in fair value	2,004,196	402,903	2,004,196	402,903
- Debt investments in fair value through other comprehensive income - reclassified to profit or loss	(2,130,473)	86,049	(2,130,473)	86,049
Related tax	(274,744)	234,695	(274,744)	234,695
Other comprehensive (expense)/income, net of tax	**(2,287,299)**	**(42,636)**	**(401,021)**	**718,701**
Total comprehensive income	**2,242,804**	**10,160,997**	**29,187,923**	**4,456,048**
Total comprehensive income attributable to:				
Owners of the Bank	2,098,914	9,997,968	29,187,923	4,456,048
Non-controlling interests	143,890	163,029	-	-
	2,242,804	**10,160,997**	**29,187,923**	**4,456,048**

Statements of changes in equity

For the year ended 31 December 2019

Group

	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 loss) USD	Total USD	Non-controlling interests USD	Total equity USD
	Attributable to equity holders of the Bank									
Balance at 1 January 2019	**252,720,107**	**9,275,773**	**1,242,511**	**(5,166,834)**	**11,712,299**	**2,837,122**	**7,684,096**	**280,305,074**	**(1,615,254)**	**278,689,820**
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	4,419,145	4,419,145	110,958	**4,530,103**
Other comprehensive income:										
Fair value reserve (fair value through other comprehensive income debt instruments):										
- Debt investments at fair value through other comprehensive income - net change in fair value	-	-	-	-	1,729,452	-	-	1,729,452	-	**1,729,452**
- Debt investments at fair value through other comprehensive income - reclassified to profit or loss	-	-	-	-	(2,130,473)	-	-	(2,130,473)	-	**(2,130,473)**
Translation reserve:										
- Foreign operations - foreign translation difference	-	-	-	(1,919,210)	-	-	-	(1,919,210)	32,932	**(1,886,278)**
Total other comprehensive income	**-**	**-**	**-**	**(1,919,210)**	**(401,021)**	**-**	**-**	**(2,320,231)**	**32,932**	**(2,287,299)**
Total comprehensive income	**-**	**-**	**-**	**(1,919,210)**	**(401,021)**	**-**	**4,419,145**	**2,098,914**	**143,890**	**2,242,804**
Transactions with owners of the Bank										
Contributions and distributions:										
Issue of new shares, net of transaction costs	75,253	9,634	-	-	-	(4,909)	-	79,978	-	**79,978**
Bonus issue of shares	8,426,522	(8,426,522)	-	-	-	-	-	-	-	**-**
Total transactions with owners of the Bank	**8,501,775**	**(8,416,888)**	**-**	**-**	**-**	**(4,909)**	**-**	**79,978**	**-**	**79,978**
Transfer between reserves	-	-	1,080,975	-	-	84,650	(1,165,625)	-	-	**-**
Balance at 31 December 2019	**261,221,882**	**858,885**	**2,323,486**	**(7,086,044)**	**11,311,278**	**2,916,863**	**10,937,616**	**282,483,966**	**(1,471,364)**	**281,012,602**

Statements of changes in equity

For the year ended 31 December 2018

Group

	Attributable to equity holders of the Bank									
	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 loss) USD	Total USD	Non-controlling interests USD	Total equity USD
Balance at 31 December 2017	**157,265,562**	**173,113**	**608,284**	**(2,747,913)**	**9,533,453**	**2,870,270**	**6,901,064**	**174,603,833**	**(1,709,475)**	**172,894,358**
Adjustment on initial application of IFRS 9, net of tax	-	-	-	-	(41,948)	-	(8,811,984)	(8,853,932)	(68,808)	**(8,922,740)**
Restated balance at 1 January 2018	**157,265,562**	**173,113**	**608,284**	**(2,747,913)**	**9,491,505**	**2,870,270**	**(1,910,920)**	**165,749,901**	**(1,778,283)**	**163,971,618**
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	10,196,095	10,196,095	7,538	**10,203,633**
Other comprehensive income:										
Fair value reserve (fair value through other comprehensive income debt instruments):										
- Debt investments at fair value through other comprehensive income - net change in fair value	-	-	-	-	651,668	-	-	651,668	-	**651,668**
- Debt investments at fair value through other comprehensive income - reclassified to profit or loss	-	-	-	-	71,979	-	-	71,979	-	**71,979**
Fair value reserve (fair value through other comprehensive income equity instruments):										
- Equity investments at fair value through other comprehensive income - net change in fair value	-	-	-	-	(4,946)	-	-	(4,946)	-	**(4,946)**
Fair value reserve (property and equipment):										
- Property and equipment - net change in fair value	-	-	-	-	1,502,093	-	-	1,502,093	-	**1,502,093**
Translation reserve:										
- Foreign operations - foreign translation differences	-	-	-	(2,418,921)	-	-	-	(2,418,921)	155,491	**(2,263,430)**
Total other comprehensive income	**-**	**-**	**-**	**(2,418,921)**	**2,220,794**	**-**	**-**	**(198,127)**	**155,491**	**(42,636)**
Total comprehensive income	**-**	**-**	**-**	**(2,418,921)**	**2,220,794**	**-**	**10,196,095**	**9,997,968**	**163,029**	**10,160,997**
Transactions with owners of the Bank										
Contributions and distributions:										
Issue of new shares, net of transaction costs	95,454,545	9,102,660	-	-	-	-	-	104,557,205	-	**104,557,205**
Total transactions with owners of the Bank	**95,454,545**	**9,102,660**	**-**	**-**	**-**	**-**	**-**	**104,557,205**	**-**	**104,557,205**
Transfer between reserves	-	-	634,227	-	-	(33,148)	(601,079)	-	-	**-**
Balance at 31 December 2018	**252,720,107**	**9,275,773**	**1,242,511**	**(5,166,834)**	**11,712,299**	**2,837,122**	**7,684,096**	**280,305,074**	**(1,615,254)**	**278,689,820**

Statements of changes in equity

For the year ended 31 December 2019

Bank

	Share capital USD	Share premium USD	Reserve for general banking risks USD	Fair value reserve USD	Other reserve USD	Accumulated losses USD	Total equity USD
Balance at 1 January 2019	**252,720,107**	**9,275,773**	**1,242,511**	**758,254**	**2,681,041**	**(37,269,073)**	**229,408,613**
Total comprehensive income							
Profit for the year	-	-	-	-	-	29,588,944	**29,588,944**
Other comprehensive income:							
Fair value reserve (fair value through other comprehensive income debt instruments):							
- Debt investments at fair value through other comprehensive income - net change in fair value	-	-	-	1,729,452	-	-	**1,729,452**
- Debt investments at fair value through other comprehensive income - reclassified to profit or loss	-	-	-	(2,130,473)	-	-	**(2,130,473)**
Total other comprehensive income	**-**	**-**	**-**	**(401,021)**	**-**	**-**	**(401,021)**
Total comprehensive income	**-**	**-**	**-**	**(401,021)**	**-**	**29,588,944**	**29,187,923**
Transactions with owners of the Bank							
Contributions and distributions:							
Issue of new shares, net of transaction costs	75,253	9,634	-	-	-	-	**84,887**
Bonus issue of shares	8,426,522	(8,426,522)	-	-	-	-	**-**
Total transactions with owners of the Bank	**8,501,775**	**(8,416,888)**	**-**	**-**	**-**	**-**	**84,887**
Transfer between reserves	-	-	1,080,975	-	-	(1,080,975)	**-**
Balance at 31 December 2019	**261,221,882**	**858,885**	**2,323,486**	**357,233**	**2,681,041**	**(8,761,104)**	**258,681,423**

Statements of changes in equity

For the year ended 31 December 2018

Bank

	Share capital USD	Share premium USD	Reserve for general banking risks USD	Fair value reserve USD	Other reserve USD	Accumulated losses USD	Total equity USD
Balance at 31 December 2017	**157,265,562**	**173,113**	**608,284**	**81,501**	**2,681,041**	**(35,768,147)**	**125,041,354**
Adjustment on initial application of IFRS 9, net of tax	-	-	-	(41,948)	-	(4,604,046)	**(4,645,994)**
Restated balance at 1 January 2018	**157,265,562**	**173,113**	**608,284**	**39,553**	**2,681,041**	**(40,372,193)**	**120,395,360**
Total comprehensive income							
Profit for the year	-	-	-	-	-	3,737,347	**3,737,347**
Other comprehensive income:							
Fair value reserve (fair value through other comprehensive income debt instruments):							
- Debt investments at fair value through other comprehensive income - net change in fair value	-	-	-	651,668	-	-	**651,668**
- Debt investments at fair value through other comprehensive income - reclassified to profit or loss	-	-	-	71,979	-	-	**71,979**
Fair value reserve (fair value through other comprehensive income equity instruments):							
- Equity investments at fair value through other comprehensive income - net change in fair value	-	-	-	(4,946)	-	-	**(4,946)**
Total other comprehensive income	**-**	**-**	**-**	**718,701**	**-**	**-**	**718,701**
Total comprehensive income	**-**	**-**	**-**	**718,701**	**-**	**3,737,347**	**4,456,048**
Transactions with owners of the Bank							
Contributions and distributions:							
Issue of new shares, net of transaction costs	95,454,545	9,102,660	-	-	-	-	**104,557,205**
Total transactions with owners of the Bank	**95,454,545**	**9,102,660**	**-**	**-**	**-**	**-**	**104,557,205**
Transfer between reserves	-	-	634,227	-	-	(634,227)	-
Balance at 31 December 2018	**252,720,107**	**9,275,773**	**1,242,511**	**758,254**	**2,681,041**	**(37,269,073)**	**229,408,613**

Statements of cash flows

For the year ended 31 December 2019

	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Cash flows from operating activities				
Interest and commission receipts	71,560,049	78,399,722	36,009,502	47,228,220
Exchange (paid)/received	(562,634)	5,463,043	(489,810)	7,931,548
Interest and commission payments	(25,998,371)	(30,822,738)	(18,937,449)	(22,327,367)
Payments to employees and suppliers	(35,414,659)	(32,986,848)	(18,718,132)	(20,946,857)
Operating profit/(loss) before changes in operating assets/liabilities	**9,584,385**	**20,053,179**	**(2,135,889)**	**11,885,544**
(Increase)/Decrease in operating assets:				
- Trading assets	(111,140,231)	(92,578,189)	-	-
- Loans and advances to customers and banks	71,026,220	(84,114,645)	88,523,168	(61,739,013)
- Other assets	(1,485,134)	5,264,549	(1,619,293)	3,639,490
Increase/(Decrease) in operating liabilities:				
- Amounts owed to customers and banks	45,935,781	(28,221,527)	60,938,417	39,022,653
- Other liabilities	1,140,813	350,536	1,325,649	220,685
- Net advances from subsidiary companies	-	-	(118,129,368)	(109,290,278)
Net cash generated/(absorbed by) from operating activities before income tax	**15,061,834**	**(179,246,097)**	**28,902,684**	**(116,260,919)**
Income tax (paid)/refunded	(1,315,725)	829,633	(454,818)	907,016
Net cash flows from/(used in) operating activities	**13,746,109**	**(178,416,464)**	**28,447,866**	**(115,353,903)**
Cash flows from investing activities				
Payments to acquire financial assets at fair value through profit or loss	(2,469,245)	(18,092,429)	(2,469,245)	(18,092,429)
Proceeds to acquire financial assets at fair value through other comprehensive income	(84,984,922)	-	(84,984,922)	-
Payments to acquire investments at amortised cost	-	(9,881,423)	-	(9,881,423)
Payments to acquire shares in subsidiary companies	-	-	(5,352,772)	-
Payments to acquire shares in other investments	-	(35,210)	-	(35,210)
Payments to acquire property and equipment	(1,085,120)	(657,420)	(372,658)	(344,451)
Payments to acquire intangible assets	(951,219)	(2,586,155)	(951,219)	(2,543,743)
Proceeds on disposal of financial assets at fair value through profit or loss	50,000,000	-	50,000,000	-
Proceeds on disposal of financial assets at fair value through other comprehensive income	93,035,159	15,000,000	93,035,159	15,000,000
Proceeds on disposal of interests in equity-accounted investees	-	2,470,007	-	-
Proceeds on disposal of property and equipment	8,966	846,831	3,551	-
Receipt of dividend	4,628,411	7,472,717	4,628,411	7,472,717
Net cash flows from/(used in) investing activities	**58,182,030**	**(5,463,082)**	**53,536,305**	**(8,424,539)**
Increase/(Decrease) in cash and cash equivalents c/f	**71,928,139**	**(183,879,546)**	**81,984,171**	**(123,778,442)**

Statements of cash flows

For the year ended 31 December 2019

	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Increase/(Decrease) in cash and cash equivalents b/f	**71,928,139**	**(183,879,546)**	**81,984,171**	**(123,778,442)**
Cash flows from financing activities				
- Issue of share capital	84,887	54,557,207	84,887	54,557,207
- Net movement in debt securities	(7,873,209)	32,427,718	(14,834,943)	14,834,942
- Payment of lease liabilities	(751,807)	-	(2,354,026)	-
Net cash flows (used in)/from financing activities	**(8,540,129)**	**86,984,925**	**(17,104,082)**	**69,392,149**
Increase/(Decrease) in cash and cash equivalents	**63,388,010**	**(96,894,621)**	**64,880,089**	**(54,386,293)**
Analysed as follows:				
- Effect of exchange rate changes on cash and cash equivalents	(5,031,085)	(13,097,651)	(5,356,234)	(11,719,319)
- Net increase/(decrease) in cash and cash equivalents	68,419,095	(83,796,970)	70,236,323	(42,666,974)
Increase/(Decrease) in cash and cash equivalents	**63,388,010**	**(96,894,621)**	**64,880,089**	**(54,386,293)**
Cash and cash equivalents at beginning of year	**81,782,001**	**178,676,622**	**99,006,852**	**153,393,145**
Cash and cash equivalents at end of year	**145,170,011**	**81,782,001**	**163,886,941**	**99,006,852**

Notes to the financial statements

For the year ended 31 December 2019

1 Reporting entity

FIMBank p.l.c. (the "Bank") is a company domiciled in Malta. The address of the Bank's registered office is Mercury Tower, The Exchange Financial and Business Centre, Elia Zammit Street, St. Julian's STJ 3155, Malta. The Financial Statements of the Bank as at and for the year ended 31 December 2019 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2 Basis of preparation

2.1 Statement of compliance

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

Article 4 of Regulation 1606/2002/EC requires that, companies governed by the law of an EU Member State shall prepare their consolidated financial statements in conformity with IFRS as adopted by the EU if, at their reporting date, their securities are admitted to trading on a regulated market of any EU Member State. This Regulation prevails over the provisions of the Companies Act, 1995, (Chapter 386, Laws of Malta) to the extent that the said provisions of the Companies Act, 1995, (Chapter 386, Laws of Malta) are incompatible with the provisions of the Regulation.

These Financial Statements have also been drawn up in accordance with the provisions of the Banking Act, 1994 (Chapter 371, Laws of Malta) and the Companies Act, 1995 (Chapter 386, Laws of Malta).

The Financial Statements were authorised for issue by the Board of Directors on 10 March 2020.

2.2 Basis of measurement

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

- derivatives held for risk management;
- trading assets;
- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income;
- freehold land and premises and improvement to premises; and
- investment property.

2.3 Functional and presentation currency

These Financial Statements are presented in United States Dollars ("USD"), which is the Bank's functional currency.

2.4 Use of judgements and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.4.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements is included in the following notes:

- Note 3.10.2 – classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are Solely Payments of Principle and Interest ("SPPI") on the principal amount outstanding; and
- Note 5.2.4 – establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of the Expected Credit Losses ("ECL") and selection an approval of models used to measure ECL.

2.4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2019 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

- Note 2.4.2.1 – determination of the fair value of financial instruments with significant unobservable inputs;
- Note 3.10.8 – impairment of financial instruments: key assumptions used in estimating recoverable cash flows;
- Note 5 – impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information;
- Note 31 – impairment testing for CGUs containing goodwill: key assumptions underlying recoverable amounts; and
- Note 32 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

2.4.2.1 Determining fair values

A number of the Group's Accounting Policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This framework includes reports to the Group's Chief Financial Officer and Executive Management having overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. Market risk and related exposure to fair value movement is also a key function of the Group's Assets-Liabilities Committee and all valuations of financial instruments are reported to the Committee for review and approval. Significant valuation issues are reported to the Group's Audit Committee.

The Group measures fair values of an asset or liability 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 assets or liabilities.

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 assets or liabilities 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 assets or liabilities 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 also includes assets or liabilities 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.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 – fair values of financial instruments;
- Note 29 – property and equipment; and
- Note 30 – investment property.

3 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these Consolidated Financial Statements, except if mentioned otherwise (Refer to Note 4).

3.1 Basis of consolidation

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Other contingent consideration is measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

3.1.2 Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

3.1.3 Interests in equity-accounted investees

Equity-accounted investees are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in equity-accounted investees and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

3.1.4 Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.1.5 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

1. represents a separate major line of business or geographic areas of operations;
2. is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
3. is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

3.1.6 Transactions eliminated on consolidation

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

3.1.7 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at the fair value when the control is lost unless the Group retains significant influence or joint control, in which case such interest is accounted for in accordance with Accounting Policy 3.1.3.

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see Note 3.13.1); and
- qualifying cash flow hedges to the extent that the hedge is effective.

3.2.2 Foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interest. When a foreign operation is disposed of such that control is lost, the cumulative amount in the currency translation reserve is transferred to profit or loss as part of the gain or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation whilst retaining control then the relevant proportion of the cumulative amount is re-attributed to non-controlling interest.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in other comprehensive income, and accumulated in the translation reserve within equity.

3.3 Interest

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. For information on when financial assets are credit-impaired see Note 3.10.8.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost; and
- interest on debt instruments measured at fair value through other comprehensive income.

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost; and
- interest expense on lease liabilities.

Interest income and expense on other financial assets and financial liabilities at fair value through profit or loss are presented in net gain or loss from other financial assets at fair value through profit or loss (see Note 3.6).

Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

3.4 Fees and commissions

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

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

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

3.5 Net trading results

Net trading results comprises gains less losses related to trading assets and liabilities and net trading gains or losses on derivatives held for risk management purposes, and includes all realised and unrealised fair value changes and foreign exchange differences.

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

Net gain or loss from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at fair value through profit or loss and also non-trading assets mandatorily measured at fair value through profit or loss.

3.7 Dividends

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

3.8 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

3.8.1 Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

3.8.1.1 Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.8.1.2 Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Notes 3.10.3 and 3.10.8). The Group further regularly views estimated unguaranteed residual values used in calculating the gross investment in the lease.

3.8.2 Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

3.8.2.1 As a lessee

The Group did not have any finance leases under IAS 17.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

3.8.2.2 As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

3.9 Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

3.10 Financial assets and liabilities

3.10.1 Recognition and initial measurement

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

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

3.10.2 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (debt or equity) or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not designated as fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI (see Note 3.15). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at fair value through profit or loss.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (see Note 3.10.8).

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Non-recourse loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

See Accounting Policies 3.12, 3.13, 3.14 and 3.15.

3.10.2.1 Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

See Accounting Policies 3.12, 3.13, 3.21 and 3.23.

3.10.3 Derecognition

3.10.3.1 Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see also Note 3.10.4), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated at fair value through other comprehensive income is not recognised in profit or loss on derecognition of such securities, as explained in Note 3.15. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

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

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

3.10.3.2 Financial liabilities

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

3.10.4 Modifications of financial assets and financial liabilities

3.10.4.1 Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see Note 3.10.3) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written-off before the modification takes place (see Note 3.10.8 for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or fair value through other comprehensive income does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see Note 3.10.8), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method (see Note 3.3).

3.10.4.2 Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.10.5 Offsetting

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

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

3.10.6 Amortised cost measurement

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

3.10.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further details on the determination of fair values are disclosed in Note 2.4.2.1.

3.10.8 Identification and measurement of impairment

Policy applicable

The Group recognises loss allowances for the ECL on the following financial instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (see Note 5.2.9).

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12-months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a life-time ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

See also Note 5.2.9.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 3.10.3) and ECL are measured as follows:

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 5.2.9); and
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through other comprehensive income are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a financial asset that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at fair value through other comprehensive income: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value.

Write-off

Loans and debt securities are written-off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written-off are included in 'net impairment charge on financial assets' in the statement of profit or loss and OCI.

Financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3.10.9 Designated at fair value through profit or loss

Financial assets

On initial recognition, the Group has designated certain financial assets as at fair value through profit or loss because this designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

The Group has designated certain financial liabilities as at fair value through profit or loss in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

3.11 Cash and cash equivalents

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

3.12 Trading assets and liabilities

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

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

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

A financial asset may be reclassified out from the fair value through profit or loss category only in rare circumstances.

3.13 Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. All derivatives are measured at fair value in the statement of financial position.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

3.13.1 Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. The effective portion of the change in fair value of the hedging instrument is computed with reference to the functional currency of the parent entity against whose functional currency the hedged risk is measured. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

3.14 Loans and advances

'Loans and advances' captions in the statement of financial position include:

- loans and advances measured at amortised cost (see Note 3.10.2); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and advances mandatorily measured at fair value through profit or loss or designated at fair value through profit or loss (see Note 3.10.2); these are measured at fair value with changes recognised immediately in profit or loss; and
- finance lease receivables (see Note 3.8).

3.15 Investment securities

The investment securities in the statement of financial position include:

- debt investment securities measured at amortised cost (see Note 3.10.2); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at fair value through profit or loss or designated at fair value through profit or loss (see Note 3.10.2); these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at fair value through other comprehensive income; and
- equity investment securities designated at fair value through other comprehensive income.

For debt securities measured at fair value through other comprehensive income, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss (see Note 3.10.2) unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

3.16 Investments in subsidiaries, associates and jointly-controlled entities

Investments in subsidiaries, associates and joint ventures are shown in the separate statements of financial position at cost less any impairment losses (see Accounting Policy 3.20).

3.17 Property and equipment

3.17.1 Recognition and measurement

Items of property and equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Subsequent to initial recognition, freehold land and buildings are carried at fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed by a professionally qualified architect on a regular basis such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Fair value does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property. Any surpluses arising on such revaluation are recognised in other comprehensive income and accumulated in equity as a revaluation reserve unless they reverse a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any deficiencies resulting from decreases in value are deducted from this revaluation reserve to the extent that the balance held in this reserve relating to a previous revaluation of that asset is sufficient to absorb these, and charged to profit or loss thereafter.

Items of equipment continue to be carried at cost less accumulated depreciation and any accumulated impairment losses.

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

3.17.2 Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

3.17.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Improvements to leasehold premises are depreciated over the shorter of the lease term and their useful lives.

Land is not depreciated.

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

- freehold premises 50 years
- computer system 7 years
- computer equipment 5 years
- others 4 – 14 years

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

3.17.4 Reclassification to investment property

When the use of a property changes from owner‐occupied to investment property, the property is re-measured to fair value and reclassified accordingly. Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

3.18 Investment property

Property that is held for long term rental yields or for capital appreciation or both, and that is not occupied by the Group is classified as investment property. Investment property also includes property that is being developed for future use as investment property, when such identification is made.

Investment property is initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment property is carried at its fair value with any change therein recognised in profit or loss.

Revaluations are performed by a professionally qualified architect on a regular basis such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Fair value does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve (see Accounting Policy 3.17.4) is transferred to retained earnings.

If an investment property becomes owner-occupied, it is reclassified to property and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes.

3.19 Intangible assets and goodwill

3.19.1 Recognition and measurement

1. Goodwill: goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets (see Accounting Policy 3.1.2). Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

3. Other intangible assets: other intangible assets, including customer relationships and entity funding arrangements, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

3.19.2 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

3.19.3 Amortisation

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised. The estimated useful life for current and comparative periods are as follows:

- software 7 years
- other intangible assets 5 years

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

3.20 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets, other than deferred tax assets and investment property, to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group's corporate assets, other than goodwill, do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

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

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

3.21 Deposits, debt securities issued and subordinated liabilities

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

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

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

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

3.22 Provisions

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

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

3.23 Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued and loan commitments are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Group has not issued any loan commitments that are measured at fair value through profit or loss.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

3.24 Employee benefits

3.24.1 Defined contribution plans

The Malta-registered Group entities contribute towards a defined contribution state pension plan in accordance with Maltese legislation. Other subsidiaries contribute to other defined contribution plans. The Group does not have a commitment beyond the payment of fixed contributions. Related costs are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3.24.2 Share-based payment transactions

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

3.25 Share capital

3.25.1 Ordinary shares

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

3.25.2 Repurchase of share capital

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

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

3.26 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is 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 share options granted to employees.

3.27 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by executive management (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to executive management include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.28 Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted, however, the Group has not early adopted them in preparing these consolidated financial statements.

The following amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- amendments to IFRS 9, IAS 39 and IFRS7: interest rate benchmark reform;
- amendments to IAS 1 and IAS 8: definition of material; and
- amendments to references to the conceptual framework in IFRS standards.

3.29 Amended standards not yet endorsed

The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the following amendments:

- amendment to IFRS 3 - business combinations; and
- amendments to IAS 1 – presentation of financial statements: classification of liabilities as current or non-current.

4 Changes in accounting policies

The Group has initially adopted IFRS 16 - Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the Group's Financial Statements.

4.1 IFRS 16 - Leases

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 - Determining whether an arrangement contains a lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.8.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

As a lessee

As a lessee, the Group leases some office premises and motor vehicles. The Group previously classified these leases as operating leases under IAS 17, based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for leases of office premises – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of office premises the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019.

Right-of-use assets are measured at their carrying amount, as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- relied on its assessment of whether leases are onerous under IAS 37 - Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low-value assets;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

As a lessor

The Group leases out certain property. The Group had classified these leases as 'investment property' (see Note 30).

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

The Group has applied IFRS 15 - Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

Impact on financial statements

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	1 January 2019 USD
Right-of-use assets presented in property, plant and equipment	2,133,717
Lease liabilities	2,133,717

For the impact of IFRS 16 on profit or loss for the period, see Note 44. For the details of accounting policies under IFRS 16 and IAS 17, see Accounting Policy 3.8.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 5.35%.

	1 January 2019 USD
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's Consolidated Financial Statements	1,923,983
Discounted using the incremental borrowing rate at 1 January 2019	1,663,441
Payments not recognised as at 31 December 2018	829,230
Difference relating to lease payments being discounted	67,717
Recognition exemption for leases of low-value assets	(46,859)
Recognition exemption for leases with less than 12 months of lease term at transition	(379,812)
Lease liabilities	**2,133,717**

4.2 Interest rate benchmark reform

The Group considered the application of the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2019 or were designed thereafter and the extent to which these are directly affected by the interest rate benchmark reform. More information about the impact is disclosed in Note 5.4.3.

5 Financial risk review

5.1 Introduction and overview

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

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

a. default risk;
b. concentration risk;
c. counterparty credit risk;
d. settlement risk;
e. foreign exchange lending risk;
f. liquidity risk
g. foreign exchange risk;
h. interest rate risk in the banking book;
i. position risk in the traded debt instruments;
j. price risk;
k. operational risk; and
l. reputational and conduct risk

Risk management framework

The risk factors associated with the banking industry are multiple and varied. Exposure to the above mentioned risks arises in the normal course of both the Bank's and the Group's business. As the Group is mainly engaged in trade finance business, control over contingent liabilities and commitments is fundamental since the risks involved are substantively the same as with on-balance sheet items. The Board is ultimately responsible for the identification and evaluation of key risks applicable to the different areas of the business of the Group and for ensuring that proper systems of internal controls are in place. The Board Risk Committee ("BRC"), a Board committee, has the aim of assisting the Board in fulfilling its responsibilities concerning the establishment and implementation of the Group's risk management strategy, systems and policies. The scope of the Committee's responsibility covers the Bank and all its Group entities. Management is ultimately delegated with the task of creating an effective control environment to the highest possible standards. The Internal Audit function monitors compliance with policies, standards and procedures and the effectiveness of the internal control environment of the Group. The Internal Auditor periodically reviews and tests the internal systems of control independently from management, adopting a risk-based approach. The Internal Auditor reports to the Audit Committee, a Board Committee. All reports are circulated and also copied to the Chairman of the Board of Directors.

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

5.2 Credit risk

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

The Group is exposed to the following types of credit risk:

i. default risk
ii. concentration risk
iii. counterparty credit risk
iv. settlement risk
v. foreign exchange lending risk

5.2.1 Default Risk

Default risk is the chance that a borrower, whether corporate or personal or other, becomes unable to repay their credit obligations to the Bank.

Strict credit assessment and control procedures are in place in order to monitor such exposures. The Group also complies with regulatory requirements as defined by the European Union and the MFSA and a limit of 25% of eligible capital applies to any particular customer or group of connected customers (unless the client is an institution or forms part of a group of connected clients which includes an institution: the value shall not exceed 25% of the eligible capital or EUR150 million, whichever is the higher, subject to certain conditions as listed in the Capital Requirements Regulation ("CRR")). Overall responsibility for credit risk is entrusted to the BCC who is responsible for overseeing the Group's credit policy and risk and for approving individual limits for banks and corporates within their delegated parameters of authority. Country limits are approved by the BCC. The BCC is also responsible for the oversight of operational, legal and reputational risk related to credit activity. Further information on the composition and function of the BCC and BCC is found in the Statement of Compliance with the Principles of Good Corporate Governance.

The Group also ensures that it has a reasonable mix of loans to customers. This diversification of credit among different economic sectors is adopted by the Group to mitigate such risks. The Group also monitors its risk on balances held with other banks by establishing bank and country limits. The risks associated with off-balance sheet assets and liabilities arise from the normal course of banking operations. In the case of risks associated with inter-bank participants under letters of credit, the Group exercises the same credit controls as those applied to on-balance sheet exposures.

All on- and off- balance sheet exposures are approved after a thorough review of the counterparties' creditworthiness. Whilst any external rating of the counterparty by established Credit Rating Agencies is taken into account, an internal rating is given to each obligor and credit support provider through an internal rating system provided by Moody's. The Group has implemented Moody's RiskAnalyst software at Head Office to establish internal ratings. The credit review process using this tool includes but is not limited to, financial statements review, analysis of relevant markets and sectors, commodity prices outlook, structure of proposed transactions and market position of the relevant counterparties.

5.2.2 Credit quality analysis

The following table sets out information about the credit quality of assets. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For contingent liabilities and commitments, the amounts in the table represent the amounts committed.

Group – 31 December 2019

	2019				
	12-month PD ranges	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with the Central Bank of Malta, treasury bills and cash					
Grades 1 to 4- low risk	0.17%	208,277,004	-	-	**208,277,004**
Carrying amount		**208,277,004**	**-**	**-**	**208,277,004**
Loans and advances to banks					
Grades 1 to 4- low risk	0.23%	196,714,389	-	-	**196,714,389**
Grades 5+ to 5- fair risk	1.08%	1,831,929	7,598	-	**1,839,527**
Grades 6+ to 7 substandard	3.08%	36,353,415	5,375,248	-	**41,728,663**
Grade 9 to 10 loss	100.00%	-	-	9,015,125	**9,015,125**
		234,899,733	**5,382,846**	**9,015,125**	**249,297,704**
Loss allowance		(542,278)	(117,390)	(2,559,841)	**(3,219,509)**
Carrying amount		**234,357,455**	**5,265,456**	**6,455,284**	**246,078,195**
Loans and advances to customers					
Grades 1 to 4- low risk	0.69%	66,792,635	14,202,258	-	**80,994,893**
Grades 5+ to 5- fair risk	0.91%	158,841,089	31,944,688	-	**190,785,777**
Grades 6+ to 7 substandard	8.00%	168,019,210	95,253,739	4,195,666	**267,468,615**
Grade 7- to 8- doubtful	32.18%	-	36,293,229	3,950,866	**40,244,095**
Grade 9 to 10 loss	100.00%	-	-	146,804,133	**146,804,133**
		393,652,934	**177,693,914**	**154,950,665**	**726,297,513**
Loss allowance		(973,713)	(4,395,859)	(71,037,784)	**(76,407,356)**
Carrying amount		**392,679,221**	**173,298,055**	**83,912,881**	**649,890,157**
Financial assets at fair value through other comprehensive income					
Grades 1 to 4- low risk	0.15%	81,477,419	-	-	**81,477,419**
Carrying amount at cost		**81,477,419**	**-**	**-**	**81,477,419**
Carrying amount at fair value		**79,367,556**	**-**	**-**	**79,367,556**
Loss allowance		(91,978)	-	-	**(91,978)**
Investments at amortised cost					
Grades 1 to 4- low risk	0.84%	9,964,940	-	-	**9,964,940**
		9,964,940	**-**	**-**	**9,964,940**
Loss allowance		(179,444)	-	-	**(179,444)**
Carrying amount		**9,785,496**	**-**	**-**	**9,785,496**
Contingent liabilities					
Grades 1 to 4- low risk	0.13%	405,620	-	-	**405,620**
Grades 5+ to 5- fair risk	0.25%	367,056	-	-	**367,056**
Grades 6+ to 7 substandard	3.89%	3,902,482	224,669	-	**4,127,151**
Carrying amount		**4,675,158**	**224,669**	**-**	**4,899,827**
Loss allowance		(9,751)	(391)	-	**(10,142)**
Commitments					
Grades 1 to 4- low risk	0.66%	7,709,247	-	-	**7,709,247**
Grades 5+ to 5- fair risk	0.83%	83,998,738	4,649,280	-	**88,648,018**
Grades 6+ to 7 substandard	4.22%	69,582,655	-	-	**69,582,655**
Carrying amount		**161,290,640**	**4,649,280**	**-**	**165,939,920**
Loss allowance		(56,870)	(21,423)	-	**(78,293)**

Group – 31 December 2018

	2018				
	12-month PD ranges	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with the Central Bank of Malta, treasury bills and cash					
Grades 1 to 4- low risk	0.17%	151,910,865	-	-	**151,910,865**
Carrying amount		**151,910,865**	**-**	**-**	**151,910,865**
Loans and advances to banks					
Grades 1 to 4- low risk	0.30%	236,826,929	-	-	**236,826,929**
Grades 5+ to 5- fair risk	2.06%	34,842,625	-	-	**34,842,625**
Grades 6+ to 7 substandard	3.40%	42,991,809	5,538,956	-	**48,530,765**
Grade 9 to 10 loss	100.00%	-	-	10,451,003	**10,451,003**
		314,661,363	**5,538,956**	**10,451,003**	**330,651,322**
Loss allowance		(944,228)	(265,814)	(3,871,551)	**(5,081,593)**
Carrying amount		**313,717,135**	**5,273,142**	**6,579,452**	**325,569,729**
Loans and advances to customers					
Grades 1 to 4- low risk	0.31%	103,441,582	1,255,402	-	**104,696,984**
Grades 5+ to 5- fair risk	0.83%	149,210,330	42,168,374	-	**191,378,704**
Grades 6+ to 7 substandard	5.00%	223,485,428	50,341,821	8,368,670	**282,195,919**
Grade 7- to 8- doubtful	26.19%	-	54,782,110	8,281,438	**63,063,548**
Grade 9 to 10 loss	100.00%	-	-	83,079,302	**83,079,302**
		476,137,340	**148,547,707**	**99,729,410**	**724,414,457**
Loss allowance		(1,132,111)	(4,238,085)	(58,017,770)	**(63,387,966)**
Carrying amount		**475,005,229**	**144,309,622**	**41,711,640**	**661,026,491**
Financial assets at fair value through other comprehensive income					
Grades 1 to 4- low risk	0.11%	88,561,530	-	-	**88,561,530**
Carrying amount at cost		**88,561,530**	**-**	**-**	**88,561,530**
Carrying amount at fair value		**87,468,166**	**-**	**-**	**87,468,166**
Loss allowance		(45,764)	-	-	**(45,764)**
Investments at amortised cost					
Grades 1 to 4- low risk	0.72%	9,958,173	-	-	**9,958,173**
		9,958,173	**-**	**-**	**9,958,173**
Loss allowance		(34,674)	-	-	**(34,674)**
Carrying amount		**9,923,499**	**-**	**-**	**9,923,499**
Contingent liabilities					
Grades 1 to 4- low risk	0.24%	200,842	-	-	**200,842**
Grades 5+ to 5- fair risk	0.65%	185,703	7,841	-	**193,544**
Grades 6+ to 7 substandard	3.81%	2,368,680	56,477	-	**2,425,157**
Grade 9 to 10 loss	100.00%	-	-	45,283	**45,283**
Carrying amount		**2,755,225**	**64,318**	**45,283**	**2,864,826**
Loss allowance		(3,574)	-	(39,861)	**(43,435)**
Commitments					
Grades 1 to 4- low risk	0.41%	6,477,570	-	-	**6,477,570**
Grades 5+ to 5- fair risk	0.77%	94,042,452	-	-	**94,042,452**
Grades 6+ to 7 substandard	3.48%	87,377,095	709,650	-	**88,086,745**
Carrying amount		**187,897,117**	**709,650**	**-**	**188,606,767**
Loss allowance		(222,296)	(4,053)	-	**(226,349)**

Bank – 31 December 2019

	12-month PD ranges	2019 Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with the Central Bank of Malta, treasury bills and cash					
Grades 1 to 4- low risk	0.17%	208,259,407	-	-	**208,259,407**
Carrying amount		**208,259,407**	**-**	**-**	**208,259,407**
Loans and advances to banks					
Grades 1 to 4- low risk	0.22%	194,741,634	-	-	**194,741,634**
Grades 6+ to 7 substandard	3.04%	26,325,169	5,375,248	-	**31,700,417**
Grade 9 to 10 loss	100.00%	-	-	9,015,125	**9,015,125**
		221,066,803	**5,375,248**	**9,015,125**	**235,457,176**
Loss allowance		(428,246)	(117,339)	(2,559,841)	**(3,105,426)**
Carrying amount		**220,638,557**	**5,257,909**	**6,455,284**	**232,351,750**
Loans and advances to customers					
Grades 1 to 4- low risk	0.75%	60,649,356	1,652	-	**60,651,008**
Grades 5+ to 5- fair risk	0.68%	411,376,148	29,752,975	-	**441,129,123**
Grades 6+ to 7 substandard	5.21%	190,707,577	36,087,959	-	**226,795,536**
Grade 7- to 8- doubtful	28.40%	-	12,369,192	-	**12,369,192**
Grade 9 to 10 loss	100.00%	-	-	117,035,022	**117,035,022**
		662,733,081	**78,211,778**	**117,035,022**	**857,979,881**
Loss allowance		(544,983)	(2,467,636)	(43,814,413)	**(46,827,032)**
Carrying amount		**662,188,098**	**75,744,142**	**73,220,609**	**811,152,849**
Financial assets at fair value through other comprehensive income					
Grades 1 to 4- low risk	0.15%	81,477,419	-	-	**81,477,419**
Carrying amount at cost		**81,477,419**	**-**	**-**	**81,477,419**
Carrying amount at fair value		**79,367,556**	**-**	**-**	**79,367,556**
Loss allowance		(91,978)	-	-	**(91,978)**
Investments at amortised cost					
Grades 1 to 4- low risk	0.84%	9,964,940	-	-	**9,964,940**
		9,964,940	**-**	**-**	**9,964,940**
Loss allowance		(179,444)	-	-	**(179,444)**
Carrying amount		**9,785,496**	**-**	**-**	**9,785,496**
Contingent liabilities					
Grades 1 to 4- low risk	0.13%	405,620	-	-	**405,620**
Grades 5+ to 5- fair risk	0.47%	57,558,292	-	-	**57,558,292**
Grades 6+ to 7 substandard	3.36%	3,440,073	224,669	-	**3,664,742**
Carrying amount		**61,403,985**	**224,669**	**-**	**61,628,654**
Loss allowance		(9,688)	(391)	-	**(10,079)**
Commitments					
Grades 1 to 4- low risk	0.75%	86,139,512	4,649,280	-	**90,788,792**
Grades 5+ to 5- fair risk	4.36%	52,237,635	-	-	**52,237,635**
Carrying amount		**138,377,147**	**4,649,280**	**-**	**143,026,427**
Loss allowance		(53,658)	(21,422)	-	**(75,080)**

Bank – 31 December 2018

	12-month PD ranges	2018 Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with the Central Bank of Malta, treasury bills and cash					
Grades 1 to 4- low risk	0.17%	151,891,005	-	-	**151,891,005**
Carrying amount		**151,891,005**	**-**	**-**	**151,891,005**
Loans and advances to banks					
Grades 1 to 4- low risk	0.30%	235,720,839	-	-	**235,720,839**
Grades 5+ to 5- fair risk	2.04%	35,196,163	-	-	**35,196,163**
Grades 6+ to 7 substandard	3.32%	39,883,010	5,380,819	-	**45,263,829**
Grade 9 to 10 loss	100.00%	-	-	10,451,003	**10,451,003**
		310,800,012	**5,380,819**	**10,451,003**	**326,631,834**
Loss allowance		(944,228)	(265,814)	(3,871,551)	**(5,081,593)**
Carrying amount		**309,855,784**	**5,115,005**	**6,579,452**	**321,550,241**
Loans and advances to customers					
Grades 1 to 4- low risk	0.37%	76,759,863	1,255,402	-	**78,015,265**
Grades 5+ to 5- fair risk	0.65%	324,971,830	42,168,374	-	**367,140,204**
Grades 6+ to 7 substandard	4.17%	205,548,279	36,732,437	-	**242,280,716**
Grade 7- to 8- doubtful	26.42%	-	14,595,902	4,063,753	**18,659,655**
Grade 9 to 10 loss	100.00%	-	-	62,523,315	**62,523,315**
		607,279,972	**94,752,115**	**66,587,068**	**768,619,155**
Loss allowance		(610,824)	(1,944,635)	(35,355,251)	**(37,910,710)**
Carrying amount		**606,669,148**	**92,807,480**	**31,231,817**	**730,708,445**
Financial assets at fair value through other comprehensive income					
Grades 1 to 4- low risk	0.11%	88,561,530	-	-	**88,561,530**
Carrying amount at cost		**88,561,530**	**-**	**-**	**88,561,530**
Carrying amount at fair value		**87,468,166**	**-**	**-**	**87,468,166**
Loss allowance		(45,764)	-	-	**(45,764)**
Investments at amortised cost					
Grades 1 to 4- low risk	0.72%	9,958,173	-	-	**9,958,173**
		9,958,173	**-**	**-**	**9,958,173**
Loss allowance		(34,674)	-	-	**(34,674)**
Carrying amount		**9,923,499**	**-**	**-**	**9,923,499**
Contingent liabilities					
Grades 1 to 4- low risk	0.24%	200,842	-	-	**200,842**
Grades 5+ to 5- fair risk	0.38%	59,840,313	7,841	-	**59,848,154**
Grades 6+ to 7 substandard	5.98%	7,315,856	56,477	-	**7,372,333**
Grade 9 to 10 loss	100.00%	-	-	45,283	**45,283**
Carrying amount		**67,357,011**	**64,318**	**45,283**	**67,466,612**
Loss allowance		(3,574)	-	(39,861)	**(43,435)**
Commitments					
Grades 1 to 4- low risk	0.07%	3,496,707	-	-	**3,496,707**
Grades 5+ to 5- fair risk	0.54%	87,281,689	-	-	**87,281,689**
Grades 6+ to 7 substandard	3.68%	66,897,974	709,650	-	**67,607,624**
Carrying amount		**157,676,370**	**709,650**	**-**	**158,386,020**
Loss allowance		(222,296)	(4,053)	-	**(226,349)**

The following table sets out information about the overdue status of financial assets under Stages 1, 2 and 3:

Group – 31 December 2019

	2019			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Current	234,899,733	5,382,846	-	**240,282,579**
Overdue < 30 days	-	-	-	**-**
Overdue > 30 days	-	-	9,015,125	**9,015,125**
Total	**234,899,733**	**5,382,846**	**9,015,125**	**249,297,704**
Loans and advances to customers				
Current	361,282,627	168,029,900	554,029	**529,866,556**
Overdue < 30 days	32,370,307	7,479,602	-	**39,849,909**
Overdue > 30 days	-	2,184,412	154,396,636	**156,581,048**
Total	**393,652,934**	**177,693,914**	**154,950,665**	**726,297,513**

Group – 31 December 2018

	2018			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Current	313,961,363	5,538,956	-	**319,500,319**
Overdue < 30 days	700,000	-	-	**700,000**
Overdue > 30 days	-	-	10,451,003	**10,451,003**
Total	**314,661,363**	**5,538,956**	**10,451,003**	**330,651,322**
Loans and advances to customers				
Current	469,102,185	116,706,549	26,003,755	**611,812,489**
Overdue < 30 days	7,035,155	30,473,375	-	**37,508,530**
Overdue > 30 days	-	1,367,783	73,725,655	**75,093,438**
Total	**476,137,340**	**148,547,707**	**99,729,410**	**724,414,457**

Bank – 31 December 2019

	2019			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Current	221,066,803	5,375,248	-	**226,442,051**
Overdue < 30 days	-	-	-	**-**
Overdue > 30 days	-	-	9,015,125	**9,015,125**
Total	**221,066,803**	**5,375,248**	**9,015,125**	**235,457,176**
Loans and advances to customers				
Current	303,333,640	74,399,450	554,029	**378,287,119**
Overdue < 30 days	359,399,441	2,751,933	-	**362,151,374**
Overdue > 30 days	-	1,060,395	116,480,993	**117,541,388**
Total	**662,733,081**	**78,211,778**	**117,035,022**	**857,979,881**

Bank – 31 December 2018

	2018			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Current	310,800,012	5,380,819	-	**316,180,831**
Overdue < 30 days	-	-	-	**-**
Overdue > 30 days	-	-	10,451,003	**10,451,003**
Total	**310,800,012**	**5,380,819**	**10,451,003**	**326,631,834**
Loans and advances to customers				
Current	604,114,616	72,042,430	19,263,257	**695,420,303**
Overdue < 30 days	3,165,356	22,276,816	-	**25,442,172**
Overdue > 30 days	-	432,869	47,323,811	**47,756,680**
Total	**607,279,972**	**94,752,115**	**66,587,068**	**768,619,155**

In 2019, there were no overdue balances for 'balances with the Central Bank of Malta and treasury bills', 'financial assets at fair value through profit or loss' and 'investments at amortised cost' (2018: Nil).

The following table sets out information about the credit quality of 'trading assets':

	Group	
	2019 USD	2018 USD
Trading assets		
Rated AAA	-	-
Rated AA- to AA+	-	55,092,119
Rated A- to A+	2,022,080	2,126,991
Rated BBB+ below	222,394,955	177,793,347
Unrated	235,821,501	112,272,510
Carrying amount	**460,238,536**	**347,284,967**

5.2.3 Loans with renegotiated terms and the Group's forbearance policy

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider.

Forbearance refers only to those loan modification or renegotiations in response to actual or perceived financial difficulties of a customer.

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of a customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with Accounting Policy 3.10.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime 'Probability of Default' ("PD") at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both bank and corporate loans are subject to the forbearance policy.

For the purposes of disclosures in these financial statements, 'loans with renegotiated terms' are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favourable to the borrower than the Group had provided initially and that it would not otherwise consider.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3.10.8). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

During the financial years ended 31 December 2019 and 2018 there have been no changes in the forbearance criteria applied to renegotiated facilities.

For the Group, the aggregate amount of renegotiated and forborne loans at reporting date amounted to USD30,414,391 (2018: USD40,769,208), of which USD4,095,780 (2018: USD24,039,134) are performing, whilst USD26,318,611 (2018: USD16,730,074) are non-performing with an extendible collateral value of USD1,805,755 (2018: USD5,929,734). Interest income recognised during 2019 in respect to renegotiated and forborne assets amounts to USD1,503,244 (2018: USD2,035,214).

For the Bank, the aggregate amount of renegotiated and forborne loans at reporting date amounted to USD21,815,631 (2018: USD32,843,262), of which USD1,634,801 (2018: USD20,228,041) are performing, whilst USD20,180,830 (2018: USD12,615,221) are non-performing with an extendible collateral value of USD1,625,676 (2018: USD5,847,914). Interest income recognised during 2019 in respect to renegotiated and forborne assets amounts to USD802,839 (2018: USD1,979,599).

Movement in forbearance activity during the year is as follows:

Group – 31 December 2019

	2019		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	24,039,134	16,730,074	**40,769,208**
Additions	104,659	3,567,792	**3,672,451**
Recovered	(12,021,925)	(1,033,673)	**(13,055,598)**
Written-off	-	(971,670)	**(971,670)**
Reclassified	(8,026,088)	8,026,088	**-**
At 31 December	**4,095,780**	**26,318,611**	**30,414,391**

Group – 31 December 2018

	2018		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	26,106,077	10,357,271	**36,463,348**
Additions	12,792,305	3,506,211	**16,298,516**
Recovered	(10,795,462)	(1,190,096)	**(11,985,558)**
Written-off	-	(7,098)	**(7,098)**
Reclassified	(4,063,786)	4,063,786	**-**
At 31 December	**24,039,134**	**16,730,074**	**40,769,208**

Bank – 31 December 2019

	2019		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	20,228,041	12,615,221	**32,843,262**
Additions	-	1,426,282	**1,426,282**
Recovered	(10,567,152)	(915,091)	**(11,482,243)**
Written off	-	(971,670)	**(971,670)**
Reclassified	(8,026,088)	8,026,088	**-**
At 31 December	**1,634,801**	**20,180,830**	**21,815,631**

Bank – 31 December 2018

	2018		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	26,106,077	9,244,808	**35,350,885**
Additions	8,981,212	163,074	**9,144,286**
Recovered	(10,795,462)	(856,447)	**(11,651,909)**
Reclassified	(4,063,786)	4,063,786	**-**
At 31 December	**20,228,041**	**12,615,221**	**32,843,262**

5.2.4 Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD").

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed below under the heading 'generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are based on estimated credit conversion factors. For financial guarantees, the EAD represents the expected amount of the guaranteed exposure when the financial guarantee becomes payable.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

In measuring expected credit losses, the Group relies on risk and economic data and modelling techniques provided by Moody's Analytics – a global firm specialising in areas of credit risk analysis, economic and regulatory capital calculation, economic research and other areas intrinsically linked to the ECL model.

5.2.5 Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Group – 31 December 2019

	2019			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Balance at 1 January	944,228	265,814	3,871,551	**5,081,593**
Net remeasurement of loss allowance	(156,025)	(148,449)	-	**(304,474)**
New financial assets originated or purchased	198,787	26	-	**198,813**
Financial assets that have been derecognised	(444,422)	-	16,433	**(427,989)**
Write-offs	-	-	(1,275,570)	**(1,275,570)**
Interest and fee in suspense	-	-	(40,783)	**(40,783)**
Foreign exchange and other	(290)	(1)	(11,790)	**(12,081)**
Balance at 31 December	**542,278**	**117,390**	**2,559,841**	**3,219,509**
Loans and advances to customers				
Balance at 1 January	1,132,111	4,238,085	58,017,770	**63,387,966**
Transfer to Stage 1	172,035	(172,035)	-	**-**
Transfer to Stage 2	(118,440)	118,440	-	**-**
Transfer to Stage 3	(62,763)	(957,480)	1,020,243	**-**
Net remeasurement of loss allowance	(190,751)	776,357	9,601,195	**10,186,801**
New financial assets originated or purchased	670,964	936,523	2,894,599	**4,502,086**
Financial assets that have been derecognised	(622,808)	22,290	126,928	**(473,590)**
Write-offs	-	(562,464)	(6,595,273)	**(7,157,737)**
Interest and fee in suspense	-	-	5,547,759	**5,547,759**
Foreign exchange and other	(6,635)	(3,857)	424,563	**414,071**
Balance at 31 December	**973,713**	**4,395,859**	**71,037,784**	**76,407,356**
Financial assets at fair value through other comprehensive income				
Balance at 1 January	45,764	-	-	**45,764**
Net remeasurement of loss allowance	8,933	-	-	**8,933**
New financial assets originated or purchased	83,045	-	-	**83,045**
Write-offs	22,445	-	-	**22,445**
Foreign exchange and other	(68,209)	-	-	**(68,209)**
Balance at 31 December	**91,978**	**-**	**-**	**91,978**
Investments at amortised cost				
Balance at 1 January	34,674	-	-	**34,674**
Net remeasurement of loss allowance	144,770	-	-	**144,770**
Balance at 31 December	**179,444**	**-**	**-**	**179,444**
Contingent liabilities				
Balance at 1 January	3,574	-	39,861	**43,435**
Transfer to Stage 2	(1,351)	1,351	-	**-**
Net remeasurement of loss allowance	(1,502)	(960)	-	**(2,462)**
New financial assets originated or purchased	9,576	-	-	**9,576**
Financial assets that have been derecognised	(546)	-	(39,063)	**(39,609)**
Interest and fee in suspense	-	-	(798)	**(798)**
Balance at 31 December	**9,751**	**391**	**-**	**10,142**
Commitments				
Balance at 1 January	222,296	4,053	-	**226,349**
Net remeasurement of loss allowance	(55,851)	-	-	**(55,851)**
New financial assets originated or purchased	51,733	21,424	-	**73,157**
Financial assets that have been derecognised	(161,308)	(4,054)	-	**(165,362)**
Balance at 31 December	**56,870**	**21,423**	**-**	**78,293**

Group – 31 December 2018

	2018			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Balance at 1 January	1,098,546	1,302,347	3,549,142	**5,950,035**
Transfer to Stage 2	(933)	933	-	**-**
Net remeasurement of loss allowance	15,764	(1,031,210)	(180,333)	**(1,195,779)**
New financial assets originated or purchased	350,283	-	182,704	**532,987**
Financial assets that have been derecognised	(519,432)	(6,256)	-	**(525,688)**
Interest and fee in suspense	-	-	357,315	**357,315**
Foreign exchange and other	-	-	(37,277)	**(37,277)**
Balance at 31 December	**944,228**	**265,814**	**3,871,551**	**5,081,593**
Loans and advances to customers				
Balance at 1 January	1,893,183	5,733,369	37,517,349	**45,143,901**
Transfer to Stage 1	46,341	(46,341)	-	**-**
Transfer to Stage 2	(323,258)	323,258	-	**-**
Transfer to Stage 3	(92,583)	(538,347)	630,930	**-**
Net remeasurement of loss allowance	(589,223)	(682,571)	3,568,757	**2,296,963**
New financial assets originated or purchased	843,917	1,009,024	12,822,069	**14,675,010**
Financial assets that have been derecognised	(614,058)	(1,554,388)	271,998	**(1,896,448)**
Write-offs	(265)	-	(991,192)	**(991,457)**
Interest and fee in suspense	-	-	4,760,402	**4,760,402**
Foreign exchange and other	(31,943)	(5,919)	(562,543)	**(600,405)**
Balance at 31 December	**1,132,111**	**4,238,085**	**58,017,770**	**63,387,966**
Financial assets at fair value through other comprehensive income				
Balance at 1 January	41,948	-	-	**41,948**
Foreign exchange and other	3,816	-	-	**3,816**
Balance at 31 December	**45,764**	**-**	**-**	**45,764**
Investments at amortised cost				
Balance at 1 January	-	-	-	**-**
New financial assets originated or purchased	34,674	-	-	**34,674**
Balance at 31 December	**34,674**	**-**	**-**	**34,674**
Contingent liabilities				
Balance at 1 January	512	1,857	42,346	**44,715**
Transfer to Stage 2	(9)	9	-	**-**
Net remeasurement of loss allowance	(98)	(518)	(3,283)	**(3,899)**
New financial assets originated or purchased	3,423	-	-	**3,423**
Financial assets that have been derecognised	(254)	(1,348)	-	**(1,602)**
Interest and fee in suspense	-	-	798	**798**
Balance at 31 December	**3,574**	**-**	**39,861**	**43,435**
Commitments				
Balance at 1 January	77,052	122,176	-	**199,228**
Net remeasurement of loss allowance	4,846	(1)	-	**4,845**
New financial assets originated or purchased	208,860	4,054	-	**212,914**
Financial assets that have been derecognised	(68,462)	(122,176)	-	**(190,638)**
Balance at 31 December	**222,296**	**4,053**	**-**	**226,349**

Bank – 31 December 2019

	2019			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Balance at 1 January	944,228	265,814	3,871,551	**5,081,593**
Net remeasurement of loss allowance	(225,758)	(148,501)	-	**(374,259)**
New financial assets originated or purchased	154,198	26	-	**154,224**
Financial assets that have been derecognised	(444,422)	-	16,433	**(427,989)**
Write-offs	-	-	(1,275,570)	**(1,275,570)**
Interest and fee in suspense	-	-	(40,783)	**(40,783)**
Foreign exchange and other	-	-	(11,790)	**(11,790)**
Balance at 31 December	**428,246**	**117,339**	**2,559,841**	**3,105,426**
Loans and advances to customers				
Balance at 1 January	610,824	1,944,635	35,355,251	**37,910,710**
Transfer to Stage 2	(51,495)	51,495	-	**-**
Transfer to Stage 3	(62,304)	(824,607)	886,911	**-**
Net remeasurement of loss allowance	44,248	1,275,948	9,989,615	**11,309,811**
New financial assets originated or purchased	326,342	63,071	2,894,599	**3,284,012**
Financial assets that have been derecognised	(322,632)	519,558	(7,834)	**189,092**
Write-offs	-	(562,464)	(5,186,459)	**(5,748,923)**
Interest and fee in suspense	-	-	(76,831)	**(76,831)**
Foreign exchange and other	-	-	(40,839)	**(40,839)**
Balance at 31 December	**544,983**	**2,467,636**	**43,814,413**	**46,827,032**
Financial assets at fair value through other comprehensive income				
Balance at 1 January	45,764	-	-	**45,764**
Net remeasurement of loss allowance	8,933	-	-	**8,933**
New financial assets originated or purchased	83,045	-	-	**83,045**
Write-offs	22,445	-	-	**22,445**
Foreign exchange and other	(68,209)	-	-	**(68,209)**
Balance at 31 December	**91,978**	**-**	**-**	**91,978**
Investments at amortised cost				
Balance at 1 January	34,674	-	-	**34,674**
Net remeasurement of loss allowance	144,770	-	-	**144,770**
Balance at 31 December	**179,444**	**-**	**-**	**179,444**
Contingent liabilities				
Balance at 1 January	3,574	-	39,861	**43,435**
Transfer to Stage 2	(1,351)	1,351	-	**-**
Net remeasurement of loss allowance	(1,510)	(960)	-	**(2,470)**
New financial assets originated or purchased	9,521	-	-	**9,521**
Financial assets that have been derecognised	(546)	-	(39,063)	**(39,609)**
Interest and fee in suspense	-	-	(798)	**(798)**
Balance at 31 December	**9,688**	**391**	**-**	**10,079**
Commitments				
Balance at 1 January	222,296	4,053	-	**226,349**
Net remeasurement of loss allowance	(56,027)	-	-	**(56,027)**
New financial assets originated or purchased	48,697	21,423	-	**70,120**
Financial assets that have been derecognised	(161,308)	(4,054)	-	**(165,362)**
Balance at 31 December	**53,658**	**21,422**	**-**	**75,080**

Bank – 31 December 2018

	2018			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Balance at 1 January	1,098,546	1,302,347	3,549,142	**5,950,035**
Transfer to Stage 2	(933)	933	-	**-**
Net remeasurement of loss allowance	15,764	(1,031,210)	(180,333)	**(1,195,779)**
New financial assets originated or purchased	350,283	-	182,704	**532,987**
Financial assets that have been derecognised	(519,432)	(6,256)	-	**(525,688)**
Interest and fee in suspense	-	-	357,315	**357,315**
Foreign exchange and other	-	-	(37,277)	**(37,277)**
Balance at 31 December	**944,228**	**265,814**	**3,871,551**	**5,081,593**
Loans and advances to customers				
Balance at 1 January	1,070,544	2,866,629	18,895,056	**22,832,229**
Transfer to Stage 1	46,341	(46,341)	-	**-**
Transfer to Stage 2	(75,332)	75,332	-	**-**
Transfer to Stage 3	-	(334,387)	334,387	**-**
Net remeasurement of loss allowance	(646,849)	(123,721)	3,438,779	**2,668,209**
New financial assets originated or purchased	517,225	303,767	12,207,890	**13,028,882**
Financial assets that have been derecognised	(300,840)	(796,644)	2,112,171	**1,014,687**
Write-offs	(265)	-	(2,831,365)	**(2,831,630)**
Interest and fee in suspense	-	-	1,575,690	**1,575,690**
Foreign exchange and other	-	-	(377,357)	**(377,357)**
Balance at 31 December	**610,824**	**1,944,635**	**35,355,251**	**37,910,710**
Financial assets at fair value through other comprehensive income				
Balance at 1 January	41,948	-	-	**41,948**
Foreign exchange and other	3,816	-	-	**3,816**
Balance at 31 December	**45,764**	**-**	**-**	**45,764**
Investments at amortised cost				
Balance at 1 January	-	-	-	**-**
New financial assets originated or purchased	34,674	-	-	**34,674**
Balance at 31 December	**34,674**	**-**	**-**	**34,674**
Contingent liabilities				
Balance at 1 January	512	1,857	42,346	**44,715**
Transfer to Stage 2	(9)	9	-	**-**
Net remeasurement of loss allowance	(98)	(518)	(3,283)	**(3,899)**
New financial assets originated or purchased	3,423	-	-	**3,423**
Financial assets that have been derecognised	(254)	(1,348)	-	**(1,602)**
Interest and fee in suspense	-	-	798	**798**
Balance at 31 December	**3,574**	**-**	**39,861**	**43,435**
Commitments				
Balance at 1 January	77,052	122,176	-	**199,228**
Net remeasurement of loss allowance	4,846	(1)	-	**4,845**
New financial assets originated or purchased	208,860	4,054	-	**212,914**
Financial assets that have been derecognised	(68,462)	(122,176)	-	**(190,638)**
Balance at 31 December	**222,296**	**4,053**	**-**	**226,349**

The following table provides a reconciliation between:

- amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and
- the 'net impairment charges on financial assets' line item in the Group's Statements of Profit or Loss.

Group – 31 December 2019

	Loans and advances to banks USD	Loans and advances to customers USD	Financial assets at fair value through other comprehensive income USD	Investments at amortised cost USD	Contingent liabilities USD	Commitments USD	Total USD
Net remeasurement of loss allowance	(304,474)	10,186,801	8,933	144,770	(2,462)	(55,851)	**9,977,717**
New financial assets originated or purchased	198,813	4,502,086	83,045	-	9,576	73,157	**4,866,677**
Financial assets that have been derecognised	(427,989)	(473,590)	22,445	-	(39,609)	(165,362)	**(1,084,105)**
Total	**(533,650)**	**14,215,297**	**114,423**	**144,770**	**(32,495)**	**(148,056)**	**13,760,289**
Recoveries of amounts previously written-off	-	(694,117)	-	-	-	-	**(694,117)**
Total	**(533,650)**	**13,521,180**	**114,423**	**144,770**	**(32,495)**	**(148,056)**	**13,066,172**

Group – 31 December 2018

	Loans and advances to banks USD	Loans and advances to customers USD	Investments at amortised cost USD	Contingent liabilities USD	Commitments USD	Total USD
Net remeasurement of loss allowance	(1,195,779)	2,296,963	-	(3,899)	4,845	**1,102,130**
New financial assets originated or purchased	532,987	14,675,010	34,674	3,423	212,914	**15,459,008**
Financial assets that have been derecognised	(525,688)	(1,896,448)	-	(1,602)	(190,638)	**(2,614,376)**
Total	**(1,188,480)**	**15,075,525**	**34,674**	**(2,078)**	**27,121**	**13,946,762**
Recoveries of amounts previously written-off	(81,291)	(582,461)	-	-	-	**(663,752)**
Total	**(1,269,771)**	**14,493,064**	**34,674**	**(2,078)**	**27,121**	**13,283,010**

Bank – 31 December 2019

	Loans and advances to banks USD	Loans and advances to customers USD	Financial assets at fair value through other comprehensive income USD	Investments at amortised cost USD	Contingent liabilities USD	Commitments USD	Total USD
Net remeasurement of loss allowance	(374,259)	11,309,811	8,933	144,770	(2,470)	(56,027)	**11,030,758**
New financial assets originated or purchased	154,224	3,284,012	83,045	-	9,521	70,120	**3,600,922**
Financial assets that have been derecognised	(427,989)	189,092	22,445	-	(39,609)	(165,362)	**(421,423)**
Total	**(648,024)**	**14,782,915**	**114,423**	**144,770**	**(32,558)**	**(151,269)**	**14,210,257**

Bank – 31 December 2018

	Loans and advances to banks USD	Loans and advances to customers USD	Investments at amortised cost USD	Investments in subsidiaries USD	Contingent liabilities USD	Commitments USD	Total USD
Net remeasurement of loss allowance	(1,195,779)	2,668,209	-	1,455,270	(3,899)	4,845	**2,928,646**
New financial assets originated or purchased	532,987	13,028,882	34,674	-	3,423	212,914	**13,812,880**
Financial assets that have been derecognised	(525,688)	1,014,687	-	-	(1,602)	(190,638)	**296,759**
Total	**(1,188,480)**	**16,711,778**	**34,674**	**1,455,270**	**(2,078)**	**27,121**	**17,038,285**
Recoveries of amounts previously written-off	(68,166)	-	-	-	-	-	**(68,166)**
Total	**(1,256,646)**	**16,711,778**	**34,674**	**1,455,270**	**(2,078)**	**27,121**	**16,970,119**

5.2.6 Write-off policy

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

5.2.7 Collaterals

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

Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2019 and 2018.

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

Group – 31 December 2019

	Loans and advances to banks USD	Loans and advances to customers USD	Commitments outstanding USD	Contingent liabilities USD	Total USD
Cash or quasi cash	21,584,584	109,486,329	7,955,839	869,439	**139,896,191**
Property	-	87,809,922	-	-	**87,809,922**
Other	-	93,542,978	7,224,448	-	**100,767,426**
	21,584,584	**290,839,229**	**15,180,287**	**869,439**	**328,473,539**

Group – 31 December 2018

	Loans and advances to banks USD	Loans and advances to customers USD	Commitments outstanding USD	Contingent liabilities USD	Total USD
Cash or quasi cash	2,643,218	115,785,972	443,631	1,002,410	**119,875,231**
Property	-	977,093	-	-	**977,093**
Other	8,069,563	118,000,742	-	-	**126,070,305**
	10,712,781	**234,763,807**	**443,631**	**1,002,410**	**246,922,629**

Bank – 31 December 2019

	Loans and advances to banks USD	Loans and advances to customers USD	Commitments outstanding USD	Contingent liabilities USD	Total USD
Cash or quasi cash	21,584,584	47,561,335	7,955,839	869,439	**77,971,197**
Property	-	86,252,361	-	-	**86,252,361**
Other	-	90,771,207	11,575,163	-	**102,346,370**
	21,584,584	**224,584,903**	**19,531,002**	**869,439**	**266,569,928**

Bank – 31 December 2018

	Loans and advances to banks USD	Loans and advances to customers USD	Commitments outstanding USD	Contingent liabilities USD	Total USD
Cash or quasi cash	2,643,218	60,728,546	443,631	1,002,410	**64,817,805**
Other	8,069,563	116,519,679	136,730	-	**124,725,972**
	10,712,781	**177,248,225**	**580,361**	**1,002,410**	**189,543,777**

5.2.8 Offsetting financial assets and financial liabilities

With the exception of cash collaterals as disclosed in this note and in Notes 34 and 35, the Group and Bank do not carry financial instruments which are subject to offsetting in the Statements of Financial Position. Group entities have a legal enforceable right to offset such collaterals against the respective facilities for which the collateral is taken. At 31 December 2019 and 2018, all financial assets and respective collaterals are disclosed separately in the financial statements without any offsetting.

5.2.9 Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See Accounting Policy 3.10.8.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime PD as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on changes in internal credit ratings and changes in PD of obligors;
- qualitative indicators; and
- a backstop of 30 days past due.

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, there is a two grade deterioration from the rating at origination.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group applies a further backstop when the rating of the obligor reaches a level that is equivalent to a facility in arrears. A significant increase in credit risk occurs where the obligor is internally rated below 7-.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

IFRS 9 allows low credit risk expedient for the purpose of allocating stages to the exposures based on the significant increase in credit risk of the exposures. Under this expedient, an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

The Group applies this practical expedient to investment grade (BBB- and better) exposures.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition using Moody's RiskAnalyst or external credit agency ratings. Professional judgement is applied based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management and senior management changes;
- data from credit reference agencies, press articles and changes in external credit ratings;
- actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities;
- payment record – this includes overdue status as well as a range of variables about payment ratios;
- requests for and granting of forbearance; and
- existing and forecast changes in business, financial and economic conditions.

The table below provides an indicative mapping of how the Group's internal credit risk grades relate to conditional PD and to external credit ratings of Moody's or their equivalent.

Grading	12-month weighted-average PD	External rating
Grades 1 to 4- low risk	0.27%	Aaa-Baa3
Grades 5+ to 5- fair risk	0.88%	Ba1-Ba3
Grades 6+ to 7 substandard	6.74%	B1-Caa2
Grades 7- to 8- doubtful	32.18%	Caa3-Ca
Grades 9 to 10 loss	100.00%	C

Generating the term structure of PD

The term structure of PDs follows a two-staged approach. In the first instance, internal credit risk grades are mapped to Moody's official credit rating-scale table. Following this, the resultant credit rating is converted into a Point in Time ("PIT") PD term structure using Moody's 'Rating to PIT PD' converter. This is done through statistical models which analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time – based on the obligor's agency rating, country and industry information.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes (see Note 5.7).

Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Group formulates three economic scenarios: a base case, which is the median scenario assigned a 40% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 30% probability of occurring. Economic data for each of the three scenarios, both historical and forecasted, are sourced from Moody's Analytics on a quarterly basis. The historical data in Moody's Analytics' model reflects economic data published by national statistical offices and by third party aggregators such as the World Bank and the International Monetary Fund. Forecasting is done by Moody's Analytics through its Global Macro Model which is composed of a number of calculations that develop into relationships across series within each national economy. The parameters used by the model are estimated using econometric techniques through observable historical covariation over the macroeconomic time series.

Moody's Analytics regularly updates the baseline forecast and alternative scenarios. The upside and downside scenario will present hypothetical events that push the economy away from the baseline outlook. The baseline forecast and the two alternative scenarios are each assigned probability based on a distribution of average growth.

The Group uses Moody's Analytics GCorr Macro™ model to link credit-risk factors to macroeconomic variables using the following information for each counterparty: industry, country and sensitivity of the counterparty to systemic risk. The Group has identified and documented key drivers of credit risk and credit losses. The key drivers of credit risk for portfolios are: GDP growth, unemployment rates and equity prices. For exposures to specific industries and/or regions, the key drivers also include relevant commodity prices, such as oil prices. The Group uses economic data from twelve different geographies which broadly represent the exposures carried by the Group at reporting date. In cases where a specific country exposure is not available within these twelve geographies, the exposure would be linked to the geography with the closest economic structure and credit risk.

The economic scenarios for the top five geographies used as at 31 December 2019 included the following key indicators for the years ending 31 December 2020 to 2024.

		Year-on-year change				
Country: Malta		2020	2021	2022	2023	2024
Equity	Base	7%	6%	10%	8%	5%
	Upside	16%	5%	8%	7%	5%
	Downside	-21%	12%	25%	16%	6%
GDP growth	Base	5%	2%	2%	4%	3%
	Upside	6%	4%	4%	5%	3%
	Downside	0%	-2%	0%	5%	4%
Country: Germany		2020	2021	2022	2023	2024
Equity	Base	6%	-5%	6%	5%	0%
	Upside	23%	-3%	-1%	-1%	0%
	Downside	-25%	4%	15%	13%	2%
GDP growth	Base	1%	1%	1%	1%	1%
	Upside	5%	1%	1%	1%	1%
	Downside	-3%	0%	2%	2%	2%
Country: United Arab Emirates		2020	2021	2022	2023	2024
Equity	Base	4%	-1%	6%	4%	6%
	Upside	24%	15%	21%	4%	0%
	Downside	-23%	-18%	1%	1%	6%
Oil price	Base	5%	3%	1%	2%	2%
	Upside	29%	3%	-1%	0%	0%
	Downside	-34%	10%	9%	12%	7%
Country: Italy		2020	2021	2022	2023	2024
Equity	Base	-5%	-3%	7%	8%	5%
	Upside	8%	0%	1%	3%	4%
	Downside	-33%	12%	15%	13%	7%
Eurozone GDP	Base	2%	1%	1%	1%	1%
	Upside	4%	2%	1%	1%	1%
	Downside	-3%	0%	2%	2%	2%
Eurozone unemployment	Base	0%	0%	1%	0%	1%
	Upside	-5%	-1%	1%	2%	1%
	Downside	24%	8%	-2%	-4%	-4%
Country: Egypt		2020	2021	2022	2023	2024
Equity	Base	13%	13%	11%	9%	9%
	Upside	22%	15%	11%	9%	9%
	Downside	-17%	9%	9%	8%	9%
GDP growth	Base	6%	6%	6%	6%	6%
	Upside	8%	6%	5%	5%	6%
	Downside	4%	5%	6%	6%	6%

5.2.10 Concentration of credit risk

The Group has established policies requiring limits on counterparties and countries, and controls in relation to concentration to specific sectors, and industries, thus ensuring a more diversified on- and off- balance sheet lending portfolios.

Single-name counterparty limits follow the prudential rules emanating from the CRR which apply maximum limits for large exposures. A large exposure is defined as a consolidated exposure to a single entity or an economic group that exceeds 10% of a bank's regulatory capital. The maximum limit for non-institutions is 25% of regulatory capital. The maximum limit for institutions is 25% of its regulatory capital or EUR150 million whichever is the higher. Where the amount of EUR150 million is higher than 25% of the bank's regulatory capital a reasonable limit shall be determined by the Group which however shall not exceed 100% of regulatory capital. It must also be noted that a further prudential rule-of-thumb followed by the Group on large exposures is that initial lending limits for new counterparties are usually set at a much lower level than the Group's legal lending limit. These limits might either remain at the original level, based on ongoing credit research on the name, or build up towards the Group's legal lending limit in a gradual manner, as the knowledge of the counterparty by the Bank consolidates through time.

Concentration risk by geographical region is monitored by the BCC and supervised by the BRC. The Group monitors concentrations of credit risk by geographic location based on the exposure country of the borrower ("country risk"). Country risk refers to risks associated with the economic, social and political environment of the obligor's exposure country. A component of country risk is transfer risk which arises when a borrower's obligation is not denominated in the respective local currency. The currency of the obligation may become unavailable to the borrower regardless of its particular condition. The policy governing country risk concentration defines a ceiling – in terms of percentage of the Group's Own Funds - for each individual country exposure, which is linked to the rating granted to each country by international rating agencies. The ceiling increases (up to a maximum of 100% of the Bank's Own Funds for investment grade countries) with the rating of the country. As for single-name limits, country limits do not automatically increase to the pre-defined ceiling, as the initial assessment is based on the country's specific economic, financial and political risk conditions. Group entities put forward their business request and counterparty approval requests to the Group Head of Risk following a thorough review from the local risk managers.

Concentration risk by sector is mitigated by the particular nature of the Group's business, i.e. a specialised trade finance institution with a focus on emerging markets. A significant portion of the Bank's exposure relates to banks' risk, located in a number of geographies and hence diversified by virtue of the country limit policy specified in the above paragraph, which usually guarantee/confirm the payment risk of the importers under international trade finance operations. Exposure to particular sectors is monitored indirectly through monitoring of the trends of the underlying commodities. Exposure to corporate entities in many cases consists of bridge financing towards a sale of goods/commodities which will eventually settle from receivables generated from the buyers of goods, bank letters of credit, or even settled directly by the customer. Depending on the sector of exposure an overall sector limit might be assigned by the Bank's BCC, with such limits being reviewed regularly. These include specialised sectors such as ship demolition financing, which is collateralised through a mortgage on each vessel financed, and real estate project financing, which is collateralised by a mortgage over property.

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

The BCC approves country limits after these are presented with reports covering the political and economic situations for each of the countries to which a limit is issued.

The following are the Group's and Bank's region concentrations:

	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Balances with the Central Bank of Malta, treasury bills and cash				
- Europe	208,277,004	151,910,865	208,259,407	151,891,005
Trading assets				
- Europe	115,805,653	29,376,702	-	-
- Sub-Saharan Africa	100,481,833	108,285,145	-	-
- Middle East and North Africa (MENA)	93,822,923	83,896,316	-	-
- Commonwealth of Independent States (CIS) region	4,021,477	8,030,219	-	-
- Others	146,106,650	117,696,585	-	-
Loans and advances to banks				
- Europe	198,548,214	218,142,282	198,407,197	218,489,441
- Sub-Saharan Africa	28,825,848	18,044,302	27,351,122	18,044,302
- Middle East and North Africa (MENA)	10,160,832	59,171,031	595,289	56,062,233
- Commonwealth of Independent States (CIS) region	5,144,917	5,096,223	5,094,100	5,085,947
- Others	3,398,384	25,115,891	904,042	23,868,318
Loans and advances to customers				
- Europe	275,792,298	280,202,564	517,630,855	435,803,972
- Sub-Saharan Africa	1,289,127	1,316,821	663,075	1,316,821
- Middle East and North Africa (MENA)	221,007,034	204,191,432	202,440,438	182,860,775
- Others	151,801,698	175,315,674	90,418,481	110,726,877
Financial assets at fair value through profit or loss				
- Europe	125,342,798	173,438,374	125,342,798	173,438,374
Financial assets at fair value through other comprehensive income				
- Europe	79,367,556	75,465,068	79,367,556	75,465,068
- Others	-	12,003,098	-	12,003,098
Investments at amortised cost				
- Middle East and North Africa (MENA)	9,785,496	9,923,499	9,785,496	9,923,499
Contingent liabilities				
- Europe	1,703,116	804,567	58,431,943	60,406,354
- Sub-Saharan Africa	-	540,000	-	540,000
- Middle East and North Africa (MENA)	2,969,802	290,286	2,969,802	5,290,286
- Others	226,909	1,229,973	226,909	1,229,972
Commitments				
- Europe	61,297,970	54,778,695	74,940,507	88,348,911
- Sub-Saharan Africa	27,570,682	16,132,988	9,815,860	8,670,199
- Middle East and North Africa (MENA)	23,277,066	28,437,731	14,170,113	20,212,977
- Others	53,794,202	89,257,353	44,099,947	41,153,933
	1,949,819,489	**1,948,093,684**	**1,670,914,937**	**1,700,832,362**

The following are the Group's and Bank's sector concentrations:

	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Balances with the Central Bank of Malta, treasury bills and cash				
- Financial intermediation	208,277,004	151,910,865	208,259,407	151,891,005
Trading assets				
- Industrial raw materials	79,728,153	29,698,342	-	-
- Wholesale and retail trade	52,150,130	44,567,213	-	-
- Financial intermediation	243,651,637	219,303,048	-	-
- Other services	84,708,616	53,716,364	-	-
Loans and advances to banks				
- Financial intermediation	246,078,195	325,569,729	232,351,750	321,550,241
Loans and advances to customers				
- Industrial raw materials	314,428,716	301,762,915	154,569,590	153,368,104
- Shipping and transportation	3,387,065	1,917,591	950,688	398,116
- Wholesale and retail trade	176,029,398	193,907,236	143,599,304	170,083,016
- Financial intermediation	76,496,919	90,723,944	410,157,121	307,087,519
- Real estate activities	28,037,066	22,978,320	57,329,379	54,075,561
- Other services	51,510,993	49,736,485	44,546,767	45,696,129
Financial assets at fair value through profit or loss				
- Financial intermediation	125,289,721	173,362,850	125,289,721	173,362,850
- Other services	53,077	75,524	53,077	75,524
Financial assets at fair value through other comprehensive income				
- Financial intermediation	21,706,342	67,563,036	21,706,342	67,563,036
- Other services	57,661,214	19,905,130	57,661,214	19,905,130
Investments at amortised cost				
- Financial intermediation	9,785,496	9,923,499	9,785,496	9,923,499
Contingent liabilities				
- Industrial raw materials	579,726	386,090	579,726	386,090
- Wholesale and retail trade	471,358	1,427,433	416,732	1,374,608
- Financial intermediation	3,365,798	973,879	60,557,035	65,628,490
- Real estate activities	14,935	20,947	14,935	20,947
- Other services	468,010	56,477	60,226	56,477
Commitments				
- Industrial raw materials	50,890,138	23,088,881	50,013,767	23,266,920
- Wholesale and retail trade	40,612,723	63,887,610	37,896,579	42,402,818
- Financial intermediation	47,600,957	84,284,406	28,279,979	75,370,412
- Real estate activities	24,932,635	16,539,270	24,932,635	16,539,270
- Other services	1,903,467	806,600	1,903,467	806,600
	1,949,819,489	**1,948,093,684**	**1,670,914,937**	**1,700,832,362**

5.2.11 Counterparty credit risk

Counterparty credit risk is defined as the risk that a counterparty to an over-the-counter derivative transaction may default before completing the settlement of the transaction. An economic loss might occur if the transaction has a positive economic value at the time of default.

Use of derivatives within the Group is limited to hedging balance-sheet positions, hedging capital investments, interest rate hedging on behalf of LFC and, to a lesser extent, to satisfy customer requests (for example, for foreign exchange hedging). The Group's Treasury unit is responsible for the internal management of such instruments. In addition, LFC (via ISDA (International Swaps and Derivatives Association) agreements between the Bank and selected Protection Buyers) sells Loan Credit Default Swaps ("LCDS") to enhance returns and provide additional unfunded assets to its forfaiting portfolio.

Such a risk is monitored through the setting up of counterparty limits to capture the position and settlement risks associated with forward and other derivative instruments. The Group has in place operational procedures to mitigate these risks. Counterparty credit risk is assigned a capital charge using the mark-to-market method, based on the residual maturities of the contracts.

5.2.12 Settlement risk

Settlement risk arises through failed delivery versus payment ("DvP") transactions and for all non-DvP trades. The Group faces settlement risk due to the fact that few financial transactions are settled simultaneously or on a same day basis. Consequently, the Group could suffer a loss if the counterparty fails to deliver on settlement date.

In order to mitigate against this risk, the Group has in place settlement lines where a limit is placed on the maximum settlement exposure against a single counterparty. These limits are reviewed at least annually. Through the setting of these limits, the Group ensures that it is not over-exposed to individual counterparties as a result of non-settlement of transactions. In addition, daily reconciliations are made on all accounts held with correspondent banks to match transactions recorded on the various operating systems, and any mismatches are investigated. This ensures timely detection of any non-settlement by counterparties so that appropriate steps are taken to correct the issue.

5.2.13 Foreign exchange lending risk

Foreign exchange lending risk is the risk that borrowers default due to movements in foreign exchange rates. The Group lends primarily in USD, but the customers of the Group may not necessarily operate in USD. As a result, foreign exchange rate movements could negatively affect the Group's borrowers. In the event that the currency of lending appreciates when compared to their currency of operation, loan repayments may be more costly in real terms and may increase the Group's probability of default.

Trade finance facilities are provided to customers that operate in USD. In fact, this is observed at initial stages of on-boarding. However, in situations where this is not the case, the Group does not have specific mitigation measures to address FX lending risk but accepts such risk as part of its business.

5.3 Liquidity risk

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

Liquidity risk arises in the general funding of the Group's activities and the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates as well as the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Group raises funds from deposits, other financial institutions (by means of loans and money market placements), by issuing promissory notes and similar paper and through increases in share capital and plough back of profits.

5.3.1 Management of liquidity risk

Liquidity risk is managed by maintaining significant levels of liquid funds, and identifying and monitoring changes in funding required to meet business goals driven by management.

The Group's ALCO is responsible for establishing appropriate asset and liability management policies, monitoring their application and reviewing financial information on the basis of which investment and funding decisions are taken. The daily application of the asset and liability management policies rests with the Treasury unit of the Group.

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

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

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

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

5.3.2 Exposure to liquidity risk

The key measures used by the Group for managing liquidity risk are the following:

5.3.2.1 Liquidity coverage ratio ("LCR")

The LCR is a ratio of the Group's buffer of unencumbered high quality liquid assets to its net liquidity outflows over a 30 calendar day stress period. Net liquidity outflows are calculated by deducting the Group's liquidity inflows from its liquidity outflows. During a 30 day stressed period, the Group should be able to convert quickly its liquid assets into cash without recourse to central bank liquidity or public funds, which may result in its liquidity coverage ratio falling temporarily below the required minimum level.

During December 2019, the regulatory LCR requirement was set at a minimum level of 100% (2018: 100%).

Details of the reported Group LCR at the reporting date and during the reporting period were as follows:

	2019	2018
At 31 December	125%	151%
Average for the year	135%	135%
Maximum for the year	166%	176%
Minimum for the year	107%	100%

5.3.2.2 Residual contractual maturities of financial assets and liabilities

Group - 31 December 2019

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	208,277,004	208,261,619	208,261,619	-	-	-	-	-
Trading assets	460,238,536	490,022,990	25,065,329	55,206,348	112,247,451	131,632,989	106,717,069	59,153,804
Derivative assets held for risk management	142,249	142,249	86,505	-	-	-	-	55,744
Loans and advances to banks	246,078,195	248,202,568	234,773,164	425,530	4,660,818	1,961,822	922,503	5,458,731
Loans and advances to customers	649,890,157	671,335,008	279,427,397	99,306,847	79,465,509	123,077,055	32,873,864	57,184,336
Financial assets at fair value through profit or loss	125,342,798	125,342,798	125,342,798	-	-	-	-	-
Financial assets at fair value through other comprehensive income	79,367,556	82,621,895	-	-	-	19,798,111	17,446,444	45,377,340
Investments at amortised cost	9,785,496	10,737,475	-	-	-	-	-	10,737,475
Total assets	**1,779,121,991**	**1,836,666,602**	**872,956,812**	**154,938,725**	**196,373,778**	**276,469,977**	**157,959,880**	**177,967,430**
Liabilities								
Derivative liabilities held for risk management	(187,700)	(187,700)	(187,700)	-	-	-	-	-
Amounts owed to banks	(452,291,304)	(453,732,235)	(269,885,180)	(79,526,297)	(48,051,363)	(11,176,877)	-	(45,092,518)
Amounts owed to customers	(1,057,824,242)	(1,058,784,730)	(694,198,977)	(276,816,407)	(37,274,749)	(44,585,955)	(3,619,033)	(2,289,609)
Debt securities in issue	(79,550,865)	(79,919,268)	(40,581,327)	(16,872,863)	(22,465,078)	-	-	-
Total liabilities	**(1,589,854,111)**	**(1,592,623,933)**	**(1,004,853,184)**	**(373,215,567)**	**(107,791,190)**	**(55,762,832)**	**(3,619,033)**	**(47,382,127)**
Liquidity gap			**(131,896,372)**	**(218,276,842)**	**88,582,588**	**220,707,145**	**154,340,847**	**130,585,303**

Group - 31 December 2018

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	151,910,865	151,900,366	151,900,366	-	-	-	-	-
Trading assets	347,284,967	370,241,796	11,357,480	65,626,571	89,924,610	88,788,481	97,156,006	17,388,648
Derivative assets held for risk management	92,852	92,851	74,950	14,808	3,093	-	-	-
Loans and advances to banks	325,569,729	328,866,011	268,735,750	8,171,155	43,823,724	1,011,672	955,474	6,168,236
Loans and advances to customers	661,026,491	683,783,500	253,737,813	97,144,204	125,999,212	74,993,148	74,733,482	57,175,641
Financial assets at fair value through profit or loss	173,438,374	173,438,374	173,438,374	-	-	-	-	-
Financial assets at fair value through other comprehensive income	87,468,166	93,043,233	-	40,286,794	-	-	9,024,676	43,731,763
Investments at amortised cost	9,923,499	12,478,464	-	-	-	-	-	12,478,464
Total assets	**1,756,714,943**	**1,813,844,595**	**859,244,733**	**211,243,532**	**259,750,639**	**164,793,301**	**181,869,638**	**136,942,752**
Liabilities								
Derivative liabilities held for risk management	(2,928,925)	(2,928,925)	(2,834,369)	(13,856)	(2,600)	-	-	(78,100)
Amounts owed to banks	(454,398,279)	(456,878,726)	(249,315,151)	(151,232,996)	(41,509,372)	(14,821,207)	-	-
Amounts owed to customers	(1,027,544,811)	(1,029,122,634)	(680,923,626)	(201,789,762)	(79,663,839)	(60,754,216)	(3,117,029)	(2,874,162)
Debt securities in issue	(87,096,378)	(88,643,202)	(4,259,107)	(30,531,178)	(21,293,884)	(32,559,033)	-	-
Total liabilities	**(1,571,968,393)**	**(1,577,573,487)**	**(937,332,253)**	**(383,567,792)**	**(142,469,695)**	**(108,134,456)**	**(3,117,029)**	**(2,952,262)**
Liquidity gap			**(78,087,520)**	**(172,324,260)**	**117,280,944**	**56,658,845**	**178,752,609**	**133,990,490**

Bank - 31 December 2019

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	208,259,407	208,244,022	208,244,022	-	-	-	-	-
Derivative assets held for risk management	96,285	96,285	40,541	-	-	-	-	55,744
Loans and advances to banks	232,351,750	234,456,148	223,812,087	409,079	3,392,496	461,252	922,503	5,458,731
Loans and advances to customers	811,152,849	851,778,519	496,226,459	72,592,308	47,696,468	94,198,992	34,931,492	106,132,800
Financial assets at fair value through profit or loss	125,342,798	125,342,798	125,342,798	-	-	-	-	-
Financial assets at fair value through other comprehensive income	79,367,556	82,621,895	-	-	-	19,798,111	17,446,444	45,377,340
Investments at amortised cost	9,785,496	10,737,475	-	-	-	-	-	10,737,475
Total assets	**1,466,356,141**	**1,513,277,142**	**1,053,665,907**	**73,001,387**	**51,088,964**	**114,458,355**	**53,300,439**	**167,762,090**
Liabilities								
Derivative liabilities held for risk management	(193,691)	(193,691)	(193,691)	-	-	-	-	-
Amounts owed to banks	(405,072,025)	(405,781,969)	(244,946,232)	(66,613,053)	(45,357,260)	(3,931,701)	-	(44,933,723)
Amounts owed to customers	(978,134,002)	(979,094,652)	(642,456,007)	(264,552,634)	(25,928,589)	(40,248,780)	(3,619,033)	(2,289,609)
Total liabilities	**(1,383,399,718)**	**(1,385,070,312)**	**(887,595,930)**	**(331,165,687)**	**(71,285,849)**	**(44,180,481)**	**(3,619,033)**	**(47,223,332)**
Liquidity gap			**166,069,977**	**(258,164,300)**	**(20,196,885)**	**70,277,874**	**49,681,406**	**120,538,758**

Bank - 31 December 2018

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	151,891,005	151,880,507	151,880,507	-	-	-	-	-
Derivative assets held for risk management	109,727	109,727	91,826	14,808	3,093	-	-	-
Loans and advances to banks	321,550,241	324,841,610	265,766,305	7,657,384	43,816,474	477,737	955,474	6,168,236
Loans and advances to customers	730,708,445	787,120,842	188,544,621	189,117,576	87,341,550	86,423,338	77,690,024	158,003,733
Financial assets at fair value through profit or loss	173,438,374	173,438,374	173,438,374	-	-	-	-	-
Financial assets at fair value through other comprehensive income	87,468,166	93,043,233	-	40,286,794	-	-	9,024,676	43,731,763
Investments at amortised cost	9,923,499	12,478,464	-	-	-	-	-	12,478,464
Total assets	**1,475,089,457**	**1,542,912,757**	**779,721,633**	**237,076,562**	**131,161,117**	**86,901,075**	**87,670,174**	**220,382,196**
Liabilities								
Derivative liabilities held for risk management	(2,928,925)	(2,928,925)	(2,834,369)	(13,856)	(2,600)	-	-	(78,100)
Amounts owed to banks	(398,815,757)	(400,632,828)	(210,571,999)	(140,180,602)	(35,545,413)	(14,334,814)	-	-
Amounts owed to customers	(961,292,743)	(962,861,963)	(651,633,612)	(194,756,481)	(61,436,364)	(49,044,315)	(3,117,029)	(2,874,162)
Debt securities in issue	(14,849,948)	(15,001,876)	(15,005)	(14,986,871)	-	-	-	-
Total liabilities	**(1,377,887,373)**	**(1,381,425,592)**	**(865,054,985)**	**(349,937,810)**	**(96,984,377)**	**(63,379,129)**	**(3,117,029)**	**(2,952,262)**
Liquidity gap			**(85,333,352)**	**(112,861,248)**	**34,176,740**	**23,521,946**	**84,553,145**	**217,429,934**

5.4 Market risk

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

5.4.1 Foreign exchange risk

Foreign exchange risk is attached to those monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the Group. Transactional exposures give rise to foreign currency gains and losses that are recognised in the Statements of Profit or Loss. Currency risk is mitigated by a closely monitored currency position and is managed through matching within the foreign currency portfolio and capital hedging.

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

Group - 31 December 2019

All amounts are expressed in USD	In reporting currency	EUR	INR	Other currencies	Total
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	5,373	208,263,536	241	7,854	**208,277,004**
Trading assets	319,190,715	140,447,393	-	600,428	**460,238,536**
Loans and advances to banks	37,024,254	199,857,129	2,246,107	6,950,705	**246,078,195**
Loans and advances to customers	297,494,661	315,181,718	23,032,166	14,181,612	**649,890,157**
Financial assets at fair value through profit or loss	105,867,474	19,422,247	-	-	**125,289,721**
Financial assets at fair value through other comprehensive income	22,419,829	56,947,727	-	-	**79,367,556**
Investments at amortised cost	-	-	-	9,785,496	**9,785,496**
Other assets	8,834,866	7,084,735	17,734,757	22,588	**33,676,946**
Liabilities					
Amounts owed to banks	(293,257,796)	(152,217,963)	(2,852,343)	(3,963,202)	**(452,291,304)**
Amounts owed to customers	(289,021,846)	(752,239,631)	(4,437)	(16,558,328)	**(1,057,824,242)**
Debt securities in issue	(15,146,130)	(64,404,735)	-	-	**(79,550,865)**
Other liabilities	(13,145,448)	(4,766,905)	(1,441,753)	(2,809,405)	**(22,163,511)**
Net on balance sheet financial position	**180,265,952**	**(26,424,749)**	**38,714,738**	**8,217,748**	**200,773,689**
Notional amount of derivative Instruments held for risk management	**22,065,817**	**26,391,675**	**(40,000,000)**	**(8,457,492)**	**-**
Net foreign exchange exposure		**(33,074)**	**(1,285,262)**	**(239,744)**	

The USD40.0m (2018: USD 35.0m) derivative instruments are held by the Bank to manage the risk of INR foreign exchange risk that occurs on consolidation.

Group - 31 December 2018

All amounts are expressed in USD	In reporting currency	EUR	INR	Other currencies	Total
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	8,755	151,896,806	327	4,977	**151,910,865**
Trading assets	272,104,885	74,640,000	-	540,082	**347,284,967**
Loans and advances to banks	76,288,424	239,436,408	1,091,322	8,753,575	**325,569,729**
Loans and advances to customers	345,944,913	273,471,894	25,388,042	16,221,642	**661,026,491**
Financial assets at fair value through profit or loss	156,085,932	17,276,918	-	-	**173,362,850**
Financial assets at fair value through other comprehensive income	40,095,069	47,373,097	-	-	**87,468,166**
Investments at amortised cost	-	-	-	9,923,499	**9,923,499**
Other assets	12,925,239	6,916,646	16,429,534	80,502	**36,351,921**
Liabilities					
Amounts owed to banks	(381,106,535)	(58,301,538)	(9,381,371)	(5,608,835)	**(454,398,279)**
Amounts owed to customers	(283,476,348)	(728,792,325)	(37,694)	(15,238,444)	**(1,027,544,811)**
Debt securities in issue	(62,626,490)	(24,469,888)	-	-	**(87,096,378)**
Other liabilities	(13,242,754)	(3,375,168)	(581,760)	(1,111,995)	**(18,311,677)**
Net on balance sheet financial position	**163,001,090**	**(3,927,150)**	**32,908,400**	**13,565,003**	**205,547,343**
Notional amount of derivative Instruments held for risk management	**45,908,919**	**2,908,253**	**(35,000,000)**	**(13,817,172)**	**-**
Net foreign exchange exposure		**(1,018,897)**	**(2,091,600)**	**(252,169)**	

Bank - 31 December 2019

All amounts are expressed in USD	In reporting currency	EUR	INR	Other currencies	Total
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	-	208,256,185	-	3,222	**208,259,407**
Loans and advances to banks	32,069,617	198,225,444	-	2,056,689	**232,351,750**
Loans and advances to customers	456,005,434	350,991,204	-	4,156,211	**811,152,849**
Financial assets at fair value through profit or loss	105,920,550	19,422,248	-	-	**125,342,798**
Financial assets at fair value through other comprehensive income	22,419,829	56,947,727	-	-	**79,367,556**
Investments at amortised cost	-	-	-	9,785,496	**9,785,496**
Other assets	404,210	6,342,406	-	40,254	**6,786,870**
Liabilities					
Derivative liabilities held for risk management	(12,094)	-	-	-	**(12,094)**
Amounts owed to banks	(272,856,621)	(131,825,284)	-	(390,120)	**(405,072,025)**
Amounts owed to customers	(240,413,058)	(730,851,200)	-	(6,869,744)	**(978,134,002)**
Other liabilities	(5,429,235)	(7,016,504)	(264,923)	(451,625)	**(13,162,287)**
Net on balance sheet financial position	**98,108,632**	**(29,507,774)**	**(264,923)**	**8,330,383**	**76,666,318**
Notional amount of derivative Instruments held for risk management	**22,065,817**	**26,391,675**	**(40,000,000)**	**(8,457,492)**	**-**
Net foreign exchange exposure		**(3,116,099)**	**(40,264,923)**	**(127,109)**	

Bank - 31 December 2018

All amounts are expressed in USD	In reporting currency	EUR	INR	Other currencies	Total
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	-	151,888,512	-	2,493	**151,891,005**
Derivative assets held for risk management	16,876	-	-	-	**16,876**
Loans and advances to banks	74,496,155	239,254,289	-	7,799,797	**321,550,241**
Loans and advances to customers	424,685,383	297,095,806	-	8,927,256	**730,708,445**
Financial assets at fair value through profit or loss	156,161,457	17,276,917	-	-	**173,438,374**
Financial assets at fair value through other comprehensive income	40,095,069	47,373,097	-	-	**87,468,166**
Investments at amortised cost	-	-	-	9,923,499	**9,923,499**
Other assets	410,121	6,148,437	-	8,372	**6,566,930**
Liabilities					
Amounts owed to banks	(352,365,422)	(45,653,573)	-	(796,762)	**(398,815,757)**
Amounts owed to customers	(234,012,931)	(715,364,521)	-	(11,915,291)	**(961,292,743)**
Debt securities in issue	(14,849,948)	-	-	-	**(14,849,948)**
Other liabilities	(3,436,750)	(2,391,630)	-	(150,003)	**(5,978,383)**
Net on balance sheet financial position	**91,200,010**	**(4,372,666)**	**-**	**13,799,361**	**100,626,705**
Notional amount of derivative instruments held for risk management	**45,908,919**	**2,908,253**	**(35,000,000)**	**(13,817,172)**	**-**
Net foreign exchange exposure		**(1,464,413)**	**(35,000,000)**	**(17,811)**	

The following exchange rates were applied during the year:

	Average rate		Reporting date mid-spot rate	
	2019	2018	2019	2018
1 EUR	1.1195	1.1800	1.1233	1.1450
1 INR	0.0142	0.0146	0.0140	0.0143

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

	Group		Bank	
	Equity USD	Profit or loss USD	Equity USD	Profit or loss USD
2019				
EUR	(2,315)	(2,315)	(218,127)	(218,127)
INR	(89,968)	-	(2,818,545)	(2,818,545)
Other currencies	(16,782)	(16,782)	(8,898)	(8,898)
2018				
EUR	(71,323)	(71,323)	(102,509)	(102,509)
INR	(146,412)	-	(2,450,000)	(2,450,000)
Other currencies	(17,652)	(17,652)	(1,184)	(1,184)

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

5.4.2 Position risk

Position risk in traded debt instruments refers to the risk of adverse effects on the value of positions in the trading book of general movements in market interest rates or prices or movements specific to the issuer of a security.

5.4.3 Interest rate risk

Interest rate risk on positions not included in the trading book (i.e. Interest Rate Risk in the Banking Book or ("IRRBB")) refers to the risk to earnings or Group's financial instruments to movements in interest rates. The risk impacts the earnings and equity of the Group as a result of changes in the economic value of its assets, liabilities and off-balance sheet instruments. The Group's operations are subject to interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or at different amounts.

Accordingly, interest rate risk in the non-trading book is managed on a monthly basis, through the use of maturity/re-pricing schedules that distribute interest-bearing assets and liabilities into different time bands. Such computations are done separately for USD, EUR and INR given that transactions held in such currencies are material when compared to the rest of the banking book portfolio. The determination of each instrument into the appropriate time period is dependent on the contractual maturity (if fixed rate) or time remaining to their next re-pricing date (if floating rate). This method also referred to as 'gap analysis', will eventually portray the Group's sensitivity of earnings. On the other hand, the modified duration method is used to measure the sensitivity of equity valuation to changes in interest rates.

A positive, or asset-sensitive, gap arises when assets (both on- and off-balance sheet) exceed liabilities in the corresponding time band, and this implies that the Group's net interest income (and therefore capital) could decline as a result of a decrease in the level of interest. To the contrary, a negative, or liability-sensitive, gap implies that net interest income could decrease as a result of an increase in interest rates.

Group – 31 December 2019

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets							
Balances with the Central Bank of Malta, treasury bills and cash	208,250,873	-	-	-	-	26,131	**208,277,004**
Trading assets	91,056,292	127,287,199	93,974,472	97,774,658	48,838,565	1,307,350	**460,238,536**
Derivative assets held for risk management	-	-	-	-	-	142,249	**142,249**
Loans and advances to banks	36,891,328	1,490,250	3,392,496	-	-	204,304,121	**246,078,195**
Loans and advances to customers	407,283,396	2,663,634	10,075,395	16,397,199	10,928,999	202,541,534	**649,890,157**
Financial assets at fair value through profit or loss	-	-	-	-	-	125,342,798	**125,342,798**
Investments at amortised cost	-	-	-	-	9,894,459	(108,963)	**9,785,496**
Financial assets at fair value through other comprehensive income	-	-	-	19,555,840	59,157,528	654,188	**79,367,556**
Other assets	-	-	-	-	-	113,908,233	**113,908,233**
Total assets	**743,481,889**	**131,441,083**	**107,442,363**	**133,727,697**	**128,819,551**	**648,117,641**	**1,893,030,224**
Liabilities							
Derivative liabilities held for risk management	-	-	-	-	-	187,700	**187,700**
Amounts owed to banks	129,223,635	67,292,384	46,676,183	10,785,897	45,025,223	153,287,982	**452,291,304**
Amounts owed to customers	504,040,349	248,706,428	26,097,451	39,810,052	5,711,701	233,458,261	**1,057,824,242**
Debt securities in issue	40,116,366	16,810,535	22,281,262	-	-	342,702	**79,550,865**
Other liabilities	-	-	-	-	-	22,075,076	**22,075,076**
Provision for liabilities and charges	-	-	-	-	-	88,435	**88,435**
Equity	-	-	-	-	-	281,012,602	**281,012,602**
Total liabilities and equity	**673,380,350**	**332,809,347**	**95,054,896**	**50,595,949**	**50,736,924**	**690,452,758**	**1,893,030,224**

	Less than 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets	874,922,972	107,442,363	133,727,697	128,819,551	648,117,641	**1,893,030,224**
Liabilities	(1,006,189,697)	(95,054,896)	(50,595,949)	(50,736,924)	(690,452,758)	**(1,893,030,224)**
Interest sensitivity gap	**(131,266,725)**	**12,387,467**	**83,131,748**	**78,082,627**	**(42,335,117)**	**-**
Cumulative gap	**(131,266,725)**	**(118,879,258)**	**(35,747,510)**	**42,335,117**	**-**	**-**
Change in interest rate for the period:						
200bps increase	**(1,969,001)**	**123,875**	**138,553**			
200bps decrease	**1,969,001**	**(123,875)**	**(138,553)**			

Group – 31 December 2018

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets							
Balances with the Central Bank of Malta, treasury bills and cash	151,882,061	-	-	-	-	28,804	**151,910,865**
Trading assets	47,524,651	152,881,039	91,855,138	31,584,441	23,362,835	76,863	**347,284,967**
Derivative assets held for risk management	-	-	-	-	-	92,852	**92,852**
Loans and advances to banks	50,768,766	7,106,855	43,027,010	-	-	224,667,098	**325,569,729**
Loans and advances to customers	465,736,988	12,637,331	10,069,298	-	5,918,127	166,664,747	**661,026,491**
Financial assets at fair value through profit or loss	-	-	-	-	-	173,438,374	**173,438,374**
Financial assets at fair value through other comprehensive income	-	39,917,591	-	-	46,690,787	859,788	**87,468,166**
Investments at amortised cost	-	-	-	-	9,881,423	42,076	**9,923,499**
Other assets	-	-	-	-	-	112,254,947	**112,254,947**
Total assets	**715,912,466**	**212,542,816**	**144,951,446**	**31,584,441**	**85,853,172**	**678,125,549**	**1,868,969,890**
Liabilities							
Derivative liabilities held for risk management	-	-	-	-	-	2,928,925	**2,928,925**
Amounts owed to banks	130,270,382	145,497,996	37,372,647	14,007,328	-	127,249,926	**454,398,279**
Amounts owed to customers	542,520,575	172,227,161	57,922,542	52,752,827	5,656,067	196,465,639	**1,027,544,811**
Debt securities in issue	28,955,906	41,097,759	17,027,708	-	-	15,005	**87,096,378**
Other liabilities	-	-	-	-	-	18,311,677	**18,311,677**
Equity	-	-	-	-	-	278,689,820	**278,689,820**
Total liabilities and equity	**701,746,863**	**358,822,916**	**112,322,897**	**66,760,155**	**5,656,067**	**623,660,992**	**1,868,969,890**

	Less than 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets	928,455,283	144,951,446	31,584,441	85,853,172	678,125,548	**1,868,969,890**
Liabilities	(1,060,569,779)	(112,322,897)	(66,760,155)	(5,656,067)	(623,660,992)	**(1,868,969,890)**
Interest sensitivity gap	**(132,114,496)**	**32,628,549**	**(35,175,714)**	**80,197,105**	**54,464,556**	**-**
Cumulative gap	**(132,114,496)**	**(99,485,947)**	**(134,661,661)**	**(54,464,556)**	**-**	**-**
Change in interest rate for the period:						
200bps increase	**(1,981,717)**	**326,285**	**(58,626)**			
200bps decrease	**1,981,717**	**(326,285)**	**58,626**			

Bank – 31 December 2019

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets							
Balances with the Central Bank of Malta, treasury bills and cash	208,250,874	-	-	-	-	8,533	**208,259,407**
Derivative assets held for risk management	-	-	-	-	-	96,285	**96,285**
Loans and advances to banks	36,493,893	-	3,392,496	-	-	192,465,361	**232,351,750**
Loans and advances to customers	672,667,443	-	-	17,211	10,882,114	127,586,081	**811,152,849**
Financial assets at fair value through profit or loss	-	-	-	-	-	125,342,798	**125,342,798**
Investments at amortised cost	-	-	-	-	9,894,459	(108,963)	**9,785,496**
Financial assets at fair value through other comprehensive income	-	-	-	19,555,840	59,157,528	654,188	**79,367,556**
Other assets	-	-	-	-	-	188,887,287	**188,887,287**
Total assets	**917,412,210**	**-**	**3,392,496**	**19,573,051**	**79,934,101**	**634,931,570**	**1,655,243,428**
Liabilities							
Derivative liabilities held for risk management	-	-	-	-	-	193,691	**193,691**
Amounts owed to banks	96,250,146	64,486,745	45,000,000	3,931,701	44,933,723	150,469,710	**405,072,025**
Amounts owed to customers	504,096,107	248,706,428	26,097,451	39,839,877	5,711,701	153,682,438	**978,134,002**
Other liabilities	-	-	-	-	-	13,077,128	**13,077,128**
Provision for liabilities and charges	-	-	-	-	-	85,159	**85,159**
Equity	-	-	-	-	-	258,681,423	**258,681,423**
Total liabilities and equity	**600,346,253**	**313,193,173**	**71,097,451**	**43,771,578**	**50,645,424**	**576,189,549**	**1,655,243,428**

	Less than 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets	917,412,209	3,392,496	19,573,051	79,934,101	634,931,571	**1,655,243,428**
Liabilities	(913,539,426)	(71,097,451)	(43,771,578)	(50,645,424)	(576,189,549)	**(1,655,243,428)**
Interest sensitivity gap	**3,872,783**	**(67,704,955)**	**(24,198,527)**	**29,288,677**	**58,742,022**	**-**
Cumulative gap	**3,872,783**	**(63,832,172)**	**(88,030,699)**	**(58,742,022)**	**-**	**-**
Change in interest rate for the period:						
200bps increase	**58,092**	**(677,050)**	**(40,331)**			
200bps decrease	**(58,092)**	**677,050**	**40,331**			

Bank – 31 December 2018

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets							
Balances with the Central Bank of Malta, treasury bills and cash	151,882,061	-	-	-	-	8,944	**151,891,005**
Derivative assets held for risk management	-	-	-	-	-	109,727	**109,727**
Loans and advances to banks	50,768,736	7,106,855	43,027,010	-	-	220,647,640	**321,550,241**
Loans and advances to customers	603,793,603	12,637,331	10,069,298	-	10,943,405	93,264,808	**730,708,445**
Financial assets at fair value through profit or loss	-	-	-	-	-	173,438,374	**173,438,374**
Investments at amortised cost	-	-	-	-	9,881,423	42,076	**9,923,499**
Financial assets at fair value through other comprehensive income	-	39,917,591	-	-	46,690,787	859,788	**87,468,166**
Investments in subsidiaries	-	-	-	-	-	102,595,614	**102,595,614**
Other assets	-	-	-	-	-	35,589,298	**35,589,298**
Total assets	806,444,400	59,661,777	53,096,308	-	67,515,615	626,556,269	**1,613,274,369**
Liabilities							
Derivative liabilities held for risk management	-	-	-	-	-	2,928,925	**2,928,925**
Amounts owed to banks	88,733,347	134,063,144	34,700,000	14,007,328	-	127,311,938	**398,815,757**
Amounts owed to customers	543,594,621	172,227,161	57,922,542	52,783,225	5,656,067	129,109,127	**961,292,743**
Debt securities in issue	-	14,849,948	-	-	-	-	**14,849,948**
Other liabilities	-	-	-	-	-	5,978,383	**5,978,383**
Equity	-	-	-	-	-	229,408,613	**229,408,613**
Total liabilities and equity	**632,327,968**	**321,140,253**	**92,622,542**	**66,790,553**	**5,656,067**	**494,736,986**	**1,613,274,369**

	Less than 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets	866,106,177	53,096,308	-	67,515,615	626,556,269	**1,613,274,369**
Liabilities	(953,468,221)	(92,622,542)	(66,790,553)	(5,656,067)	(494,736,986)	**(1,613,274,369)**
Interest sensitivity gap	**(87,362,044)**	**(39,526,234)**	**(66,790,553)**	**61,859,548**	**131,819,283**	**-**
Cumulative gap	**(87,362,044)**	**(126,888,278)**	**(193,678,831)**	**(131,819,283)**	**-**	**-**
Change in interest rate for the period:						
200bps increase	**(1,310,431)**	**(395,262)**	**(111,318)**			
200bps decrease	**1,310,431**	**395,262**	**111,318**			

Cash flow sensitivity analysis for repricing instruments

An increase of 200 basis points at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Bank	
	Equity USD	Profit or loss USD	Equity USD	Profit or loss USD
2019	(1,706,573)	(1,706,573)	(659,289)	(659,289)
2018	(1,714,058)	(1,714,058)	(1,817,011)	(1,817,011)

A decrease of 200 basis points at the reporting date would have equal but opposite effect on the above instruments to the amounts shown above, on the basis that all other variables remain constant.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally to replace or reform interbank offered rates ('IBOR') with alternative nearly risk-free rates (referred to as 'IBOR reform'). The group does not have significant exposure to IBOR on its financial instruments that will be replaced or reformed as part of this market-wide initiative. In any case, there is significant uncertainty over the timing and the methods of transition. The group does not anticipate that the IBOR reform will have significant operational, risk management and accounting impact across its business lines.

The Bank has entrusted its Treasury function to manage its transition to alternative rates. Its objective is to evaluate the extent to which loans granted and financial liabilities reference IBOR cash flow, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. With respect to loans, whilst the absolute majority have floating rates linked to IBOR, these have short term tenures which matures before the end of 2021. At the present time, no fall-back provisions have been contracted for when IBOR ceases to exist.

The Bank has no floating rate financial liabilities. All deposit products are linked to fixed rates of interest that do not depend on IBOR. With respect to derivative instruments, the Bank holds such positions for risk management purposes only. The Bank did not designate any derivatives as hedging instruments in cash flow hedges.

5.4.4 Price risk

The Group is also exposed to price risk on other assets (i.e. other than traded debt instruments) that arises out of changes in market values not related to changes in interest rates or foreign currency. Generally, these would be factors directly related to the issuer's or exposure's financial stability and performance.

The Group is exposed to price risk which arises from debt investments measured at fair value through other comprehensive income, as well as equity investments measured at fair value through profit or loss. Price risk is deemed to be less relevant for the forfaiting portfolio. Investments recorded at fair value through other comprehensive income and fair value through profit or loss are both measured by reference to their market values in active markets.

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

The financial assets designated at fair value through profit or loss include equity shares in three funds namely; the Global Opportunity Fund, the Sustainable Investment Fund and the Trade Finance Fund. It is assumed that units held in the funds are not easily liquidated, particularly under stress, hence these investments are considered as non-high quality liquid assets ("non-HQLAs"). Additionally, the financial assets designated at fair value through other comprehensive income include a mixture of HQLA and non-HQLAs. All things being equal, the less liquid the assets are, the more their susceptibility to price risk.

	Group		Bank	
	2019 USD	2018 USD	2019 USD	2018 USD
Financial assets at fair value through profit or loss	125,342,798	173,438,374	125,342,798	173,438,374
Financial assets at fair value through other comprehensive income	79,367,556	87,468,166	79,367,556	87,468,166
Trading assets	460,238,536	347,284,967	-	-

Cash flow sensitivity analysis for market risk

A 10% increase in the price at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Bank	
	Equity USD	Profit or loss USD	Equity USD	Profit or loss USD
2019	66,494,889	58,558,133	20,471,035	12,534,280
2018	60,819,151	52,072,334	26,090,654	17,343,837

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

5.5 Operational risk

The Group defines operational risks as the risk of loss resulting from inadequate or failed internal processes, people or IT systems, or from external events. When policies, processes or controls fail to perform, there is potential of business disruption which can lead to financial losses. Operational risk exposures are managed through the implementation of a common framework for the identification, assessment, reporting, control and monitoring of operational risk. The Group invested in technology to manage and mitigate against operational risk and a strong operational risk awareness is embedded in the culture of the Group.

The Group cannot expect to eliminate all operational risk but its main objective is to maintain such risk within acceptable levels and parameters. Although the prime responsibility of establishing detailed processes to identify, assess, monitor and report operational risks in accordance with the Operational Risk Management ("ORM") policy, lies with the Business/Support Unit head functions and the appointed Operational Risk Champion in each department, an independent Operational Risk Management Unit ("ORMU") within Risk Management Group and a senior management Operational Risk Management Committee ("ORMC") exist to oversee and embed the operational risk culture within the Group. Each of the respective roles and responsibilities are covered under the Group ORM policy which was approved by the Board.

The Group maintains an operational risk management system that facilitates the recording of: operational risk incidents, the root causes of incidents; and, where appropriate, action plans to correct incidents and prevent future recurrences. The ORMU assesses the identified reported operational risk exposure and recommends measures to manage and mitigate such risks. Any significant operational lapses are escalated and discussed in ORMC for review of corrective measures to be eventually considered.

The Group has in place an enterprise wide Operational Risk Management framework to measure, control, improve and monitor the operational risks that the organisation faces. The Group states its tolerance for Operational Risk in the Group Risk Appetite Framework and performance against this metric is tracked by the ORMC and, BRC.

As part of the Enterprise Risk Management Framework ("ERM"), the Group maintains a Business Continuity Management Program ("BCM"). The BCM falls within the ERM of the Group. The BCM addresses the set of operational risks where environmental factors or poor operational controls raise the potential for loss of or damage to the Group's operations (including people, information, infrastructure and premises). The objectives of the programme are to: protect group employees, assets and reputation; ensure availability of services; identify responsibilities; and meet stakeholders' expectations. Critical systems and procedures are regularly tested, to ensure continued improvement.

Two key components of operational risk are IT risk and legal risk. In view of the importance to monitor and mitigate both risks they are considered separately below.

5.5.1 IT risk

Information Technology ("IT") risk comes about as a result of internal and external events arising from the use and changes to technology that enable and service business processes due to the potential impact to the latter from threats in the general security landscape. Inadequate information technology and processing, inadequate IT strategy and policy or inadequate use of the Group's information technology may all increase IT risk beyond levels that are acceptable to the organisation.

The Group has an IT Steering Committee, the main aim of which is to ensure that strategic decisions relating to IT (including cyber security) are aligned with the overall Group's business strategy.

The Group adopts various measures to manage IT risk and strives to keep up to date with the changes and developments in the IT environment. The Group is also constantly on the look-out for new risks and vulnerabilities with the aim to safeguard the business and Group against these risks.

The Group has well established policies and procedures aimed at regulating the use of technology assets which, amongst others, safeguards against information security breaches. The Group also operates a contingency site for systems that are classified as mission critical. The Group is committed to ongoing development and testing of its Business Continuity Plan to ensure awareness, relevance and effectiveness, and to maintain effective IT controls to reduce losses caused by system disruption or unauthorised use.

5.5.2 Legal risk

The Group is exposed to legal risk as a result of the different legal systems used in the different jurisdictions in which it operates. To mitigate this risk, it seeks legal opinions from the jurisdictions in which it intends to operate, in order to ascertain its potential liabilities when doing business there, including the extent to which an adverse judgement might result in excessive or punitive damages.

With reference to documentation, the Group endeavours to ensure that for each transaction a detailed due diligence is carried out and that documentation is always tailored to the legal requirements of the jurisdiction in which the transaction takes place by seeking local legal advice to ascertain which formalities have to be followed locally to ensure a valid transaction.

The Group has an independent Legal Department deputed to the function of identifying, assessing, monitoring and controlling/mitigating the legal risks which the Group is likely to encounter in its day-to-day activities across the jurisdictions in which it operates.

5.6 Reputational and conduct risk

Reputational risk at FIMBank is defined as the risk of possible damage to the Bank's brand and reputation, and the associated risk to earnings, capital or liquidity arising from any association, action or inaction, which could be perceived by stakeholders to be inappropriate, unethical or inconsistent with the Bank's values and beliefs. Reputational risk could be particularly damaging for the Group since the nature of its business requires maintaining the confidence and trust from its employees, shareholder, depositors, creditors, and from the public in general. The ensuing damage to the Bank's reputation can be significant and can result in loss of customers, increased costs and ultimately, a reduction in income.

It is not only third parties that can cause damage to a Bank's brand. Employees, whether junior staff members or senior business leaders, can, through their words and deeds, expose the Bank to conduct risk.

FIMBank educates employees regarding reputational and conduct risk and has plans in place to manage stakeholder engagement in the event of a data breach. Network security, social media impact, business continuity and communication planning and the like, are regularly reviewed.

5.6.1 Financial crime

Financial crime risk may arise from operational failure, failure to comply with relevant legislations and regulations – including but not limited to: Anti–Money Laundering ("AML") and Combating the Financing of Terrorism ("CFT"), Sanctions Regulations and Banking Regulations. Theses can include acts of misconduct or omissions on the part of its Directors and/or officers and/or representatives overseas, even in matters which are unrelated to their mandate or position within the Group. The impact to the Group for non-compliance with the applicable regulations can be substantial and can include formal enforcement actions, monetary penalties, informal enforcement actions, and enhanced supervisory monitoring. All employees, officers and directors have a responsibility to conduct business ethically and with integrity, in line with Bank's Compliance Manual and related policies

To this purpose, detailed AML, CFT and fraud documentation policies and procedures, a robust Customer Acceptance Policy as well as strong oversight by the Group's Board and management have been devised. These policies and procedures are updated regularly to reflect the latest changes in regulations, legislation and related guidance.

The Group uses qualitative research tools to assess the adequacy of prospective clients and transactions and implemented Anti-Money Laundering software for the screening of incoming and outgoing messages and payments as well as rating of corporate and business relationships. Through these procedures, the Group is be able to identify transactions and clients which pose a higher risk compared to others. These include Politically Exposed Persons, clients and transactions deriving from non-compliant jurisdictions and correspondent banking. In addition, reputational risk is also indirectly mitigated through the setting of country limits. Some of the criteria used in setting up a transaction limit for particular countries are closely related to reputational risk, including issues relating to the political environment such as the fairness and frequency of election processes and access to power and effectiveness in reforming political systems and implementing economic agendas.

The Group also conducts extensive training on sanctions, AML and CFT regulations and policies

5.6.2 Conduct risk

Conduct risk is defined as the current or prospective risk of losses to an institution arising from inappropriate supply of financial services including cases of wilful or negligent misconduct. Conduct risk covers a wide range of issues and may arise from many business processes and products.

5.7 Capital management

The Group's regulatory capital consists of the sum of the following elements:

- Common Equity Tier 1 ("CET1") capital, which includes ordinary share capital, related share premiums, retained earnings, reserves and NCI after adjustment for dividends proposed after the year-end and deductions for goodwill, intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;
- Tier 2 capital, which includes qualifying subordinated liabilities and general credit risk adjustments.

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

The Group and its individually regulated operations have complied with all externally imposed capital requirements. The Group adheres to the requirements set out in the Capital Requirements Regulation ("CRR") and Capital Requirements Directive ("CRD IV"), constituting the European implementation of the Basel accord of 2010.

Pillar I covers credit, market, and operational risks which provides the minimum capital requirements as a percentage of risk-weighted assets, while Pillar II (Supervisory Review and Evaluation Process) involves both banks and regulators taking a view on whether a bank should hold additional capital against risks not covered in Pillar I. Part of the Pillar II process is the Internal Capital Adequacy Assessment Process ("ICAAP") which is the Bank's self-assessment of risks not captured by Pillar I.

Schedule V to this Annual Report and Financial Statements includes additional regulatory disclosures (Pillar III) in terms of Banking Rule BR/07/2014 'Publication of annual report and audited financial statements of credit institutions authorised under the Banking Act, 1994'.

	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Own funds				
Tier 1				
Paid up capital instruments	261,221,882	252,720,107	261,221,882	252,720,107
Share premium	858,885	9,275,773	858,885	9,275,773
Retained earnings/(Accumulated losses)	10,937,616	7,684,096	(8,761,104)	(37,269,073)
Other reserves	9,465,583	10,625,098	5,361,760	4,681,806
Deductions:				
Goodwill accounted for as intangible asset	(8,506,084)	(8,639,383)	-	-
Other intangible assets	(4,601,797)	(4,651,018)	(4,647,642)	(4,669,342)
Deferred tax liabilities associated to other intangible assets	-	133,625	-	133,624
Deferred tax asset that rely on future profitability and arise from temporary differences	(10,316,143)	(12,798,564)	-	(931,041)
Market value of assets pledged in favour of Depositor Compensation Scheme	(4,801,655)	(3,725,497)	(4,801,655)	(3,725,497)
Value adjustments due to the requirements for prudent valuation	(592,231)	-	(314,195)	-
Other transitional adjustments	9,071,952	10,652,754	3,373,055	3,930,549
Common Equity Tier 1	**262,738,008**	**261,276,991**	**252,290,986**	**224,146,906**
Total Tier 1	**262,738,008**	**261,276,991**	**252,290,986**	**224,146,906**
Tier 2				
General credit risk adjustments	-	6,890,599	-	4,075,861
Total Tier 2	**-**	**6,890,599**	**-**	**4,075,861**
Total Own Funds	**262,738,008**	**268,167,590**	**252,290,986**	**228,222,767**

6 Fair values of financial instruments

The Group's Accounting Policy on fair value measurements is discussed in Accounting Policy 3.10.7.

6.1 Valuation of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Accounting Policy 3.10.7. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The fair value framework and hierarchy that reflects the significance of the inputs used in measuring financial instruments is set out in Note 2.4.2.1.

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.

6.2 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 – 31 December 2019

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
- foreign exchange	21	-	96,285	-	**96,285**
- credit default swaps	21	-	45,964	-	**45,964**
Trading assets	22	-	-	460,238,536	**460,238,536**
Financial assets at fair value through profit or loss	25	-	53,077	125,289,721	**125,342,798**
Financial assets at fair value through other comprehensive income	26	79,367,556	-	-	**79,367,556**
Liabilities					
Derivative liabilities held for risk management:					
- foreign exchange	21	-	181,596	-	**181,596**
- credit default swaps	21	-	-	6,104	**6,104**

Group – 31 December 2018

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
- foreign exchange	21	-	92,852	-	**92,852**
Trading assets	22	-	-	347,284,967	**347,284,967**
Financial assets at fair value through profit or loss	25	-	75,524	173,362,850	**173,438,374**
Financial assets at fair value through other comprehensive income	26	87,468,166	-	-	**87,468,166**
Liabilities					
Derivative liabilities held for risk management:					
- foreign exchange	21	-	2,928,925	-	**2,928,925**

Bank – 31 December 2019

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
- foreign exchange	21	-	96,285	-	**96,285**
Financial assets at fair value through profit or loss	25	-	53,077	125,289,721	**125,342,798**
Financial assets at fair value through other comprehensive income	26	79,367,556	-	-	**79,367,556**
Liabilities					
Derivative liabilities held for risk management:					
- foreign exchange	21	-	181,597	-	**181,597**
- interest rate	21	-	12,094	-	**12,094**

Bank – 31 December 2018

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
- foreign exchange	21	-	92,852	-	**92,852**
- interest rate	21	-	16,875	-	**16,875**
Financial assets at fair value through profit or loss	25	-	75,524	173,362,850	**173,438,374**
Financial assets at fair value through other comprehensive income	26	87,468,166	-	-	**87,468,166**
Liabilities					
Derivative liabilities held for risk management:					
- foreign exchange	21	-	2,928,925	-	**2,928,925**

6.3 Level 3 fair value measurements

6.3.1 Reconciliation

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

Group - 31 December 2019

	Trading assets USD	Financial assets at fair value through profit or loss USD	Total USD
Balance at 1 January 2019	347,284,967	173,438,374	**520,723,341**
Total gains and losses in profit or loss	4,813,338	(218,424)	**4,594,914**
Purchases	602,552,092	2,471,349	**605,023,441**
Settlements	(494,081,966)	(50,000,000)	**(544,081,966)**
Effects of movement in exchange rates	(329,895)	(326,053)	**(655,948)**
Write-off	-	(22,448)	**(22,448)**
Balance at 31 December 2019	**460,238,536**	**125,342,798**	**585,581,334**

Group - 31 December 2018

	Trading assets USD	Financial assets at fair value through profit or loss USD	Total USD
Balance at 1 January 2018	252,509,144	156,652,350	**409,161,494**
Total gains and losses in profit or loss	3,361,721	(660,201)	**2,701,520**
Purchases	446,850,295	21,127,638	**467,977,933**
Settlements	(353,598,508)	(3,000,000)	**(356,598,508)**
Effects of movement in exchange rates	(1,711,825)	(681,413)	**(2,393,238)**
Write-off	(125,860)	-	**(125,860)**
Balance at 31 December 2018	**347,284,967**	**173,438,374**	**520,723,341**

Bank - 31 December 2019

	Financial assets at fair value through profit or loss USD
Balance at 1 January 2019	173,438,374
Total gains and losses in profit or loss	(218,424)
Purchases	2,471,349
Settlements	(50,000,000)
Effects of movement in exchange rates	(326,053)
Write-off	(22,448)
Balance at 31 December 2019	**125,342,798**

Bank - 31 December 2018

	Financial assets at fair value through profit or loss USD
Balance at 1 January 2018	156,652,350
Total gains and losses in profit or loss	(660,201)
Purchases	21,127,638
Settlements	(3,000,000)
Effects of movement in exchange rates	(681,413)
Balance at 31 December 2018	**173,438,374**

6.3.2 Unobservable inputs used in measuring fair value

The below sets out information about significant unobservable inputs used at 31 December 2019 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

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 31 December 2019, the interest rates used range between 2.50% and 13.94% (2018: between 1.50% and 12.83%).

The effect of an estimated general increase of one percentage point in interest rate on trading assets at 31 December 2019 would reduce the Group's profit before tax by approximately USD1,188,253 (2018: USD419,987).

Financial assets at fair value through profit or loss

'Financial assets at fair value through profit or loss' mainly represent holdings in three funds as follows:

- an unlisted sub-fund of a local collective investment scheme, which is independently run by an investment manager licensed and regulated by the Financial Conduct Authority in London. The sub-fund invests in trade finance instruments mainly consisting of loans and receivables.

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

  The effect of a ten percentage point increase/(decrease) in the net asset value of the sub-fund at 31 December 2019 would increase/(decrease) the Bank and Group equity by approximately USD10,586,747 (2018: USD15,608,593).

- an unlisted sub-fund of a local collective investment scheme, which is independently run by an investment manager licensed and regulated by the Financial Conduct Authority in London. The sub-fund invests in sustainable energy plants with returns generated throughout the life of each plant.

  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 to 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 practice. 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 uncertainties including the projected valuations of the individual plants and the future potential income from each plant.

  The effect of a ten percentage point increase/(decrease) in the net asset value of the sub-fund at 31 December 2019 would increase/(decrease) the Bank and Group equity by approximately USD1,695,090 (2018: USD1,727,692).

- an unlisted sub-fund of a local collective investment scheme, which is independently run by an investment manager licensed and regulated by the Financial Conduct Authority in UK. The sub-fund invests in a variety of investments, with relativity complex structures and limited liquidity.

  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 to 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 practice. 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 uncertainties including the projected valuations of the individual assets and the future potential income from each asset.

  The effect of a ten percentage point increase/(decrease) in the net asset value of the sub-fund at 31 December 2019 would increase/(decrease) the Bank and Group equity by approximately USD247,135 (2018: Nil).

7 Classification of financial assets and liabilities

The following tables provide a reconciliation between line items in the Statements of Financial Position and categories of financial instruments.

Group – 31 December 2019

	Mandatorily at fair value through profit or loss USD	Designated at fair value through profit or loss USD	Fair value through other comprehensive income debt instruments USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	-	208,277,004	**208,277,004**
Derivative assets held for risk management	142,249	-	-	-	**142,249**
Trading assets	460,238,536	-	-	-	**460,238,536**
Loans and advances to banks	-	-	-	246,078,195	**246,078,195**
Loans and advances to customers	-	-	-	649,890,157	**649,890,157**
Financial assets at fair value through profit or loss	125,289,721	53,077	-	-	**125,342,798**
Financial assets at fair value through other comprehensive income	-	-	79,367,556	-	**79,367,556**
Investments at amortised cost	-	-	-	9,785,496	**9,785,496**
Total financial assets	**585,670,506**	**53,077**	**79,367,556**	**1,114,030,852**	**1,779,121,991**
Derivative liabilities held for risk management	187,700	-	-	-	**187,700**
Amounts owed to banks	-	-	-	452,291,304	**452,291,304**
Amounts owed to customers	-	-	-	1,057,824,242	**1,057,824,242**
Debt securities in issue	-	-	-	79,550,865	**79,550,865**
Total financial liabilities	**187,700**	**-**	**-**	**1,589,666,411**	**1,589,854,111**

Group – 31 December 2018

	Mandatorily at fair value through profit or loss USD	Designated at fair value through profit or loss USD	Fair value through other comprehensive income debt instruments USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	-	151,910,865	**151,910,865**
Derivative assets held for risk management	92,852	-	-	-	**92,852**
Trading assets	347,284,967	-	-	-	**347,284,967**
Loans and advances to banks	-	-	-	325,569,729	**325,569,729**
Loans and advances to customers	-	-	-	661,026,491	**661,026,491**
Financial assets at fair value through profit or loss	173,362,850	75,524	-	-	**173,438,374**
Financial assets at fair value through other comprehensive income	-	-	87,468,166	-	**87,468,166**
Investments at amortised cost	-	-	-	9,923,499	**9,923,499**
Total financial assets	**520,740,669**	**75,524**	**87,468,166**	**1,148,430,584**	**1,756,714,943**
Derivative liabilities held for risk management	2,928,925	-	-	-	**2,928,925**
Amounts owed to banks	-	-	-	454,398,279	**454,398,279**
Amounts owed to customers	-	-	-	1,027,544,811	**1,027,544,811**
Debt securities in issue	-	-	-	87,096,378	**87,096,378**
Total financial liabilities	**2,928,925**	**-**	**-**	**1,569,039,468**	**1,571,968,393**

Bank – 31 December 2019

	Mandatorily at fair value through profit or loss USD	Designated at fair value through profit or loss USD	Fair value through other comprehensive income debt instruments USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	-	208,259,407	**208,259,407**
Derivative assets held for risk management	96,285	-	-	-	**96,285**
Loans and advances to banks	-	-	-	232,351,750	**232,351,750**
Loans and advances to customers	-	-	-	811,152,849	**811,152,849**
Financial assets at fair value through profit or loss	125,289,721	53,077	-	-	**125,342,798**
Financial assets at fair value through other comprehensive income	-	-	79,367,556	-	**79,367,556**
Investments at amortised cost	-	-	-	9,785,496	**9,785,496**
Total financial assets	**125,386,006**	**53,077**	**79,367,556**	**1,261,549,502**	**1,466,356,141**
Derivative liabilities held for risk Management	193,691	-	-	-	**193,691**
Amounts owed to banks	-	-	-	405,072,025	**405,072,025**
Amounts owed to customers	-	-	-	978,134,002	**978,134,002**
Total financial liabilities	**193,691**	**-**	**-**	**1,383,206,027**	**1,383,399,718**

Bank – 31 December 2018

	Mandatorily at fair value through profit or loss USD	Designated at fair value through profit or loss USD	Fair value through other comprehensive income debt instruments USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	-	151,891,005	**151,891,005**
Derivative assets held for risk management	109,727	-	-	-	**109,727**
Loans and advances to banks	-	-	-	321,550,241	**321,550,241**
Loans and advances to customers	-	-	-	730,708,445	**730,708,445**
Financial assets at fair value through profit or loss	173,362,850	75,524	-	-	**173,438,374**
Financial assets at fair value through other comprehensive income	-	-	87,468,166	-	**87,468,166**
Investments at amortised cost	-	-	-	9,923,499	**9,923,499**
Total financial assets	**173,472,577**	**75,524**	**87,468,166**	**1,214,073,190**	**1,475,089,457**
Derivative liabilities held for risk management	2,928,925	-	-	-	**2,928,925**
Amounts owed to banks	-	-	-	398,815,757	**398,815,757**
Amounts owed to customers	-	-	-	961,292,743	**961,292,743**
Debt securities in issue	-	-	-	14,849,948	**14,849,948**
Total financial liabilities	**2,928,925**	**-**	**-**	**1,374,958,448**	**1,377,887,373**

At 31 December 2019 and 31 December 2018, the fair value of the financial assets measured at amortised cost is approximately equal to the carrying amount. The approximate fair value is based on the following:

- **'balances with Central Bank of Malta, treasury bills and cash' and 'investments at amortised cost'**
  The majority of these assets reprice or mature in less than one hundred eighty days. Hence their fair value is not deemed to differ materially from their carrying amount at the respective reporting dates.

- **'loans and advances to banks' and 'loans and advances to customers'**
  Loans and advances to banks and customers are reported net of allowances to reflect the estimated recoverable amounts as at the financial reporting date. The carrying amount of loans and advances to customers is a reasonable approximation of fair value as these are re-priced to take into account changes in both benchmark rate and credit spreads.

- **'amounts owed to banks', 'amounts owed to customers' and 'debt securities in issue'**
  The majority of these liabilities reprice or mature in less than one year. Hence their fair value is not deemed to differ materially from their carrying amount at the respective reporting dates.

  The Group's debt securities in issue are subject to fixed and variable interest rates. Interest rates on debt securities are further disclosed in Note 36.

8 Operating segments

The group has five significant reportable segments trade finance, forfaiting, factoring, real estate and treasury which are represented by different Group entities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by executive management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The financial position and performance of items not falling within any of the reportable segments is grouped as 'other', and this includes items of non-core activities mainly related to the letting of property to third parties and IT solutions.

In the table below, interest income is disclosed gross of interest expense since it represents the revenue measure used by executive management in assessing the performance of each segment. 'Net interest income' is disclosed in Note 9, including further analysis of its components.

8.1 Information about operating segments

Group – 2019

	Trade finance USD	Forfaiting USD	Factoring USD	Real estate USD	Treasury USD	Total USD
External revenue						
Interest income	2,112,990	20,660,222	10,717,231	2,509,473	23,376,791	**59,376,707**
Net fee and commission income	3,743,712	5,044,807	4,043,286	1,136,639	(1,419,906)	**12,548,538**
Net trading results	-	3,733,347	114,770	-	2,009,589	**5,857,706**
Net gain/(loss) from other financial instruments	-	-	-	-	2,185,316	**2,185,316**
Dividend income	3,591,794	-	-	-	-	**3,591,794**
	9,448,496	**29,438,376**	**14,875,287**	**3,646,112**	**26,151,790**	**83,560,061**
Reportable segment (loss)/profit before income tax	(8,685,869)	17,334,504	4,853,808	1,920,077	3,550,603	**18,973,123**
Reportable segment assets	351,394,939	471,992,221	344,493,684	86,608,148	499,032,478	**1,753,521,470**
Reportable segment liabilities	120,945,935	120,358,254	95,064,032	-	1,208,270,789	**1,544,639,010**

Group – 2018

	Trade finance USD	Forfaiting USD	Factoring USD	Real estate USD	Treasury USD	Total USD
External revenue						
Interest income	6,794,637	18,524,411	10,987,037	1,206,901	25,811,873	**63,324,859**
Net fee and commission income	8,623,427	5,459,089	4,050,220	832,978	(1,064,083)	**17,901,631**
Net trading results	-	5,893,338	260,916	-	1,144,484	**7,298,738**
Net gain/(loss) from other financial instruments	-	-	-	-	(10,898)	**(10,898)**
Dividend income	7,660,271	-	-	-	-	**7,660,271**
	23,078,335	**29,876,838**	**15,298,173**	**2,039,879**	**25,881,376**	**96,174,601**
Reportable segment profit/(loss) before income tax	3,155,814	19,090,509	(471,437)	686,994	(1,359,437)	**21,102,443**
Reportable segment assets	442,470,632	356,524,958	332,571,220	70,032,748	429,174,255	**1,630,773,813**
Reportable segment liabilities	119,293,971	119,269,700	87,179,647	-	1,202,223,336	**1,527,966,654**

8.2 Reconciliations of reportable segment revenues, profit or loss and assets and liabilities

Group

	2019 USD	2018 USD
Revenues		
Total revenue for reportable segments	83,560,061	96,174,601
Consolidated adjustments	(8,656,948)	(7,245,310)
Other revenue	655,470	701,273
Consolidated revenue	**75,558,583**	**89,630,564**
Profit or loss		
Total profit for reportable segments	18,973,123	21,102,443
Other loss	(5,243,076)	(3,293,124)
	13,730,047	**17,809,319**
Loss upon disposal of equity-accounted investees	-	(2,062,937)
Fair value gain on investment property	-	984,951
Profit on disposal of property and equipment	5,029	20,346
Share of results of equity-accounted investees	-	238,634
Effect of other consolidation adjustments on segment results	(6,472,952)	(3,996,462)
Consolidated profit before tax	**7,262,124**	**12,993,851**

	2019 USD	2018 USD
Assets		
Total assets for reportable segments	1,753,521,470	1,630,773,813
Other assets	134,456,985	240,383,038
	1,887,978,455	**1,871,156,851**
Effect of other consolidation adjustments on segment results	5,051,769	(2,186,961)
Consolidated assets	**1,893,030,224**	**1,868,969,890**
Liabilities		
Total liabilities for reportable segments	1,544,639,010	1,527,966,654
Other liabilities	67,944,357	63,382,797
	1,612,583,367	**1,591,349,451**
Effect of other consolidation adjustments on segment results	(565,745)	(1,069,381)
Consolidated liabilities	**1,612,017,622**	**1,590,280,070**

8.3 Geographical areas

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers, and assets are based on the geographical location of the assets – separately disclosing countries which exceed 10% of the total.

Group

	External revenues and net trading results	
	2019	2018
	USD	USD
Malta	14,373,445	12,936,653
India	10,848,380	8,188,556
Russian Federation	168	10,100,846
Other countries (individually less than 10%)	50,336,590	58,404,509
	75,558,583	**89,630,564**

Group

	Malta		Other countries		Total	
	2019	2018	2019	2018	2019	2018
	USD	USD	USD	USD	USD	USD
Non-current assets	56,617,264	52,239,564	7,500,906	9,386,426	**64,118,170**	**61,625,990**

'Non-current assets' include 'property and equipment', 'investment property' and 'intangible assets and goodwill'.

9 Net interest income

	Group		Bank	
	2019	2018	2019	2018
	USD	USD	USD	USD
Interest income				
On loans and advances to banks	2,692,773	2,258,599	2,509,733	2,045,322
On loans and advances to customers	25,946,842	33,727,297	17,724,068	24,445,218
On loans and advances to subsidiary companies	-	881	8,845,008	7,186,501
	28,639,615	**35,986,777**	**29,078,809**	**33,677,041**
On forfaiting assets	20,659,660	18,523,080	-	-
On financial assets at fair value through other comprehensive income	386,304	726,939	386,304	726,939
On investments at amortised cost	512,388	76,629	512,388	76,629
On other trade finance activities	333,732	822,952	333,732	822,952
	50,531,699	**56,136,377**	**30,311,233**	**35,303,561**
Interest expense				
On amounts owed to banks	7,433,213	12,143,208	5,176,958	7,932,981
On amounts owed to customers	7,386,406	9,613,322	7,386,407	9,610,750
On debt securities in issue	2,123,505	1,631,402	150,052	15,005
On amounts owed to subsidiary companies	-	-	6,230	31,293
On Central Bank of Malta funding	1,091,268	750,546	1,091,268	750,546
On negative interest treasury balances	60,955	-	60,955	-
On subordinated debt	-	799,196	-	799,196
On lease liability	115,119	-	165,990	-
	18,210,466	**24,937,674**	**14,037,860**	**19,139,771**
Net interest income	**32,321,233**	**31,198,703**	**16,273,373**	**16,163,790**

Included in Group and Bank is 'interest income' and 'interest expense' payable to the parent company and other related companies (see Note 45).

10 Net fee and commission income

	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Fee and commission income				
Credit related fees and commission	2,007,547	3,347,551	2,007,547	3,347,240
On letters of credit	1,245,275	4,053,907	1,231,611	4,051,986
On factoring	6,038,821	5,830,079	2,025,699	2,448,989
On forfaiting activities	6,608,921	6,733,322	-	-
On IT Solutions	10,000	20,000	-	-
Other fees	2,515,547	3,017,514	2,488,286	3,001,688
	18,426,111	**23,002,373**	**7,753,143**	**12,849,903**
Fee and commission expense				
Credit related fees	390,709	338,670	390,709	338,670
Correspondent banking fees	767,355	660,973	701,386	612,531
On forfaiting activities	1,152,469	1,046,146	-	-
Other fees	3,635,056	3,310,760	1,986,188	1,848,051
	5,945,589	**5,356,549**	**3,078,283**	**2,799,252**
Net fee and commission income	**12,480,522**	**17,645,824**	**4,674,860**	**10,050,651**

Included in Group and Bank is 'fee and commission income' and 'fee and commission expense' payable to the parent company and other related companies (see Note 45).

11 Net trading results

	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Net trading income from assets held for trading	3,897,058	5,993,788	-	-
Foreign exchange rate results	2,141,477	(901,133)	2,172,499	(1,075,511)
Net results on derivatives held for risk management	(201,292)	2,195,129	(1,249,880)	3,718,861
	5,837,243	**7,287,784**	**922,619**	**2,643,350**

12 Net gain/(loss) from other financial instruments carried at fair value

	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Investment securities				
Equity investments at fair value through profit or loss	(218,431)	25,102	(218,431)	25,102
Debt investments at fair value through other comprehensive income	2,403,747	(36,000)	2,403,747	(36,000)
	2,185,316	**(10,898)**	**2,185,316**	**(10,898)**

13 Dividend income

	Group		Bank	
	2019	2018	2019	2018
	USD	USD	USD	USD
Dividend income from equity investments at fair value through profit or loss	3,591,794	7,660,271	3,591,794	7,660,271
Dividend income from subsidiary undertaking	-	-	40,000,000	10,000,000
	3,591,794	**7,660,271**	**43,591,794**	**17,660,271**

14 Loss upon disposal of equity-accounted investee

During 2018, the Group through its subsidiary FIM Holdings (Chile) S.p.A. finalised the disposal of its entire investment in Latam Factors, with a residual loss of USD2,062,937 being recognised in the Group's Statement of Profit or Loss.

	Group	
	2019	2018
	USD	USD
Carrying amount before disposal	-	(4,532,941)
Proceeds on disposal	-	2,470,004
Loss upon disposal	**-**	**(2,062,937)**

15 Other operating income

	Group		Bank	
	2019	2018	2019	2018
	USD	USD	USD	USD
Rental income from leased property	808,076	765,792	-	-
Profit on disposal of property and equipment	5,029	20,346	-	-
Other non-trading income	118,904	125,068	118,904	125,068
	932,009	**911,206**	**118,904**	**125,068**

16 Administrative expenses

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

	Group		Bank	
	2019	2018	2019	2018
	USD	USD	USD	USD
Personnel expenses	23,146,353	23,820,821	13,348,480	14,227,613
Operating lease rentals	377,493	1,481,601	373,235	1,745,792
Other administrative expenses	10,232,647	10,284,434	6,667,639	7,391,795
Recharge of services rendered by subsidiaries	-	-	(83,653)	421,847
	33,756,493	**35,586,856**	**20,305,701**	**23,787,047**

In 2019, following the implementation of IFRS 16, 'operating lease rentals' relate to leased assets which are low in value and/or short-term. Included in 'operating lease rentals' for the Bank is an amount of USD2,072 (2018: USD1,453,487) payable to subsidiary companies.

Included in 'other administrative expenses' of the Group for the financial year ended 31 December 2019 are the following fees charged by the Group Statutory Auditors:

	Audit services USD	Other assurance services USD	Tax advisory services USD	Other non-audit services USD
By the auditors of the parent	355,742	94,577	4,681	18,880
By the auditors of subsidiaries	212,806	69,096	13,189	2,630

All fees are inclusive of indirect taxes.

16.2 Personnel expenses incurred during the year

	Group		Bank	
	2019 USD	2018 USD	2019 USD	2018 USD
Directors' emoluments	417,249	388,162	417,249	388,162
Staff costs:				
- wages, salaries and allowances	21,424,693	22,237,079	12,377,049	13,278,596
- defined contribution costs	1,304,411	1,195,580	554,182	560,855
	23,146,353	**23,820,821**	**13,348,480**	**14,227,613**

16.3 Average number of employees

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

	Group		Bank	
	2019 No. of employees	2018 No. of employees	2019 No. of employees	2018 No. of employees
Executive and senior managerial	38	34	20	19
Other managerial, supervisory and clerical	297	340	168	162
Other staff	11	13	1	3
	346	**387**	**189**	**184**

16.4 Executive share option schemes

FIMBank

In May 2019, the Annual General Meeting authorised the Board of Directors of the Bank to issue and allot up to a maximum of 10,000,000 Equity Securities over a period of five years limitedly, for the purpose of implementing the Employee Share Award Scheme Rules.

During 2019 the Bank has not awarded shares under the Employee Share Award Scheme.

India Factoring

India Factoring has an Employee Stock Option Plan (ESOP), under which it has granted 2,844,000 options to the eligible employees of the company on the basis of their service and other eligibility criteria. The ESOP is monitored by India Factoring Employee Welfare Trust, a shareholder of India Factoring.

At 31 December 2019, the company had 2,152,800 (31 December 2018: 2,152,800) outstanding share options, at an exercise price of INR10/option (31 December 2018: INR10/option).

17 Share of results of equity-accounted investees (net of tax)

During 2018, the Group resolved to seek an orderly disposal of its investment in Latam Factors and in June 2018 the investment was reclassified from 'investment in equity-accounted investees' to 'non-current assets held for sale' (refer to Note 14). The share of results of Latam Factors from January to June 2018 amounted to USD 238,634.

18 Taxation

18.1 Amounts recognised in profit or loss

	Group		Bank	
	2019 USD	2018 USD	2019 USD	2018 USD
Current tax	(1,250,569)	(993,941)	(423,981)	(145,332)
Deferred tax				
- deferred tax assets	(1,481,452)	(1,717,481)	(341,452)	(969,917)
- deferred tax liabilities	-	(78,796)	-	-
Taxation	**(2,732,021)**	**(2,790,218)**	**(765,433)**	**(1,115,249)**

18.2 Amounts recognised in other comprehensive income

Group – 31 December 2019

	Before tax USD	Tax (expense)/ benefit USD	Net of tax USD
Items that are or may be reclassified subsequently to profit or loss			
Movement in translation reserve:			
- Foreign currency translation differences for foreign operations	(1,886,278)	-	(1,886,278)
	(1,886,278)	**-**	**(1,886,278)**
Movement in fair value reserve (debt instruments):			
- Net change in fair value			
Fair value movement	906,627	(415,476)	491,151
Amortisation	959,827	-	959,827
Loss allowance	137,742	-	137,742
	2,004,196	**(415,476)**	**1,588,720**
- Net amount reclassified to profit or loss			
Fair value movement	(206,951)	140,732	(66,219)
Amortisation	(1,923,522)	-	(1,923,522)
	(2,130,473)	**140,732**	**(1,989,741)**
	(2,012,555)	**(274,744)**	**(2,287,299)**

Group – 31 December 2018

	Before tax USD	Tax (expense)/ benefit USD	Net of tax USD
Items that will not be reclassified to profit or loss			
Movement in fair value reserve (property and equipment)	2,119,688	(617,595)	1,502,093
Movement in fair value reserve (equity instruments)	(7,608)	2,662	(4,946)
	2,112,080	**(614,933)**	**1,497,147**
Items that are or may be reclassified subsequently to profit or loss			
Movement in translation reserve:			
- Foreign currency translation differences for foreign operations	(2,263,430)	-	(2,263,430)
	(2,263,430)	**-**	**(2,263,430)**
Movement in fair value reserve (debt instruments):			
- Net change in fair value			
Fair value movement	(710,757)	248,765	(461,992)
Amortisation	1,117,476	-	1,117,476
Loss allowance	(3,816)	-	(3,816)
	402,903	**248,765**	**651,668**
- Net amount reclassified to profit or loss			
Fair value movement	40,200	(14,070)	26,130
Amortisation	45,849	-	45,849
	86,049	**(14,070)**	**71,979**
	337,602	**(380,238)**	**(42,636)**

Bank – 31 December 2019

	Before tax USD	Tax (expense)/ benefit USD	Net of tax USD
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value reserve (debt instruments):			
- Net change in fair value			
Fair value movement	906,627	(415,476)	491,151
Amortisation	959,827	-	959,827
Loss allowance	137,742	-	137,742
	2,004,196	**(415,476)**	**1,588,720**
- Net amount reclassified to profit or loss			
Fair value movement	(206,951)	140,732	(66,219)
Amortisation	(1,923,522)	-	(1,923,522)
	(2,130,473)	**140,732**	**(1,989,741)**
	(126,277)	**(274,744)**	**(401,021)**

Bank – 31 December 2018

	Before tax USD	Tax (expense)/ benefit USD	Net of tax USD
Items that will not be reclassified to profit or loss			
Movement in fair value reserve (equity instruments)	**(7,608)**	**2,662**	**(4,946)**
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value reserve (debt instruments):			
- Net change in fair value			
Fair value movement	(710,757)	248,765	(461,992)
Amortisation	1,117,476	-	1,117,476
Loss allowance	(3,816)	-	(3,816)
	402,903	**248,765**	**651,668**
- Net amount reclassified to profit or loss			
Fair value movement	40,200	(14,070)	26,130
Amortisation	45,849	-	45,849
	86,049	**(14,070)**	**71,979**
	481,344	**237,357**	**718,701**

18.3 Reconciliation of effective tax rate

	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Profit before tax	**7,262,124**	**12,993,851**	**30,354,377**	**4,852,596**
Tax income using the domestic income tax rate of 35%	**(2,541,743)**	**(4,547,848)**	**(10,624,032)**	**(1,698,409)**
Tax effect of:				
Non-deductible expenses	304,772	(604,413)	(8,641)	2,139
Non-taxable income	1,257,500	3,067,067	15,257,127	6,181,095
Unrecognised temporary differences	(4,787,934)	(5,490,720)	(5,114,300)	(5,505,608)
Temporary differences previously not recognised	697,709	1,506,672	-	-
Tax effect of investment tax credit	24,088	(177,564)	-	-
Capital gain at different tax rates	-	762,402	-	-
Effect of tax rates in foreign jurisdictions	2,368,341	2,694,186	(275,587)	(94,466)
Under provision of taxation in prior years	(54,754)	-	-	-
Taxation	**(2,732,021)**	**(2,790,218)**	**(765,433)**	**(1,115,249)**

19 Earnings per share

Basic earnings per share

The calculation of basic earnings per share has been based on the following results attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Profit attributable to ordinary shareholders

	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Profit attributable to Equity Holders of the Bank	4,419,144	10,196,095	29,588,944	3,737,347

Weighted average number of ordinary shares

	2019 No. of shares	2018 No. of shares
Weighted average number of ordinary shares at 31 December (basic)	514,567,598	459,637,394

20 Balances with the Central Bank of Malta, treasury bills and cash

	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Balances with the Central Bank of Malta and treasury bills	208,250,873	151,882,061	208,250,874	151,882,061
Cash in hand	26,131	28,804	8,533	8,944
	208,277,004	**151,910,865**	**208,259,407**	**151,891,005**

'Balances with the Central Bank of Malta and treasury bills' include a reserve deposit of EUR9,353,897 (USD10,507,635) (2018: EUR9,769,463 (USD11,185,554)) in terms of Regulation (EC) No: 1745/2003 of the European Central Bank.

21 Derivatives held for risk management

	Group 2019 USD	Group 2018 USD	Bank 2019 USD	Bank 2018 USD
Derivative assets held for risk management				
- foreign exchange	96,285	92,852	96,285	92,852
- interest rate	-	-	-	16,875
- credit default swaps	45,964	-	-	-
	142,249	**92,852**	**96,285**	**109,727**
Derivative liabilities held for risk management				
- foreign exchange	(181,596)	(2,928,925)	(181,597)	(2,928,925)
- interest rate	-	-	(12,094)	-
- credit default swaps	(6,104)	-	-	-
	(187,700)	**(2,928,925)**	**(193,691)**	**(2,928,925)**

22 Trading assets

'Trading assets' represent forfaiting assets held by London Forfaiting Company Limited and comprise bills of exchange, promissory notes and transferable trade related loans. These assets are held for short-term trading.

At 31 December 2019, there were no 'trading assets' pledged in favour of third parties under reverse-repos or borrowing arrangements (2018: Nil).

23 Loans and advances to banks

	Group		Bank	
	2019 USD	2018 USD	2019 USD	2018 USD
Repayable on call and at short notice	214,594,915	223,141,478	203,520,278	220,339,291
Term loans and advances	29,962,282	92,544,146	27,196,392	91,326,845
	244,557,197	**315,685,624**	**230,716,670**	**311,666,136**
Pledged in favour of third parties	4,740,508	14,965,698	4,740,506	14,965,698
Gross loans and advances to banks	**249,297,705**	**330,651,322**	**235,457,176**	**326,631,834**
Loss allowance	(3,219,510)	(5,081,593)	(3,105,426)	(5,081,593)
Net loans and advances to banks	**246,078,195**	**325,569,729**	**232,351,750**	**321,550,241**

'Loans and advances to banks' include blocked funds amounting to USD113,096 (2018: USD88,176) pursuant to US Sanctions.

At 31 December 2019, 'Loans and advances to banks' included assets with a carrying amount of USD4,739,844 (2018: USD14,927,603) pledged in favour of third parties under reverse-repos or borrowing arrangements.

See Note 45 for balances due from related parties.

24 Loans and advances to customers

	Group		Bank	
	2019 USD	2018 USD	2019 USD	2018 USD
Repayable on call and at short notice	457,780,691	425,344,316	226,557,429	222,184,655
Term loans and advances	268,227,556	298,790,618	268,180,666	298,790,618
	726,008,247	**724,134,934**	**494,738,095**	**520,975,273**
Pledged in favour of third parties	289,266	279,523	289,270	279,523
Amounts owed by subsidiary companies	-	-	362,952,516	247,364,359
Total loans and advances to customers	**726,297,513**	**724,414,457**	**857,979,881**	**768,619,155**
Loss allowance	(76,407,356)	(63,387,966)	(46,827,032)	(37,910,710)
Net loans and advances to customers	**649,890,157**	**661,026,491**	**811,152,849**	**730,708,445**

'Pledged in favour of third parties' include an amount of USD239,373 (2018: USD200,657) pledged in favour of the Single Resolution Fund.

'Amounts owed by subsidiary companies' include facilities that are unsecured and repayable on demand. Pricing of facilities is dependent on the currency of funding and market conditions.

See Note 45 for balances due from other related parties.

25 Financial assets at fair value through profit or loss

At reporting date, the Group and Bank held an investment of USD105,867,474 (2018: USD156,085,932) in a sub-fund of a local unlisted collective investment scheme, which is independently run by an investment manager licensed and regulated by the Financial Conduct Authority in London. The Group is a seed investor in the sub-fund, being the subscriber of all seed shares currently in issue (or 98% of total units, as an additional 2% of the units consist of Founders' Shares). Such investor shares entitle the Group to a preferential fee structure as applicable to all other holders of the same class of shares. The sub-fund continues to seek additional investment capital from third-parties which would dilute the Group's unit holding percentage in the sub-fund.

The Group also has a Sub-Fund Service Agreement ("SFSA") with the Investment Manager whereby the Group assists in the risk analysis, credit analysis, recovery and enforcement actions, portfolio monitoring, report production, assisting in the valuation, assisting with regulators engagements, provision of information as requested, assisting in preparing marketing material and preparation of material for the assistance in the evaluation of transactions by the Investment Manager. Remuneration to the Group in respect of the SFSA is related to the asset levels held by the sub-fund.

The Group, through its various entities, offers/sells trade finance transactions to the sub-fund that are in line with its investment objectives. The ultimate decision to participate or otherwise rests with the independent Investment Manager.

Although the Group currently holds more than 50% of the units in the sub-fund, these shares do not carry any voting rights in relation to management and control of the sub-fund; the contractual relationship by virtue of the SFSA is purely operational, in that the Group is performing back-office operations for the Investment Manager; and the sub-fund has no investment restrictions and it can invest in both exposures of the Group or in assets sourced from third parties.

Since the Group does not have the power to direct the relevant activities of the sub-fund or to affect the amount of own returns, it is not consolidating its investment and is measuring it at fair value through profit or loss.

26 Financial assets at fair value through other comprehensive income

	Group		Bank	
	2019 USD	2018 USD	2019 USD	2018 USD
Debt investments at fair value through other comprehensive income	**79,367,556**	**87,468,166**	**79,367,556**	**87,468,166**

At 31 December 2019, 'debt investments at fair value through other comprehensive' included assets with a carrying amount of USD56,947,725 (2018: USD18,880,824) pledged in favour of third parties under reverse-repos or borrowing arrangements.

27 Investments at amortised cost

	Group		Bank	
	2019 USD	2018 USD	2019 USD	2018 USD
Debt investments at amortised cost	9,964,940	9,958,173	9,964,940	9,958,173
Loss allowance	(179,444)	(34,674)	(179,444)	(34,674)
	9,785,496	**9,923,499**	**9,785,496**	**9,923,499**

28 Investments in subsidiaries

28.1 Capital subscribed

	Bank 2019 USD	Bank 2018 USD
At 1 January	102,595,614	94,050,884
Additional investment in London Forfaiting Company Limited	40,000,000	10,000,000
Additional investment in India Factoring and Finance Solutions Private Limited	5,010,328	-
Additional investment in FIMFactors B.V.	342,443	-
Movement in impairment of investments	-	(1,455,270)
At 31 December	**147,948,385**	**102,595,614**

Name of company	Country of incorporation	Nature of business	Equity interest 2019 %	Equity interest 2018 %	Bank 2019 USD	Bank 2018 USD
FIM Business Solutions Limited	Malta	IT services provider	100	100	5,000	5,000
FIM Property Investment Limited	Malta	Property management	100	100	1,005,749	1,005,749
London Forfaiting Company Limited	United Kingdom	Forfaiting	100	100	87,366,435	47,366,435
The Egyptian Company for Factoring S.A.E.	Egypt	Factoring	100	100	11,664,983	11,664,983
FIMFactors B.V.	Netherlands	Holding company	100	100	47,906,217	42,553,446
FIM Holdings (Chile) S.p.A.	Chile	Holding company	100	100	1	1
					147,948,385	**102,595,614**

The carrying amount of the 'investments in subsidiaries' is stated net of impairment, amounting to USD40,654,070 (2018: USD48,481,769), in relation to FIMFactors B.V., The Egyptian Company for Factoring S.A.E. and FIM Holdings (Chile) S.p.A.

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

Name of company	Country of incorporation	Nature of business	Equity interest 2019 %	Equity interest 2018 %
India Factoring and Finance Solutions Private Limited	India	Factoring	87	86
Menafactors Limited *	United Arab Emirates	Factoring	-	100

' * 'Menafactors Limited was liquidated on 30 July 2019.

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

Name of company	Country of incorporation	Nature of business	Equity interest	
			2019	2018
			%	%
London Forfaiting International Limited	United Kingdom	Holding company	100	100

In turn, London Forfaiting International Limited controls the following subsidiaries:

Name of company	Country of incorporation	Nature of business	Equity interest	
			2019	2018
			%	%
London Forfaiting Americas Inc.	United States of America	Marketing	100	100
London Forfaiting do Brasil Ltda.	Brazil	Marketing	100	100

28.2 Impairment assessment

At each reporting date the Bank carries out an impairment assessment to calculate the recoverable amounts of its investment in subsidiaries (at cost) and determine the possibility of an impairment loss. The recoverable amounts of the investment in subsidiaries are 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. There were no impairment losses for the year (2018: USD1,455,270).

FIM Holdings (Chile) S.p.A.

In 2018, the recoverable amount was determined to be lower than the investment (at cost) of the CGU and an impairment loss of USD1,455,270 had been recognised in 'net impairment charge on financial assets' in the Bank's Statement of Profit or Loss.

29 Property and equipment

29.1 Reconciliation of carrying amount

Group

	Freehold land USD	Freehold premises USD	Computer system USD	Improvement to premises USD	Computer equipment USD	Others USD	Total USD
Cost							
At 1 January 2018	7,276,850	20,942,043	1,955,011	733,338	3,627,358	3,291,416	**37,826,016**
Fair value movement	460,353	1,647,854	-	-	1,849	9,631	**2,119,687**
Additions	-	-	-	-	376,538	280,880	**657,418**
Disposals	-	-	-	-	(66,682)	(346,560)	**(413,242)**
Effect of movement in exchange rates	-	-	-	-	(19,723)	(47,447)	**(67,170)**
At 31 December 2018	**7,737,203**	**22,589,897**	**1,955,011**	**733,338**	**3,919,340**	**3,187,920**	**40,122,709**
At 1 January 2019	7,737,203	22,589,897	1,955,011	733,338	3,919,340	3,187,920	**40,122,709**
Reclassification	-	-	-	200,563	-	(200,563)	**-**
Recognition of right-of-use asset on initial application of IFRS 16	-	2,129,259	-	-	-	-	**2,129,259**
Additions	21,885	1,827,056	-	525,765	292,820	146,895	**2,814,421**
Disposals	-	-	-	(161,564)	(53,864)	(117,620)	**(333,048)**
Effect of movement in exchange rates	-	-	-	(4,108)	(4,819)	(3,320)	**(12,247)**
At 31 December 2019	**7,759,088**	**26,546,212**	**1,955,011**	**1,293,994**	**4,153,477**	**3,013,312**	**44,721,094**
Depreciation							
At 1 January 2018	-	-	1,955,011	422,777	2,963,050	2,824,435	**8,165,273**
Charge for the year	-	701,207	-	39,612	354,482	220,904	**1,316,205**
Disposals	-	-	-	-	(66,682)	(346,560)	**(413,242)**
Effects of movement in exchange rates	-	-	-	-	(18,572)	(38,724)	**(57,296)**
At 31 December 2018	**-**	**701,207**	**1,955,011**	**462,389**	**3,232,278**	**2,660,055**	**9,010,940**
At 1 January 2019	-	701,207	1,955,011	462,389	3,232,278	2,660,055	**9,010,940**
Reclassification	-	-	-	16,503	-	(16,503)	**-**
Charge for the year	-	1,666,875	-	132,992	330,769	132,774	**2,263,410**
Disposals	-	-	-	(161,564)	(50,199)	(117,348)	**(329,111)**
Effects of movement in exchange rates	-	(2,705)	-	(1,241)	(3,722)	(2,946)	**(10,614)**
At 31 December 2019	**-**	**2,365,377**	**1,955,011**	**449,079**	**3,509,126**	**2,656,032**	**10,934,625**
Carrying amounts							
At 1 January 2018	7,276,850	20,942,043	-	310,561	664,308	466,981	**29,660,743**
At 31 December 2018	7,737,203	21,888,690	-	270,949	687,062	527,865	**31,111,769**
At 31 December 2019	**7,759,088**	**24,180,835**	**-**	**844,915**	**644,351**	**357,280**	**33,786,469**

As at 31 December 2019, 'Freehold Premises' includes right-of-use assets of USD2.9 million related to leased branches and office premises (see Note 44).

Bank

	Freehold premises USD	Computer system USD	Improvement to premises USD	Computer equipment USD	Others USD	Total USD
Cost						
At 1 January 2018	-	1,955,011	571,772	2,780,069	1,913,965	**7,220,817**
Additions	-	-	-	246,917	97,534	**344,451**
At 31 December 2018	**-**	**1,955,011**	**571,772**	**3,026,986**	**2,011,499**	**7,565,268**
At 1 January 2019	-	1,955,011	571,772	3,026,986	2,011,499	**7,565,268**
Recognition of right-of-use asset on initial application of IFRS 16	5,402,900	-	-	-	-	**5,402,900**
Additions	412,193	-	139,049	202,670	30,939	**784,851**
Disposals	-	-	-	(5,014)	-	**(5,014)**
At 31 December 2019	**5,815,093**	**1,955,011**	**710,821**	**3,224,642**	**2,042,438**	**13,748,005**
Depreciation						
At 1 January 2018	-	1,955,011	261,213	2,272,754	1,696,349	**6,185,327**
Charge for the year	-	-	39,612	272,383	99,474	**411,469**
At 31 December 2018	**-**	**1,955,011**	**300,825**	**2,545,137**	**1,795,823**	**6,596,796**
At 1 January 2019	-	1,955,011	300,825	2,545,137	1,795,823	**6,596,796**
Charge for the year	1,581,687	-	42,922	222,969	76,034	**1,923,612**
Disposals	-	-	-	(1,462)	-	**(1,462)**
At 31 December 2019	**1,581,687**	**1,955,011**	**343,747**	**2,766,644**	**1,871,857**	**8,518,946**
Carrying amounts						
At 1 January 2018	-	-	310,559	507,315	217,616	**1,035,490**
At 31 December 2018	-	-	270,947	481,849	215,676	**968,472**
At 31 December 2019	**4,233,406**	**-**	**367,074**	**457,998**	**170,581**	**5,229,059**

As at 31 December 2019, 'Freehold Premises' includes right-of-use assets of USD4.2 million related to leased branches and office premises (see Note 44).

29.2 Measurement of fair values

Land and buildings are revalued by an independent, professionally qualified architect in accordance with Accounting Policy 3.17.1. Valuations of land and buildings are done using the "investment income approach" whereby market value is derived by capitalising at an appropriate yield rate, the annual income produced, should the property be leased out to third parties. The income is arrived at by analysing a number of rental rates taking cognisance of the location of the property, its size, layout, and planning and energy performance considerations.

The land and premises were revalued on 31 December 2019.

Property fair value measurement is classified as Level 3 (see Note 2.4.2.1). Significant unobservable inputs used in the valuation of these properties is the rental income and the percentage capitalisation rate which indicates the multiplier relationship between net rental income and property value. Further details about these significant inputs are summarised in the table below:

	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Office space	Investment income approach	Rental value per square metre	€284 to €628	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	6.0%	The higher the capitalisation rate the lower the fair value
Parking space	Investment income approach	Rental value per square metre	€160 to €230	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	8.0%	The higher the capitalisation rate the lower the fair value
Stores and ancillary	Investment income approach	Rental value per square metre	€85 to €160	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	9.0%	The higher the capitalisation rate the lower the fair value

30 Investment property

30.1 Reconciliation of carrying amount

Group

	Group 2019 USD	2018 USD
Cost		
At 1 January	17,223,820	16,238,869
Fair value gain	-	984,951
At 31 December	**17,223,820**	**17,223,820**
Carrying amounts		
Cost	7,049,357	7,049,357
Net fair value gains	10,174,463	10,174,463
Carrying amount	**17,223,820**	**17,223,820**

'Investment property' comprises a number of areas within the Group Head Office building in St. Julian's, Malta which are available for rent to third parties.

30.2 Measurement of fair values

Investment property is revalued by an independent professionally qualified architect in accordance with Accounting Policy 3.18. Valuations of investment property is done using a combination of the "investment income approach" and the "comparative value approach". Under the "investment income approach", the market value is derived by capitalising at an appropriate yield rate, the annual income produced, should the property be leased out to third parties. The income is arrived at by analysing a number of rental rates taking cognisance of the location of the property, its size, layout, and planning and energy performance considerations. Under the "comparative value approach" the market value of the property is estimated by selecting an appropriately adjusted price per unit (€/square metre) based on transactions in comparable properties located in proximity to the property.

The investment property was last revalued on 31 December 2019.

Property fair value measurement is classified as Level 3 (see Note 2.4.2.1). Significant unobservable inputs used in the valuation of these properties is the rental income, the sales price and the percentage capitalisation rate which indicates the multiplier relationship between net rental income and property value. Further details about these significant inputs are summarised in the table below:

	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Office space	Investment income approach	Rental value per square metre	€284 to €628	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	6.0%	The higher the capitalisation rate the lower the fair value
Retail space	Comparative value approach	Sales price per square metre	€1,800 to €2,375	The higher the sale price the higher the fair value
Stores and ancillary	Investment income approach	Rental value per square metre	€85 to €160	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	9.0%	The higher the capitalisation rate the lower the fair value

31 Intangible assets and goodwill

31.1 Reconciliation of carrying amount

Group

	Goodwill USD	Software USD	Total USD
Cost			
At 1 January 2018	16,431,960	7,313,601	**23,745,561**
Additions	-	2,586,154	**2,586,154**
Effects of movement in exchange rates	(1,220,164)	(12,728)	**(1,232,892)**
At 31 December 2018	**15,211,796**	**9,887,027**	**25,098,823**
At 1 January 2019	15,211,796	9,887,027	**25,098,823**
Additions	-	951,219	**951,219**
Effects of movement in exchange rates	(267,910)	(3,601)	**(271,511)**
At 31 December 2019	**14,943,886**	**10,834,645**	**25,778,531**
Accumulated amortisation and impairment losses			
At 1 January 2018	7,185,481	4,575,132	**11,760,613**
Charge for the year	-	673,615	**673,615**
Effects of movement in exchange rates	(613,068)	(12,738)	**(625,806)**
At 31 December 2018	**6,572,413**	**5,236,009**	**11,808,422**
At 1 January 2019	6,572,413	5,236,009	**11,808,422**
Charge for the year	-	999,795	**999,795**
Effects of movement in exchange rates	(134,611)	(2,956)	**(137,567)**
At 31 December 2019	**6,437,802**	**6,232,848**	**12,670,650**
Carrying amounts			
At 1 January 2018	9,246,479	2,738,469	11,984,948
At 31 December 2018	8,639,383	4,651,018	13,290,401
At 31 December 2019	**8,506,084**	**4,601,797**	**13,107,881**

Bank

	Software USD
Cost	
At 1 January 2018	5,088,546
Additions	2,543,743
At 31 December 2018	**7,632,289**
At 1 January 2019	7,632,289
Additions	951,219
At 31 December 2019	**8,583,508**
Accumulated amortisation	
At 1 January 2018	2,351,947
Charge for the year	611,000
At 31 December 2018	**2,962,947**
At 1 January 2019	2,962,947
Charge for the year	972,919
At 31 December 2019	**3,935,866**
Carrying amounts	
At 1 January 2018	2,736,599
At 31 December 2018	4,669,342
At 31 December 2019	**4,647,642**

31.2 Impairment testing for CGUs containing goodwill

For the purposes of impairment testing, goodwill is allocated to the Group's CGUs as follows:

	Group 2019 USD	Group 2018 USD
India Factoring		
- cost, net of exchange differences	12,812,886	13,080,796
- accumulated impairment, net of exchange differences	(6,437,802)	(6,572,413)
Egypt Factors		
- cost	2,131,000	2,131,000
	8,506,084	**8,639,383**

31.2.1 India Factoring and Finance Solutions (Private) Limited

The recoverable amount of this CGU was based on its value-in-use, determined using the "income approach" to business valuations. This approach provides an estimate of the present value of the monetary benefits expected to flow to the owners of the business. It requires projection of the cash flows that the business is expected to generate. These cash flows are then converted to their present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risk in the investment. The value of the business, or recoverable amount, is the sum of the discounted cash flows.

At reporting date, the recoverable amount was determined to be higher than the carrying amount of the CGU and the carrying amount of goodwill was deemed to be appropriate.

Financial projections

Financial projections for a ten year period form the basis for the discounted cash flow analysis used to determine value-in-use. These projections were based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue cumulative annual growth rate of 28.8%. Revenue growth was projected taking into account the updated business model of the entity and the estimated growth over the projection period. Management has approved the forecasts, relating to the business carried out by India Factoring, which are based on a strategy to grow the business in a changing market landscape, whilst ensuring an effective operational and control environment. In 2018, cash flows of five years were included in the discounted cash flow model using a budgeted portfolio growth rate of 57.6%.

Terminal value

In 2019, the terminal value, or the value attributed to the CGU beyond the explicit forecast period, was estimated using a 'Gordon Growth Model'. This determination assumed a long-term growth rate ("LTGR") of 5.0%, which is considered appropriate considering the industry and economy growth estimates. In 2018, terminal value in perpetuity was determined by reference to price-to-book of comparable and other economic indicators, further adjusted for size and margins, liquidity and control premium. The terminal value multiple used was 1.5x.

Discount rate

The "income approach" requires the application of an appropriate discount rate that reflects the risks of the cash flows. As the valuation discounts cash flows available to equity shareholders, the valuation model adopts the "cost of equity" as the discount rate.

IAS 36 requires pre-tax cash flows to be discounted using pre-tax discount rate. The pre-tax discount rate cannot be obtained by the grossing up the post-tax discount rate by the standard rate of tax, as the pre-tax rate needs to take into account the post-tax discount rate, the timing of the future cash flows and the useful life of the asset or CGU. The pre-tax discount rate is estimated by an iterative process which is used to solve for a rate that, when applied to the pre-tax cash flows, results in the same total invested capital value of the CGU as estimated based on the post-tax cash flows.

As at 31 December 2019, the pre-tax and post-tax discount rate for the CGU were 21.1% and 16.5% respectively. The post-tax discount rate (representing the cost of equity) applied on valuation date is based on the rate of 10-year government bonds issued by the government in India and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific entity. In 2018, the pre-tax discount rate used in the calculation of value-in-use was 15.8%.

Valuation risks

The key assumptions described above may change as economic, political and market conditions change. Whilst the recoverable amount is higher than the carrying amount, an adverse movement in a key assumption may lead to an impairment of goodwill. The break-even post tax discount rate, that is the rate at which the recoverable amount would be equal to the carrying amount of the CGU, is 17.3%. At the constant discount rate used on 31 December 2019, the break-even long-term growth rate that would reduce the recoverable amount to the carrying amount of the CGU is 3.2%.

Whilst it is inherent that actual results may differ from those budgeted, and such variations may be significant, the Directors believe that the business plan can be supported, such that the Group will recover such goodwill at least at the amount stated.

31.2.2 Egypt Factors

The recoverable amount of this CGU was based on its value-in-use, determined using the "income approach" to business valuations. This approach provides an estimate of the present value of the monetary benefits expected to flow to the owners of the business. It requires projection of the cash flows that the business is expected to generate. These cash flows are then converted to their present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risk in the investment. The value of the business, or recoverable amount, is the sum of the discounted cash flows.

At reporting date, the recoverable amount was determined to be higher than the carrying amount of the CGU and the carrying amount of goodwill was deemed to be appropriate.

Financial projections

Financial projections for a ten year period form the basis for the discounted cash flow analysis used to determine value-in-use. These projections were based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue cumulative annual growth rate of 20.5%. Revenue growth was projected taking into account the updated business model of the entity and the estimated growth over the projection period. Management has approved the forecasts, relating to the business carried out by Egypt Factoring, which are based on a strategy to grow the business in a changing market landscape, whilst ensuring an effective operational and control environment. In 2018, cash flows of five years were included in the discounted cash flow model using a budgeted portfolio growth rate of 38.6%.

Terminal value

In 2019, the terminal value, or the value attributed to the CGU beyond the explicit forecast period, was estimated using a 'Gordon Growth Model'. This determination assumed a long-term growth rate ("LTGR") of 5.0%, which is considered appropriate considering the industry and economy growth estimates. In 2018, terminal value in perpetuity was determined by reference to price-to-book of comparable and other economic indicators, further adjusted for size and margins, liquidity and control premium. The terminal value multiple used was 0.5x.

Discount rate

The "income approach" requires the application of an appropriate discount rate that reflects the risks of the cash flows. As the valuation discounts cash flows available to equity shareholders, the valuation model adopts the "cost of equity" as the discount rate.

IAS 36 requires pre-tax cash flows to be discounted using pre-tax discount rate. As Egypt Factors is a free-trade zone entity which profits are exempt from tax, the pre-tax and post-tax discount rates would be identical.

As at 31 December 2019, the discount rate for the CGU was 12.5%. The discount rate (representing the cost of equity) applied on valuation date is based on the rate of 10-year US government bonds representing the functional currency and equity of the company, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific entity. In 2018, the discount rate used in the calculation of value-in-use was 15.5%.

Valuation risks

The key assumptions described above may change as economic, political and market conditions change. Whilst the recoverable amount is higher than the carrying amount, an adverse movement in a key assumption may lead to an impairment of goodwill. The break-even post tax discount rate, that is the rate at which the recoverable amount would be equal to the carrying amount of the CGU, is 17.9%. At the constant discount rate used on 31 December 2019, the break-even long-term growth rate that would reduce the recoverable amount to the carrying amount of the CGU is 0%.

Whilst it is inherent that actual results may differ from those budgeted, and such variations may be significant, the Directors believe that the business plan can be supported, such that the Group will recover such goodwill at least at the amount stated.

32 Deferred taxation

32.1 Analysis of deferred taxation

	Group		Bank	
	2019	2018	2019	2018
	USD	USD	USD	USD
Deferred tax assets				
Tax effect of temporary differences relating to:				
- excess of capital allowances over depreciation	(676,579)	(553,247)	(738,483)	(572,983)
- allowances for uncollectibility	21,961,237	22,277,847	12,810,123	12,891,926
- changes in fair value of financial instruments	1,036,186	2,245,380	1,036,186	2,245,380
- investment tax credits	-	-	-	-
- unabsorbed capital allowances	625,183	1,556,143	625,183	1,556,143
- unabsorbed tax losses	13,694,999	13,167,981	8,145,593	6,478,575
- other temporary differences	132,560	-	132,560	-
Total deferred tax assets	**36,773,586**	**38,694,104**	**22,011,162**	**22,599,041**
Deferred tax liabilities				
Tax effect of temporary differences relating to:				
- fair valuation of property and equipment	2,837,170	2,837,170	-	-
- fair valuation of investment property	1,377,905	1,377,905	-	-
Total deferred tax liabilities	**4,215,075**	**4,215,075**	**-**	**-**

In 2019, the Group's growth was impacted by the execution of a de-risking process but the Group will continue growing its asset portfolios across the different business units resulting in taxable profits in both the Bank and subsidiaries. As a result, it is considered probable that future taxable profits would be available to absorb the current level of recognised tax losses. 'Deferred tax assets' related to unabsorbed tax losses amounting to USD5,563,574, recognised in a subsidiary, having an expiry period ranging between 31 March 2024 to 31 March 2025.

32.2 Unrecognised deferred taxation

At the financial reporting date, the Bank had unrecognised temporary differences amounting to USD93.7 million (2018: USD78.7 million). In addition, Group entities had unrecognised and unutilised tax losses and tax credits amounting to USD12.9 million (2018: USD8.6 million) and USD0.8million (2018: USD0.6 million) respectively. Unrecognised unabsorbed tax losses amounting to USD12,104,972 carried in a subsidiary have an expiry period ranging between 31 March 2024 to 31 March 2025.

32.3 Movements in temporary differences during the year

32.3.1 Deferred tax assets

Group

	Opening balance USD	Recognised in other comprehensive income USD	Recognised in profit or loss USD	Effect of movement in exchange rates USD	Closing balance USD
2019					
Excess of capital allowances over depreciation	(553,247)	-	(165,495)	42,168	**(676,574)**
Allowances for uncollectibility	22,277,844	-	(81,805)	(234,807)	**21,961,232**
Changes in fair values of financial instruments	2,245,381	(246,427)	(962,767)	-	**1,036,187**
Unabsorbed capital allowances	-	-	625,183	-	**625,183**
Unabsorbed tax losses	14,724,126	-	(1,029,128)	-	**13,694,998**
Other temporary differences	-	-	132,560	-	**132,560**
	38,694,104	**(246,427)**	**(1,481,452)**	**(192,639)**	**36,773,586**
2018					
Excess of capital allowances over depreciation	(374,657)	-	(178,590)	-	**(553,247)**
Allowances for uncollectibility	18,151,232	-	5,003,963	(877,351)	**22,277,844**
Changes in fair values of financial instruments	986,347	265,691	993,343	-	**2,245,381**
Investment tax credits	238,527	-	(238,527)	-	**-**
Unabsorbed capital allowances	975,625	-	(975,625)	-	**-**
Unabsorbed tax losses	21,046,171	-	(6,322,045)	-	**14,724,126**
	41,023,245	**265,691**	**(1,717,481)**	**(877,351)**	**38,694,104**

Bank

	Opening balance USD	Recognised in other comprehensive income USD	Recognised in profit or loss USD	Closing balance USD
2019				
Excess of capital allowances over depreciation	(572,984)	-	(165,495)	**(738,479)**
Allowances for uncollectibility	12,891,921	-	(81,805)	**12,810,116**
Changes in fair values of financial instruments	2,245,381	(246,427)	(962,767)	**1,036,187**
Unabsorbed capital allowances	-	-	625,183	**625,183**
Unabsorbed tax losses	8,034,723	-	110,872	**8,145,595**
Other temporary differences	-	-	132,560	**132,560**
	22,599,041	**(246,427)**	**(341,452)**	**22,011,162**
2018				
Excess of capital allowances over depreciation	(343,212)	-	(229,772)	**(572,984)**
Allowances for uncollectibility	7,897,233	-	4,994,688	**12,891,921**
Changes in fair values of financial instruments	986,347	265,691	993,343	**2,245,381**
Unabsorbed capital allowances	976,134	-	(976,134)	**-**
Unabsorbed tax losses	13,786,765	-	(5,752,042)	**8,034,723**
	23,303,267	**265,691**	**(969,917)**	**22,599,041**

32.3.2 Deferred tax liabilities

Group

	Opening balance USD	Recognised in other comprehensive income USD	Recognised in profit or loss USD	Closing balance USD
2019				
Changes in fair value of property and equipment	(4,215,075)	-	-	**(4,215,075)**
2018				
Changes in fair value of property and equipment	(3,518,684)	(617,595)	(78,796)	**(4,215,075)**

33 Other assets

	Group		Bank	
	2019 USD	2018 USD	2019 USD	2018 USD
Accounts receivable and prepayments	4,665,425	4,261,631	2,477,343	1,442,506
Accrued income	95,649	1,068,246	78,733	1,099,409
Indirect taxation	1,591,422	1,139,609	1,452,127	1,067,514
Pledged in favour of the Depositor Compensation Scheme	4,801,655	3,725,497	4,801,655	3,725,497
Other assets	15,699	18,949	14,295	17,517
	11,169,850	**10,213,932**	**8,824,153**	**7,352,443**

34 Amounts owed to banks

	Group		Bank	
	2019 USD	2018 USD	2019 USD	2018 USD
Term loans and deposits	306,902,225	332,758,420	262,339,655	277,178,957
Repayable on demand	145,389,079	121,639,859	142,732,370	121,636,800
	452,291,304	**454,398,279**	**405,072,025**	**398,815,757**

See Note 45 for balances due to related parties.

The Group includes balances amounting to USD16,991,870 (2018: USD6,798,387) and the Bank includes balances amounting to USD16,161,194 (2018: USD6,798,387) held as collateral for irrevocable commitments. Pledges are generally conducted under terms that are usual and customary for standard borrowing contracts.

35 Amounts owed to customers

	Group		Bank	
	2019	2018	2019	2018
	USD	USD	USD	USD
Term deposits	646,773,808	661,105,290	646,773,808	661,105,290
Repayable on demand	411,050,434	366,439,521	329,555,743	295,705,949
	1,057,824,242	**1,027,544,811**	**976,329,551**	**956,811,239**
Amounts owed to subsidiaries	-	-	1,804,451	4,481,504
	1,057,824,242	**1,027,544,811**	**978,134,002**	**961,292,743**

The Group has deposits amounting to USD15,266,234 (2018: USD35,014,291) held as collateral for irrevocable commitments. Pledges are generally conducted under terms that are usual and customary for standard borrowing contracts.

See Note 45 for balances due to related parties.

'Amounts owed to subsidiaries' include facilities that are interest-free, unsecured and repayable on demand.

36 Debt securities in issue

At 31 December 2019 and 31 December 2018, 'debt securities in issue' comprise of promissory notes with a tenor of up to one year. The Group's effective interest rate ranges between 1.00% and 3.69% (2018: 1.30% and 4.75%). The Bank's effective interest rate is Nil (2018: 4.55%).

37 Provision for liabilities and charges

	Group		Bank	
	2019	2018	2019	2018
	USD	USD	USD	USD
Expected credit loss provision on contingent liabilities	36,602	43,435	36,602	43,435
Expected credit loss provision on commitments	51,833	226,349	48,557	226,349
	88,435	**269,784**	**85,159**	**269,784**

38 Other liabilities

	Group		Bank	
	2019	2018	2019	2018
	USD	USD	USD	USD
Creditors and accruals	10,052,718	11,925,471	6,902,207	4,441,547
Deferred fee income	1,552,079	365,039	92,411	140,003
Indirect taxation	294,703	-	72,195	119,229
Lease liabilities *	2,991,633	-	3,629,816	-
Other liabilities	2,380,500	1,179,729	2,380,499	1,007,820
	17,271,633	**13,470,239**	**13,077,128**	**5,708,599**

' * ' This is the first set of the Group's Annual Financial Statements in which IFRS 16 - Leases has been applied. The related changes to significant accounting policies are described in Note 4.

39 Equity

39.1 Share capital

	2019 Shares of 50 US cents		2018 Shares of 50 US cents	
	Shares	USD	Shares	USD
Authorised				
Ordinary shares at 31 December	1,000,000,000	500,000,000	1,000,000,000	500,000,000
Issued and fully paid up				
Ordinary shares at 31 December	522,443,763	261,221,882	505,440,214	252,720,107

	Ordinary shares	
	2019 No of shares	2018 No of shares
On issue at 1 January	505,440,214	314,531,123
Bonus issue of shares	16,853,044	-
Rights issue of shares	-	190,909,091
Exercise of share options	150,505	-
On issue at 31 December	**522,443,763**	**505,440,214**

39.2 Bonus issue

In May 2019, the Annual General Meeting approved a 1 for 30 bonus issue of shares through the capitalisation of the share premium reserve. The shares were issued and listed on the Malta Stock Exchange on 20 June 2019.

39.3 Share premium

The share premium represents the excess, net of issue costs, over the nominal value of shares, received through a number of capital raising initiatives including new equity from strategic shareholders, rights issues, scrip dividend and allotment of shares under the executive share option schemes. This reserve is non-distributable.

39.4 Reserve for general banking risks

The reserve for general banking risks is a regulatory reserve created by virtue of Banking Rule 9 - Measures Addressing Credit Risks Arising from the Assessment of the Quality of Asset Portfolios of Credit Institutions authorised under the Banking Act 1994. Under this Rule, banks are required to calculate a regulatory allocation which would be equal to their level of non-performing exposures (gross of any collateral but reduced for suspended interest) reduced by the specific impairment allowance as calculated and disclosed in these Financial Statements. An amount ranging between 2.5% and 5.0% of the regulatory allocation is then appropriated to the 'reserve for general banking risks'.

39.5 Currency translation reserve

The currency translation reserve consists of exchange differences arising on the translation of the net investment in foreign operations and the fair value changes on the hedging of net investment in foreign operations.

39.6 Fair value reserve

The fair value reserve comprises:

- the cumulative net change in the fair value of revalued property; and
- the cumulative net change in the fair value of debt securities measured at fair value through other comprehensive income until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance.

Amounts recognised in fair value reserve are net of deferred tax.

39.7 Other reserve

The reserve consists of amounts representing the difference between the net proceeds received on the sale of own shares, net of the relative acquisition costs and the share issue costs by a subsidiary undertaking.

39.8 Dividends

No dividends were declared or paid during the year (2018: Nil). The Board of Directors is not recommending the payment of a dividend for the financial year ended 31 December 2019 (2018: Nil).

39.9 Availability of reserves for distribution

At 31 December 2019, the Bank had accumulated losses of USD8,761,104 (2018: USD37,269,073).

40 Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests ("NCI"), before any intra-group eliminations:

31 December 2019

	India Factoring
Acquisition date	31 March 2014
NCI percentage	12.81%
	USD
Total assets	169,028,329
Total liabilities	(130,506,952)
Net assets	**38,521,377**
Carrying amount of NCI	**(1,471,364)**
Profit for the year	866,188
Profit allocated to NCI	**110,959**
Net increase in cash and cash equivalents	**3,410,166**

31 December 2018

	India Factoring
Acquisition date	31 March 2014
NCI percentage	14%
	USD
Total assets	154,186,809
Total liabilities	120,741,094
Net assets	**33,445,715**
Carrying amount of NCI	**(1,615,254)**
Profit for the year	53,849
Profit allocated to NCI	**7,538**
Net increase in cash and cash equivalents	**4,434,839**

41 Contingent liabilities

'Contingent liabilities' comprise of guarantee obligations incurred on behalf of third parties. Guarantees issued to subsidiaries amount to USD57,191,237 (2018: USD64,654,610).

42 Commitments

	Group		Bank	
	2019 USD	2018 USD	2019 USD	2018 USD
Commitments to purchase assets				
Undrawn credit facilities	98,846,154	107,966,535	95,968,633	82,283,205
Confirmed letters of credit	8,531,163	22,988,539	8,992,355	47,220,241
Documentary credits	16,600,724	5,111,809	31,760,698	20,275,337
Risk participations	1,954,026	8,399,339	1,954,026	8,399,339
Factoring commitments	-	29,858	4,350,715	207,898
Commitment to purchase assets	20,267,222	36,610,687	-	-
Credit default swaps	21,233,431	7,500,000	-	-
Commitments to sell assets				
Commitment to sell assets	(1,492,800)	-	-	-
	165,939,920	**188,606,767**	**143,026,427**	**158,386,020**

The Group has total sanctioned limits to customers amounting to USD2,069,759,913 (2018: USD2,011,894,465). In addition, as at the financial reporting date the Bank had no open back-to-back documentary credits (2018: USD3,283,705).

Subsidiary companies have confirmed USD15,159,974 (2018: USD41,609,760) of documentary credits in favour of the Bank.

See Note 45 for 'commitments' to related parties.

43 Cash and cash equivalents

Balances of cash and cash equivalents as shown on the Statements of Financial Position are analysed as follows:

	Group		Bank	
	2019 USD	2018 USD	2019 USD	2018 USD
Balances with the Central Bank of Malta, treasury bills and cash	208,277,004	151,910,865	208,259,407	151,891,005
Loans and advances to banks	206,532,295	237,463,775	195,466,582	233,961,588
Amounts owed to banks	(269,639,288)	(307,592,639)	(239,839,048)	(286,845,741)
Cash and cash equivalents at end of year	**145,170,011**	**81,782,001**	**163,886,941**	**99,006,852**
Adjustment to reflect balances with contractual maturity of more than three months	(143,106,116)	(58,699,686)	(128,347,809)	(24,381,363)
As per statements of financial position	**2,063,895**	**23,082,315**	**35,539,132**	**74,625,489**
Analysed as follows:				
Balances with the Central Bank of Malta, treasury bills and cash	208,277,004	151,910,865	208,259,407	151,891,005
Loans and advances to banks	246,078,195	325,569,729	232,351,750	321,550,241
Amounts owed to banks	(452,291,304)	(454,398,279)	(405,072,025)	(398,815,757)
	2,063,895	**23,082,315**	**35,539,132**	**74,625,489**

44 Leases

44.1 Leases as lessee

The Group leases a number of branch and office premises that are accounted for in accordance with IFRS 16 provisions. The leases run for a period ranging from two to sixteen years. Some leases have an option to renew the lease after that date. Some leases provide for additional rent payments that are based on changes in local price indices.

The Group also leases some other office premises, motor vehicles and IT equipment, which are low in value and/or short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets relate to leased office premises that are presented within 'property and equipment' (see Note 29).

	Group office premises 2019 USD	Bank office premises 2019 USD
Balance at 1 January	2,133,717	5,402,900
Depreciation charge for the year	(947,838)	(1,581,687)
Additions	1,729,299	412,193
Effect of movement in exchange rates	(4,458)	-
Balance at 31 December	**2,910,720**	**4,233,406**

At 31 December 2018, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	Group 2018 USD	Bank 2018 USD
Maturity analysis – Contractual undiscounted cash flows		
Less than one year	855,411	1,074,088
Between one and five years	922,232	479,295
More than five years	146,340	146,340
Total undiscounted lease liabilities at 31 December	**1,923,983**	**1,699,723**

The Bank's right-of-use assets represents the lease of office premises from a subsidiary.

Amounts recognised in profit or loss

	Group 2019 USD	Bank 2019 USD
2019 – Leases under IFRS 16		
Interest on lease liabilities	115,119	165,990
Expenses relating to short-term leases	377,493	373,235

	Group 2018 USD	Bank 2018 USD
2018 – Operating leases under IAS 17		
Lease expenses	1,481,601	1,745,792

Extension options

Some leases of office premises contain extension options exercisable by the Group up to six months before the end of the non-cancellable contract period. Some extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

44.2 Leases as lessor

Operating lease

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 30 sets out information about the operating leases of investment property.

Rental income recognised by the Group during the year ended 31 December 2019 was USD0.92 million (2018: USD0.87 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group 2019 USD	Bank 2019 USD
2019 – Leases under IFRS 16		
Less than one year	505,190	77,202
Between one and five years	189,476	-
Total	**694,666**	**77,202**

	Group 2018 USD	Bank 2018 USD
2018 – Operating leases under IAS 17		
Less than one year	779,849	118,030
Between one and five years	740,506	78,687
Total	**1,520,355**	**196,717**

45 Related parties

45.1 Identity of related parties

The Bank has a related party relationship with its significant shareholders, subsidiaries, directors, executive officers and companies forming part of the KIPCO Group. For the purpose of this Note, significant shareholders include all shareholders (and their connected parties) holding at least five percent of the issued share capital of the Bank.

45.2 Parent, shareholder having significant influence and other related companies

The aggregate values of transactions and outstanding balances related to the parent and subsidiaries of the parent company were as follows:

		Parent		Subsidiaries of parent	
		2019	2018	2019	2018
	Note	USD	USD	USD	USD
Assets					
Derivative assets held for risk management	21	-	-	55,744	-
Loans and advances to banks	23	-	9,958,173	3,085	-
Loans and advances to customers	24	53,240,400	54,259,630	-	-
Investments at amortised cost	27	9,964,940	-	-	-
Other assets	33	-	-	12,538	-
Liabilities					
Derivative liabilities held for risk management	21	-	-	-	78,100
Amounts owed to customers	35	460,389	10,036,494	2,658	2,658
Statements of profit or loss					
Interest income	9	2,248,949	1,455,012	2,506	-
Interest expense	9	-	(383,216)	-	(1)
Fee and commission income	10	90	802	-	8,831
Net trading results	11	-	-	133,845	-
Net loss from other financial instruments carried at fair value	12	-	-	-	(74,851)
Administrative expenses	16	-	-	(169,792)	(27,439)

The aggregate values of transactions and outstanding balances related to the shareholder having significant influence, subsidiary of shareholder having significant influence and other related companies were as follows:

		Shareholder having significant influence		Subsidiary of shareholder having significant influence		Other related companies	
	Note	2019 USD	2018 USD	2019 USD	2018 USD	2019 USD	2018 USD
Assets							
Loans and advances to banks	23	14,055	10,306	-	34,491,522	-	-
Loans and advances to customers	24	-	-	-	-	20,041,341	12,600,608
Other assets	33	-	858	-	-	-	-
Liabilities							
Amounts owed to banks	34	-	65,099,040	10,001,194	-	-	-
Amounts owed to customers	35	-	-	-	-	21,475,147	13,944,116
Other liabilities	38	-	630	-	-	-	-
Commitments	42	-	-	-	14,779,555	-	-
Statements of profit or loss							
Interest income	9	-	-	461,927	136,100	663,670	196,066
Interest expense	9	(723,097)	(3,180,831)	(1,194)	-	(453)	(2,970)
Fee and commission income	10	-	-	20,670	-	150,190	102,216
Fee and commission expense	10	(197)	(106)	-	-	-	(11)
Net gain from other financial instruments carried at fair value	12	-	362,247	-	-	-	-
Administrative expenses	16	(196,088)	(99,235)	-	-	-	(1,275)

45.3 Transactions with key management personnel

		Directors		Executive officers	
	Note	2019 USD	2018 USD	2019 USD	2018 USD
Assets					
Loans and advances to customers	24	-	-	32,607	24,093
Other assets	33	18	18	8,842	-
Liabilities					
Amounts owed to customers	35	349,745	78,841	561,627	1,039,455
Statements of profit or loss					
Interest income	9	-	-	204	2,927
Interest expense	9	(7,053)	(458)	(4,169)	(4,636)
Fee and commission income	10	4	-	-	100
Fee and commission expense	10	-	-	(205)	(202)
Administrative expenses - remuneration	16	396,494	(388,408)	3,813,530	(3,988,767)
Administrative expenses - others	16	48,939	(43,819)	100,183	(46,900)

Directors of the Group control less than 1 per cent of the voting shares of the Bank (2018: less than one per cent).

45.4 Other related party transactions

	Note	Other related parties 2019 USD	2018 USD
Liabilities			
Amounts owed to customers	35	1,230,418	294,437
Statements of profit or loss			
Interest expense	9	(25,620)	(7,421)
Fee and commission income	10	4	-
Fee and commission expense	10	-	(478)

Other related party transactions relate to family members of Directors and executive officers of the Group.

45.5 Related party balances

Information on amounts related to subsidiary companies are reported in Notes 9, 13, 16, 24, 28, 35, 42 and 46 of these Financial Statements.

46 Financial commitments

For 2020, the Board approved capital injections of up to USD5 million to provide additional support to existing factoring investments by way of additional capital. This was disbursed in March 2020 as disclosed in Note 48.

47 Capital commitments

At financial reporting date the Group had the following commitments:

	2019 USD	2018 USD
Authorised and contracted	518,012	477,000
Authorised but not contracted	8,569	-
	526,581	**477,000**

48 Subsequent events

In March 2020, the Group made an additional investment of INR350 million (c. USD5 million on investment date) in India Factoring. This investment is intended to support the further growth of the company and its ability to do this within the regulatory capital requirements.

49 Comparative information

Comparative amounts have been restated to give effect to the reclassification of all accrued interest to the respective financial assets and liabilities captions, giving rise to that interest in accordance with IFRS 9.

Prepayments and accruals previously included under 'prepayments and accrued income' and 'accruals and deferred Income' were reclassified to 'other assets' and 'other liabilities' respectively.

In addition, the expected credit loss provision in relation to 'contingent liabilities' and 'commitments' has been reclassified from the loans and advances to banks and customers to 'provision for liabilities and charges'.

50 Ultimate parent company

The ultimate parent company of FIMBank p.l.c. is Kuwait Projects Company (Holding) K.S.C.P. ("KIPCO") a company registered in Kuwait. The registered address is KIPCO Tower, Khalid Bin Al Waleed Street, Sharq, Kuwait City.

The immediate parent company is United Gulf Holding Company B.S.C. ("UGH"), a holding company licensed by the Ministry of Industry, Commerce and Tourism in Bahrain. The registered address is PO Box 5565, Diplomatic Area, UGB Tower, Manama, Kingdom of Bahrain.

Statement by the directors pursuant to Listing Rule 5.68

For the year ended 31 December 2019

We, the undersigned, declare that to the best of our knowledge, the financial statements set out on pages 25 to 145 prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and its subsidiaries included in the consolidation taken as a whole and that this report includes a fair review of the development and performance of the business and the position of the Bank and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board of Directors on 10 March 2020 by:

John C. Grech
Chairman

Masaud M.J. Hayat
Vice Chairman

Independent auditors' report

To the shareholders of FIMBank p.l.c.

1 Report on the audit of the financial statements

Opinion

We have audited the financial statements of FIMBank p.l.c. (the "Bank" or the "Company") and of the Group of which the Company is the parent, which comprise the statements of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

a. give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and

b. have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") and the Banking Act, 1994 (Chapter 371, Laws of Malta) (the "Banking Act") and, additionally, specifically in relation to those of the Group, with the requirements of article 4 of the Regulation on the application of IFRS as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. During the course of our audit, we maintained our independence from the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta) ("APA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period (selected from those communicated to the audit committee), and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters, together with our response by way of the audit procedures we performed to address that matter in our audit, and key observations arising with respect to such risks of material misstatement.

Assessment of the carrying amounts of goodwill at group level and investment in subsidiaries at company level

Accounting policy notes 3.1.1, 3.1.2, 3.16, 3.19 and 3.20 to the financial statements and notes 28 and 31 for further disclosures.

Goodwill' (Group: USD8,506,084); and 'Investment in subsidiaries' (Company: USD147,948,385).

'Investment in subsidiaries' includes, among others, the investment in The Egyptian Company for Factoring S.A.E. (referred to as "Egypt Factors") and, indirectly through FIM Factors B.V., the investment in India Factoring and Finance Solutions Private Limited (referred to as "India Factoring"), to which the key audit matter relates.

The Group

The Group holds goodwill relating to the acquisition of the interests in Egypt Factors and India Factoring (the "components"). Both components are separately identified by the Group as cash generating units ("CGU" or "CGUs"), in line with the applicable financial reporting framework, as they generate cash-inflows for the Group that are largely independent of the cash inflows generated by other assets or groups of assets.

At Group level, an assessment of each CGU is required annually by the relevant financial reporting framework to establish whether the recoverable amount is at least equal to the carrying amount, and therefore, whether any impairment should be recorded. Significant judgement is required in determining the recoverable amount of each CGU, namely due to the (i) inherent uncertainty in forecasting the future cash flows; and the (ii) judgement required in determining the appropriate discount rates and expected long term growth rates applied to those cash flows in arriving at the value-in-use (being the basis on which the carrying amount is determined).

The Company

'Investments in subsidiaries' are carried at cost less any impairment losses in the Company's statement of financial position. That financial statement caption includes the components to which those CGUs relate (Egypt Factors and India Factoring). Any impairment relating to those CGUs may result in the Company's investment in subsidiaries being impaired should such impairment at Group level result in the recoverable amount of the related investment being lower than its carrying amount.

Our response

For each of the CGUs, as part of our procedures:

- we evaluated the reasonableness of the data used in the preparation of the cash flow forecasts (in the main, projected factoring volumes and margins) with reference to our understanding of the components' historical trends;

- we involved our valuation specialist to assist us in assessing the valuation of India Factoring performed by an expert engaged by the Group and of Egypt Factors performed by the Group's Chief Finance Officer. Involvement included assessing (i) the appropriateness of the selected valuation model; and (ii) whether the discount rates and the expected long-term growth rates applied to the cash flow forecasts were within a reasonable range by comparison with market data consisting mainly of the respective country Gross Domestic Product growth rate and rate of inflation;

- we assessed the impact of reasonable possible changes in the key assumptions in the valuation model including discount rates and expected long term growth rates used for estimating the recoverable amounts of each CGU in concluding on the impairment assessment, and assessed whether there were any indicators of management bias in the selection of those assumptions; and

- we compared the Group's and Company's 2019 budgets with the actual performance for the reporting period, and made enquiries as to the reasons for any significant variations identified and assessed the reasonableness of the explanations provided, by corroborating these against our knowledge of the Group and, specifically in the case of India Factoring, by also evaluating the increased sales pipeline and evidencing a significant shift towards lower risk factoring business.

We have no key observations to report, specific to this matter.

Recoverability of recognised deferred tax assets

Accounting policy note 3.9 to the financial statements and note 32 for further disclosures.

'Deferred tax assets' (Group: USD36,773,586 and Company: USD22,011,162).

The Group and the Company recognised deferred tax assets in respect of the future benefit of net deductible temporary differences and accumulated tax losses. In accordance with the applicable financial reporting framework, the recognition of those deferred tax assets is permitted to the extent that it is probable that future taxable profits will be available against which these assets can be used. Such restrictions are more pronounced in certain jurisdictions, in which the Group operates, where the carry forward of losses to future periods are time-barred. The recognition of deferred tax assets, therefore, requires significant judgement in estimating future profitability (and the extent of taxable profits) based on business plans drawn up by the directors. Due to estimation uncertainty, the projected relief of the tax losses, for which the deferred tax assets are recognised, might be materially different from the amount ultimately relieved.

Our response

As part of our procedures:

- we evaluated the assumptions underlying the Company's and its subsidiaries' projections used to support the recognition of the deferred tax asset having regard to (i) our understanding of the respective jurisdiction and applicable fiscal legislation; and (ii) the current pipeline of new business;

- specifically in relation to carry forward losses subject to time-barring, we also assessed the impact of reasonable possible changes in the underlying assumptions of the forecasts on the Group's ability to utilise the losses before their expiry; and

- we compared the Group's and Company's 2019 budgets with the actual performance for the reporting period, and made enquiries as to the reasons for any significant variations identified and assessed the reasonableness of the explanations provided, by corroborating these against our knowledge of the Group and by evaluating the increased sales pipeline and evidencing a significant shift in lower risk business as a result of the Group's continued de-risking process.
- we evaluated the assumptions underlying the Company's and its subsidiaries' projections used to support the recognition of the deferred

We have no key observations to report, specific to this matter.

Measurement of impairment allowances on loans and advances measured at amortised cost including off-balance sheet elements of the allowance

Accounting policy note 3.10.8 to the financial statements and notes 2.4.1, 2.4.2, 5.2.2, 5.2.5, 23, 24, and 37 for further disclosures.

Expected credit loss allowance on loans and advances to banks at amortised cost (Group: USD249,297,705 and Company: USD235,457,178) amounted to USD3,219,510 - Group and USD3,105,426 - Company.

Expected credit loss allowance on loans and advances to customers at amortised cost (Group: USD726,297,513 and Company: USD857,979,881) amounted to USD76,407,356 - Group and USD46,827,032 - Company.

Expected credit loss provision on off-balance sheet credit exposures (Group: USD170,839,747 and Company: USD204,655,081) amounted to USD88,435 - Group and USD85,159 - Company.

Subjective estimate

IFRS 9 Financial Instruments requires the Group to recognise expected credit loss ("ECL") allowances on loans and advances. The calculation of the ECL involves a number of complex, judgmental and highly sensitive assumptions. Of all the Bank's financial instruments, the major impact, in terms of complexities around the measurement of the ECL, and of the materiality of the resultant allowances, was in relation to the Bank's lending activities to banks and customers. The following elements represent, in the main, the key judgments applicable to the Group, and therefore areas of increased levels of audit focus:

- ECL is measured on a forward-looking basis reflecting a range of estimates of future economic conditions. Significant judgment is present in (i) the selection of forward-looking macroeconomic scenarios, (ii) the determination of the associated scenario probabilities, and (iii) the identification of the material economic variables which drive the scenarios and the related weightings.

- The criteria selected by the Group to identify a significant increase in credit risk ("SICR") within the Group's ECL calculation determines whether a twelve month or lifetime provision is recorded, and is therefore another key area of judgement.

- Complex and inherently judgmental modelling techniques are used to estimate ECLs which involve determining 'Probabilities of Default' ("PD"), 'Loss Given Default' ("LGD"), and 'Exposures at Default' ("EAD"). The PD models used in the loans and advances portfolios represent the most significant judgmental aspect of the Group's ECL modelling approach, being the key drivers of the Group's ECL calculation.

- Qualitative adjustments to the model-driven ECL results are raised by the Group to address known impairment model limitations or emerging trends. Estimating those adjustments also involves significant judgement.

- The carrying value of loans and advances to banks and customers that are individually assessed as 'stage 3' (that is, credit impaired) requires the identification of loss events and an estimation of the impairment charge. The estimation of expected credit losses includes a range of estimates of future cash flows and valuation of collateral, which are inherently uncertain and judgemental.

Our response

In relation to the ECL model, as part of our procedures:

- we assessed the design and implementation as well as the operating effectiveness of controls within the ECL process with respect to (a) the approval of the credit application by the Credit Committee or the delegated authority (depending on monetary value); and (b) the review of ECL provision levels and movements by the Chief Financial Officer and the Chief Risk Officer;

- we involved our financial risk modelling specialists in evaluating:
  - the appropriateness of the Group's selected IFRS 9 impairment methodologies within the ECL model by reference to the sensitivity analysis as performed by the Group with respect to the ECL model results; and
  - the appropriateness of the SICR criteria used; and

- we involved our economics specialists to assist in assessing:
  - the appropriateness of the Group's methodology for determining the macroeconomic scenarios used and the reasonableness of the probability weightings applied to them; and
  - the relevance of the key macroeconomic variables used in the ECL model.

- we assessed the design and implementation as well as the operating effectiveness of controls within the ECL process with respect to (a) the approval of the credit application by the Credit Committee or the delegated authority (depending on monetary value); and (b) the review of ECL provision levels and movements by the Chief Financial Officer and the Chief Risk Officer;

- we involved our financial risk modelling specialists in evaluating:
  - the appropriateness of the Group's selected IFRS 9 impairment methodologies within the ECL model by reference to the sensitivity analysis as performed by the Group with respect to the ECL model results; and
  - the appropriateness of the SICR criteria used; and

- we involved our economics specialists to assist in assessing:
  - the appropriateness of the Group's methodology for determining the macroeconomic scenarios used and the reasonableness of the probability weightings applied to them; and
  - the relevance of the key macroeconomic variables used in the ECL model.

Specifically in relation to a sample of performing loans ('stage 1' and 'stage 2'), we:

- performed testing over key data elements (EAD, PD and LGD) impacting the ECL calculations to assess the accuracy of information used; and

- performed tests to determine whether a significant increase in credit risk was appropriately identified by the Group, including 'days past due'.

Specifically in relation to a sample of loans and advances discussed in the Board Risk Committee, Credit Committee and the Emerging Risks and Provisioning Committee (the "focus exposures"), including those not otherwise automatically captured by the ECL model as non-performing loans ('stage 3'):

- we performed credit reviews focusing on the borrowers' ability to repay from normal operations, the performance history of the account and receipts after the financial reporting date; and

- in the case of non-performing loans, we evaluated the appropriateness of the inputs, particularly the LGD and discount rates used in the ECL model. In cases where the LGD involved the realisation of collateral, we corroborated the extendible value of collateral with external data sources.

We have no key observations to report, specific to this matter.

Valuation of unquoted assets measured at fair value

Accounting policy notes 3.10.9 and 3.12 to the financial statements and notes 22 and 25 for further disclosures.

Shares in sub-fund of a local unlisted collective investment scheme (Bank and Group: USD105,867,474) included within 'Financial assets designated at fair value through profit or loss'; and 'Trading assets' (Group: USD460,238,536).

The fair value of certain financial assets held by the Group is determined through the application of valuation techniques that involve the exercise of judgement, and the use of assumptions based on limited observable market data. This relates primarily to:

- the equity instruments in the form of shares (classified as financial assets at fair value through profit or loss) held in a sub-fund of a local unlisted collective investment scheme ('the Fund') which holds assets that cannot be valued through observable market data; and

- the trading assets, held by London Forfaiting Company Limited ("LFC"), that represent forfaiting assets (discounted receivables generated from an export contract) that are also constrained by limited observable data.

Our response

For equity instruments held in the Fund, as part of our procedures, we evaluated reports prepared by the external auditor engaged by the Investment Manager of the Fund, specifically on the valuation of the investments held by the Fund.

In relation to forfaiting financial assets, as part of our procedures:

- we involved our financial risk modelling specialists to assist us in assessing the appropriateness of LFC's discount cash flow valuation model and the reasonableness of critical underlying assumptions used to determine the fair value of the forfaiting assets portfolio;

- we involved our IT audit specialists to assist us in testing the general IT controls (and relevant IT application controls) in place over the system used by LFC in the calculation of the fair value of the forfaiting assets;

- on assets determined by us to have heightened country and/or industry risk (which included a subset of non-performing loans), we challenged the validity of the assumptions used by the Group in setting the risk premium in the discount rate, by comparing the value as per LFC to that of the market. Where no market data was available, we assessed the valuation amounts by comparing them to value of similar assets;

- we looked at all valuation fluctuations over a period of three months and for assets with either significant fluctuations or no fluctuations at all, assessed whether the data points (in the main, the cash flows and the discount rate) used to determine the fair value were reasonable. In this regard, we evaluated the assumptions behind the risk ratings applied by the Group and considered whether those assumptions were reasonable and consistent with publicly available information and information from other relevant sources.

Key observation

Specifically in relation to the calculation of the fair values of the forfeiting assets, we have engaged in discussions with the Group in respect of significant enhancements to the precision of the control over their review of the key inputs and assumptions underlying such calculation.

Other information

The directors are responsible for the other information which comprises:

- the 'Chairman's Statement to the Shareholders';
- the 'FIMBank Group Performance 2019';
- the 'Directors' Report';
- the 'Statement of Compliance with the Principles of Good Corporate Governance';
- the 'Remuneration Report';
- the 'Statement by the Directors Pursuant to Listing Rule 5.68'; and
- the 'Schedules to the annual report'

but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, other than in the case of the directors' report on which we report separately below in our 'Opinion on the directors' report', we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act and the Banking Act, and, additionally, specifically in relation to those of the Group, with the requirements of article 4 of the Regulation on the application of IFRS as adopted by the EU. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and/or the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority, as well as legal correspondence. As with fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit 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 Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

2 Report on other legal and regulatory requirements

Opinion on the directors' report

The directors are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act and other applicable legal requirements, and is to include a statement that the Company is a going concern with supporting assumptions or qualifications as necessary, as required by Listing Rule 5.62 issued by the Listing Authority in Malta.

We are required to consider whether the information given in the directors' report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

Pursuant to article 179(3) of the Act, we are also required to:

- express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and
- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

Pursuant to Listing Rule 5.62 of the Listing Rules issued by the Listing Authority in Malta, we are required to review the directors' statement in relation to going concern.

In such regards:

- in our opinion, the directors' report has been prepared in accordance with the applicable legal requirements;
- we have not identified material misstatements in the directors' report; and
- we have nothing to report in relation to the statement on going concern.

Matters on which we are required to report by the Act, specific to public-interest entities

Pursuant to article 179B(1) of the Act, we report as under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

- we were first appointed as auditors on 8 November 1994 by the Board of Directors and subsequently reappointed by the shareholders at the Company's general meetings for each financial year thereafter. The period of total uninterrupted engagement is twenty-five years;
- our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act); and
- we have not provided any of the prohibited services as set out in the APA.

Matters on which we are required to report by the Banking Act and by exception by the Act

Pursuant to article 31(3)(a), (b) and (c) of the Banking Act, in our opinion:

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

Furthermore, we have nothing to report in respect of the above matters, where the Act requires us to report to you by exception pursuant to articles 179(10) and 179(11).

Pursuant to article 31(3)(d) of the Banking Act, in our opinion and to the best of our knowledge and belief and, on the basis of the explanations given to us, the financial statements give the information required by law in force in the manner so required.

The Principal authorised to sign on behalf of KPMG on the audit resulting in this independent auditors' report is Noel Mizzi.

KPMG
Registered Auditors **10 March 2020**

Report in accordance with Listing Rule 5.98, required by the Listing Authority in Malta

We were engaged by the Directors to report on specific disclosures in the Corporate Governance Statement (the "Disclosures") of FIMBank p.l.c. (the "Company") as at 31 December 2019 as to whether these are in compliance with corporate governance regulations set out in the Listing Rules issued by the Listing Authority, the Malta Financial Services Authority (the "Listing Rules"). We are required to report in the form of an independent reasonable assurance conclusion as to whether:

a. in light of our knowledge and understanding of the Company and its environment obtained during the course of the statutory audit, we have identified material misstatements with respect to the information requirements referred to in Listing Rule 5.97.4 and, and, for issuers of securities that carry voting rights that are subject to the requirements of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, Listing Rule 5.97.5. Where material misstatements are identified in relation to the requirements of Listing Rules 5.97.4 and 5.97.5, as applicable, we shall, in addition to our opinion, provide an indication of the nature of such misstatements; and,

b. the Disclosures include the other information required by Listing Rule 5.97, in so far as it is applicable to the Company.

Responsibilities of the Directors

The directors are responsible for preparing and presenting the Disclosures that are free from material misstatement and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Disclosures that is free from material misstatement whether due to fraud or error. It also includes ensuring that the Company complies with the Listing Rules, selecting and applying policies and procedures in relation to both financial and non-financial information, making estimates and judgement that are reasonable in the circumstances and for maintaining adequate records in relation to the Disclosures.

The Directors are also responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

The Directors are also responsible for ensuring that staff involved with the preparation and presentation of the Disclosures are properly trained, information systems are properly updated and that any changes in reporting encompass all significant reporting units.

Auditors' Responsibilities

Our responsibility is to examine the Disclosures and to report thereon in the form of a reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board.

That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Disclosures are properly prepared and presented, in all material respects, in accordance with the requirements set out in the relevant Listing Rules.

The firm applies International Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, together with the ethical requirements that are relevant to our assurance engagement in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta).

The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Disclosures whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Disclosures in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of Company's internal control over the preparation and presentation of the Disclosures. Our engagement also included assessing the appropriateness of the Disclosures, the suitability of the criteria, being the relevant Listing Rules, in preparing and presenting the Disclosures in the circumstances of the engagement and evaluating the appropriateness of the method used in the preparation and the overall presentation of the Disclosures. Reasonable assurance is less than absolute assurance.

We are not required to, and we do not, consider whether the directors' statements on internal control and risk management systems cover all the risks and controls in relation to the financial reporting process or form an opinion on the effectiveness of the Company's corporate governance procedures or its risks and control procedures, nor on the ability of the Company to continue in operational existence. Our opinion in relation to the disclosures pursuant to Listing Rule 5.97.4 and Listing Rule 5.97.5 is based solely on our knowledge and understanding of the Company and its environment obtained in forming our opinion on the audit of the financial statements. We have not performed any procedures by way of audit, verification or review on the underlying information from which the other disclosures required by Listing Rule 5.97 is derived.

We also read the other information included in the Annual Report in order to identify any material inconsistencies with the Disclosures.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

In our opinion:

a. in light of the knowledge and understanding of the Company and its environment obtained during the course of our statutory audit, we have not identified material misstatements with respect to the following disclosures:
   i. the information referred to in Listing Rule 5.97.4, included in the directors' Corporate Governance Statement, as this relates to the Company's internal control and risk management systems in relation to the financial reporting process; and,
   ii. the information referred to in Listing Rule 5.97.5, included in the Directors' Report, insofar as it is applicable to the Company;

b. the other disclosures required by Listing Rule 5.97 have been included in the directors' Statement of Compliance with the Principles of Good Corporate Governance, and Section 11 of Schedule V, Additional Regulatory Disclosures (Pillar III) insofar as the Requirement of Listing Rule 8.A.4.5 to disclose the main parameters and rationale for any annual bonus schemes, as these apply to the Company.

The Principal authorised to sign on behalf of KPMG on the work resulting in this assurance report is Noel Mizzi.

KPMG
Registered Auditors

10 March 2020

Schedule I

Statements of profit or loss

Five year summary - Bank

	2019 USD	2018 USD	2017 USD	2016 USD	2015 USD
Interest income	30,311,233	35,303,561	28,323,748	24,663,531	25,024,359
Interest expense	(14,037,860)	(19,139,771)	(17,738,857)	(16,542,171)	(13,069,821)
Net interest income	**16,273,373**	**16,163,790**	**10,584,891**	**8,121,360**	**11,954,538**
Fee and commission income	7,753,143	12,849,903	11,048,533	10,021,804	11,657,912
Fee and commission expense	(3,078,283)	(2,799,252)	(2,482,765)	(2,009,569)	(2,515,148)
Net fee and commission income	**4,674,860**	**10,050,651**	**8,565,768**	**8,012,235**	**9,142,764**
Net trading results	3,107,935	2,632,452	(3,031,664)	2,310,309	2,559,817
Dividend income	43,591,794	17,660,271	10,446,343	5,455,550	3,324,960
Other operating income	118,904	125,068	87,088	407,520	5,201
Operating income before net impairment losses	**67,766,866**	**46,632,232**	**26,652,426**	**24,306,974**	**26,987,280**
Net impairment charge on financial assets	(14,210,257)	(16,970,119)	(767,889)	(2,311,574)	(11,093,560)
Operating income	**53,556,609**	**29,662,113**	**25,884,537**	**21,995,400**	**15,893,720**
Administrative expenses	(20,305,701)	(23,787,047)	(24,785,664)	(20,727,352)	(28,012,370)
Depreciation and amortisation	(2,896,531)	(1,022,470)	(922,457)	(869,126)	(915,049)
Total operating expenses	**(23,202,232)**	**(24,809,517)**	**(25,708,121)**	**(21,596,478)**	**(28,927,419)**
Profit/(Loss) before tax	**30,354,377**	**4,852,596**	**176,416**	**398,922**	**(13,033,699)**
Taxation	(765,433)	(1,115,249)	(60,598)	(58,539)	7,112,303
Profit/(Loss) for the year	**29,588,944**	**3,737,347**	**115,818**	**340,383**	**(5,921,396)**

Statements of financial position

Five year summary - Bank

	2019 USD	2018 USD	2017 USD	2016 USD	2015 USD
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	208,259,407	151,891,005	208,147,513	33,165,601	77,413,470
Derivative assets held for risk management	96,285	109,727	722,256	19,302,604	18,883,952
Loans and advances to banks	232,351,750	321,550,241	203,552,663	438,799,241	212,123,584
Loans and advances to customers	811,152,849	730,708,445	581,529,952	589,579,473	567,176,993
Financial assets at fair value through profit or loss	125,342,798	173,438,374	-	-	-
Financial assets at fair value through other comprehensive income	79,367,556	87,468,166	-	-	-
Investments at amortised cost	9,785,496	9,923,499	-	-	-
Investments available-for-sale	-	-	261,244,798	327,075,827	274,048,615
Investments held-to-maturity	-	-	-	-	7,476,940
Interests in equity-accounted investees	-	-	-	-	305,641
Investments in subsidiaries	147,948,385	102,595,614	94,050,884	86,305,594	84,678,486
Property and equipment	5,229,059	968,472	1,035,490	1,305,432	1,749,101
Intangible assets	4,647,642	4,669,342	2,736,599	2,467,630	1,078,027
Current tax assets	226,886	-	1,052,348	1,052,348	-
Deferred tax assets	22,011,162	22,599,041	23,303,267	23,335,459	22,535,293
Other assets	8,824,153	7,352,443	9,005,794	2,613,913	1,852,600
Prepayments and accrued income	-	-	7,054,755	6,148,570	3,993,887
Total assets	**1,655,243,428**	**1,613,274,369**	**1,393,436,319**	**1,531,151,692**	**1,273,316,589**
Liabilities and equity					
Liabilities					
Derivative liabilities held for risk management	193,691	2,928,925	723,454	8,834,092	921,237
Amounts owed to banks	405,072,025	398,815,757	393,247,791	426,137,477	665,277,976
Amounts owed to customers	978,134,002	961,292,743	815,812,570	915,367,604	405,611,504
Debt securities in issue	-	14,849,948	-	-	20,000,000
Subordinated liabilities	-	-	50,000,000	50,000,000	50,000,000
Provision for liabilities and charges	85,159	269,784	-	-	-
Other liabilities	13,077,128	5,708,599	793,060	535,339	135,830
Accruals and deferred income	-	-	7,818,090	7,422,362	7,373,994
Total liabilities	**1,396,562,005**	**1,383,865,756**	**1,268,394,965**	**1,408,296,874**	**1,149,320,541**
Equity					
Share capital	261,221,882	252,720,107	157,265,562	155,239,263	149,268,322
Share premium	858,885	9,275,773	173,113	2,101,335	8,072,276
Reserve for general banking risks	2,323,486	1,242,511	608,284	764,792	1,000,027
Fair value reserve	357,233	758,254	81,501	(1,891,140)	(409,528)
Other reserve	2,681,041	2,681,041	2,681,041	2,681,041	2,681,041
Accumulated losses	(8,761,104)	(37,269,073)	(35,768,147)	(36,040,473)	(36,616,090)
Total equity	**258,681,423**	**229,408,613**	**125,041,354**	**122,854,818**	**123,996,048**
Total liabilities and equity	**1,655,243,428**	**1,613,274,369**	**1,393,436,319**	**1,531,151,692**	**1,273,316,589**
Memorandum items					
Contingent liabilities	**61,628,654**	**67,466,612**	**57,601,096**	**19,782,148**	**37,002,036**
Commitments	**143,026,427**	**158,386,020**	**254,253,843**	**120,282,416**	**117,122,920**

Schedule III

Cash flow statements

Five year summary - Bank

	2019 USD	2018 USD	2017 USD	2016 USD	2015 USD
Net cash flows (used in)/from operating activities	**28,447,866**	**(115,353,903)**	**20,694,088**	**211,100,534**	**(145,013,306)**
Cash flows from investing activities					
Payments to acquire financial assets at fair value through profit or loss	(2,469,245)	(18,092,429)	-	-	-
Payments to acquire financial assets at fair value through other comprehensive income	(84,984,922)	-	-	-	-
Payments to acquire financial assets at amortised cost	-	(9,881,423)	-	-	-
Payments to acquire available-for-sale financial assets	-	-	-	(30,187,210)	(110,000,000)
Payments to acquire shares in subsidiary companies	(5,352,772)	-	(10,304,042)	(6,359,342)	(24,906,146)
Payments to acquire shares in equity-accounted investees	-	-	-	-	(1,504,875)
Payments to acquire shares in other investments	-	(35,210)	-	(25,317,000)	-
Payments to acquire property and equipment	(372,658)	(344,451)	(195,368)	(307,742)	(400,228)
Payments to acquire intangible assets	(951,219)	(2,543,743)	(727,136)	(1,672,306)	(264,389)
Proceeds on disposal of financial assets at fair value through profit or loss	50,000,000	-	-	-	-
Proceeds on disposal of financial assets at fair value through other comprehensive income	93,035,159	15,000,000	-	-	-
Proceeds on disposal of available-for-sale financial assets	-	-	62,397,260	-	-
Proceeds from maturity of investments held-to-maturity	-	-	27,543,320	7,800,000	-
Proceeds on disposal of property and equipment	3,551	-	2,674	550,255	47,281
Receipt of dividend	4,628,411	7,472,717	10,207,806	5,455,550	3,324,960
Cash flows generated (used in)/from investing activities	**53,536,305**	**(8,424,539)**	**88,924,514**	**(50,037,795)**	**(133,703,397)**
Cash flows from financing activities					
Issue of share capital	84,887	54,557,207	98,077	-	-
Net movement in debt securities	(14,834,943)	14,834,942	-	(20,000,000)	20,000,000
Net movement in subordinated debt	-	-	-	-	50,000,000
Payment of lease liabilities	(2,354,026)	-	-	-	-
Net cash flows from/(used in) financing activities	**(17,104,082)**	**69,392,149**	**98,077**	**(20,000,000)**	**70,000,000**
Increase/(Decrease) in cash and cash equivalents	64,880,089	(54,386,293)	109,716,679	141,062,739	(208,716,703)
Cash and cash equivalents at beginning of year	99,006,852	153,393,145	43,676,466	(97,386,273)	111,330,430
Cash and cash equivalents at end of year	**163,886,941**	**99,006,852**	**153,393,145**	**43,676,466**	**(97,386,273)**

Accounting ratios

Five year summary - Bank

	2019 %	2018 %	2017 %	2016 %	2015 %
Net interest income and other operating income to total assets	4.28	3.06	2.09	1.72	2.32
Operating expenses to total assets	(1.40)	(1.54)	(1.84)	1.41	2.27
Profit/(Loss) before tax to total assets	1.83	0.30	0.01	0.03	(1.02)
Pre-tax return on capital employed	11.73	2.12	0.14	0.32	(10.51)
Profit/(Loss) after tax to equity	11.44	1.63	0.09	0.28	(4.78)

	2019	2018	2017	2016	2015
Weighted average number of shares in issue (000's) *	514,568	459, 637	329,878	326,883	321,681
Net assets per share (US cents) *	50.27	49.91	37.91	37.58	38.55
Basic earnings per share (US cents) *					
Basic	5.75	0.81	0.04	0.10	(1.84)
Diluted	5.75	0.81	0.04	0.10	(1.84)

' * ' Weighted average number of shares in issue and ratios for 2015 to 2018 have been restated to reflect the number of shares in issue as a result of the 2016, 2017 and 2019 bonus issue of shares.

Additional regulatory disclosures (Pillar III)

In terms of Banking Rule (BR/07) 'Publication of annual report and audited financial statements of credit institutions authorised under the Banking Act, 1994'

For the year ended 31 December 2019

1 Introduction

1.1 Background

This document comprises the Pillar III regulatory disclosures required by BR/07 as at 31 December 2019 for FIMBank p.l.c. (the "Bank") and its subsidiary undertakings (the "Group").

These disclosures reflect the requirements of Articles 431 to 455 of 'Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012' ("Capital Requirements Regulation", or "CRR"), the European Banking Authority's ("EBA") 'Final Report on the Guidelines on Disclosure Requirements under Part Eight of Regulation (EU) No 575/2013' (EBA/GL/2016/11 version 2) and of the applicable European Commission's implementing and delegated regulations, as well as the EBA Guidelines, including:

- Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regards to disclosure of own funds requirements for institutions;
- Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions;
- European Banking Authority Guidelines on Disclosure of Encumbered and Unencumbered Assets EBA/GL/2014/03;
- Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile;
- EBA guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22);
- EBA Final Report on the Guidelines on LCR disclosure to complements the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013 (EBA/GL/2017/01);
- EBA guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Article 432(1), 432(2) and 433 of Regulation (EU) No 575/2013 (EBA/GL/2014/14);
- EBA guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds (EBA/GL/2018/01); and
- EBA guidelines on disclosure of non-performing and forborne exposures EBA/GL/2018/10.

1.2 Basis and frequency of disclosures

These disclosures are based on 31 December 2019 year-end data. The disclosures are updated on an annual basis taking into consideration the requirements under EBA/GL/2014/14 in relation to materiality and frequency of disclosures.

1.3 Publication and verification

The Pillar III disclosures are not subject to external audit, except to the extent that any such disclosures are also required for the purpose of the preparation of the Group's International Financial Reporting Standards Financial Statements. Nonetheless, these disclosures have been internally reviewed by the Group as well as independently reviewed by KPMG. The Pillar III disclosures have been approved by the Bank's Audit Committee and the Board of Directors (the "Board").

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

2 Scope of application of applicable consolidated requirements

Both the Bank and the Group are supervised on a solo and consolidated basis, by the Malta Financial Services Authority ("MFSA"), in terms of the general provisions under Part 1 of the CRR.

The structure and principal activities of the Bank and the Group are disclosed in the Directors' Report in page 7. As at 31 December 2019, the following entities are fully consolidated within the Group's Financial Statements on a line-by-line basis: London Forfaiting Company Limited; FIM Business Solutions Limited; FIM Property Investment Limited; FIM Holdings (Chile) S.p.A.; The Egyptian Company for Factoring S.A.E.; FIMFactors B.V.; India Factoring and Finance Solutions Private Limited. In addition, BrasilFactors S.A. is included within the Group's Financial Statements as a discontinued operation held-for-sale, with its financial performance disclosed separately in the Statement of Profit or Loss.

There are no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

3 Risk governance

3.1 Risk management function

The Board is ultimately responsible for the identification and evaluation of key risks applicable to the different business and support areas of the Group, and for ensuring that proper systems of internal control are in place. The Group's risk management framework is designed to support the delivery of the strategic objectives determined by the Board. The Board has delegated to committees and management the task of creating an effective control environment to the highest possible standards. In line with the Bank's Articles of Association, the Board has established the following committees in order to assist directors in the oversight of its functions:

- Executive Committee ("EXCO")
- Audit Committee
- Board Risk Committee ("BRC")
- Nomination and Remuneration Committee
- Board Credit Committee ("BCC")
- Corporate Governance Committee

Details of the composition and responsibilities of these committees are laid out in the Statement of Compliance with the Principles of Good Corporate Governance in pages 14 and 22 of the Annual Report.

The Group adopts a three lines of defence model for risk management, with the first line of defence being represented by the business origination units. The second line of defence is represented by (i) the Risk Management Department, which reports to an independent Group Chief Risk Officer ("GCRO") and oversees all risks within the Group, and (ii) the Compliance Department. The third line of defence is constituted by Internal Audit, being the function which provides independent assurance to the Board on the processes and procedures employed by the Bank. The three lines of defence model attributes responsibility for risk management at all levels within the Group.

The GCRO reports directly to the Chairman of the Board Risk Committee, with a dotted reporting line to the Group's Chief Executive Officer ("CEO"). Currently the GCRO is Ronald Haverkorn, who was appointed to this role in May 2015.

The Risk Management Department is a group function and oversees and manages risks for the Bank and all consolidated subsidiaries of the Group. The department includes a wide range of professionals with a degree of specialisation in certain areas of risk (credit, market, operational, funding and liquidity risks) and is supported by risk specialists located at the different subsidiaries of the Group, who report directly to the Group's central Risk Management Department. The risk profile of the Group is defined in the Risk Appetite Statement endorsed by the Board and gathers key risk metrics on a Group level, encompassing credit, market, liquidity, operational and reputational risk metrics. Overall the risk profile is a mirror of the Group's business model; that is to provide: short-term finance solutions, with risk diversification across several geographies; multiple trade finance products (structured trade finance, forfaiting, factoring etc.) to customers operating in several sectors; correspondent banking services; and real estate finance to commercial customers in Malta. The risk dimension of the various portfolios is managed by risk professionals both locally and in the markets where the Group has presence. The overall Risk Appetite Statement for the Group is presented by the GCRO for approval to the Board Risk Committee and the Board on an annual basis.

3.2 Adequacy of risk management systems

The risk management framework and processes in place reflect the business strategy being followed by the Group. The Bank's Board acknowledges that such processes need to be robust to safeguard against inherent risks faced in the markets in which it operates, including those of political and economic nature. Trade flows may also be affected by market downturns in supply and demand, whether cyclical, economic or seasonal that may impact significantly on the business. The Group continuously endeavours to upgrade its risk management processes to meet such developments. The risk management processes cascade down to all entities within the Group and are monitored and controlled at various levels. Members of the Bank's executive team form part of the respective Boards of each local entity, and are tasked with maintaining control over the respective operations' key business decisions. Business reviews of each entity are presented to the Board Risk Committee by the GCRO via reports and dashboards that monitor the entities performance in line with the set Group risk appetite.

The Risk Appetite Statement defines the acceptable field of play of the Group and is integrated in business decision making and management of the various risks the Group faces given the nature of diversified trade finance products provided globally. The Risk Appetite Statement sets out acceptable risk levels and has been endorsed by the Board – being presented for review on a quarterly basis and revisited and refined annually or as the need arises. Risk levels vis-a-vis the set thresholds are reported to the Board Risk Committee and Board in each meeting. Exposure and portfolio management takes place on a continuous basis. Usage of all approved limits is monitored centrally through a number of different systems and platforms. All credit proposals, except in limited cases where a delegated authority has been granted, are reviewed and approved at Head Office level.

3.3 Risk management profile

As a general rule, the risk profile of the Group is presented, analysed and discussed at each Board Risk Committee meeting. Deviations from the Risk Appetite Statement (within the risk tolerance set by the management body) are approved and/or ratified as appropriate.

The below table and commentary summarise the risk profile of the Group at two different reporting dates:

	2019 USD million	2018 USD million
Gross portfolio (on-balance sheet)	1,725.5	1,646.1
Gross portfolio (off-balance sheet)	172.3	191.5
Total gross portfolio	**1,897.8**	**1,837.6**
Impaired portfolio (net of suspended interest and collateral)*	130.5	96.3
Impaired portfolio/gross portfolio	**6.88%**	**5.24%**
Loan loss reserves**	56.1	44.3
Loan loss reserves/impaired portfolio	**42.99%**	**46.00%**

* Impaired Portfolio includes trading assets which were subject to fair value adjustments
** Loan Loss Reserves includes fair value adjustments on trading book. General reserves are excluded.

During the year under review, notwithstanding the continuous efforts to recover a number of impaired assets, the impaired portfolio increased to USD130.5million (2018: USD96.3million) representing 6.88% of the Group's gross portfolio (2018: 5.24%). As a result, as at the end of the year, the loan loss reserves increased from USD44.3million (2018) to USD56.1 million (2019). The overall impact was a weakening of the loan loss reserve's coverage, closing at 42.99% at year-end (2018: 46.00%).

3.4 Board and senior management

The management body of the Group is deemed to be the Board of Directors, which is appointed in accordance with the Bank's Articles of Association. At 31 December 2019, the Board of Directors consisted of:

	Number of directorships held in other corporates
John C. Grech (Chairman)	5
Masaud M. J. Hayat (Vice Chairman)	11
Adrian Alejandro Gostuski	1
Edmond Brincat	4
Hussain Abdul Aziz Lalani	4
Majed Essa Ahmed Al-Ajeel	1
Mohamed Fekih Ahmed	5
Osama Talat Al-Ghoussein	3
Rabih Soukarieh	2
Rogers David LeBaron	-

The MFSA had no objection to the list of directorships held by the Chairman of the Board of Directors. The directorships held by the rest of the Directors in non-EU entities and the directorships held by Mr. Edmond Brincat (not more than four directorships held in Maltese entities) are not subject to MFSA approval.

As disclosed in Principle 8 of the Statement of Compliance with the Principles of Good Corporate Governance (page 14), in 2015 the Board had set up a Nomination and Remuneration Committee which was granted the power to lead the process for the Board and Board committee appointments. This committee can amongst others, present recommendations to the Board regarding nomination to the Board's membership in accordance with approved policies, standards, and instructions on nomination regulations for the Board of Director's membership. Prior to making its recommendations for appointment, this committee evaluates the balance of knowledge, skills, diversity and experience of candidates for the Board to ensure that they have the requisite experience, personal abilities, integrity and that they adhere to sound professional practices. Furthermore, it prepares a description of the roles and capabilities for a particular appointment, and assesses the time commitment expected for the execution of duties related to the role. The knowledge, skills and expertise of the Board are disclosed in the Statement of Compliance with the Principles of Good Corporate Governance (page 14). The committee is empowered to perform an annual review of the needs required in regards to suitable skills for board membership and prepare a description of the skills and qualifications required for board membership. The relative assessment of the knowledge, skill and experience of the individual members of the Board is exercised by the Nomination and Remuneration Committee on an annual basis.

The Board has established separate Risk and Credit Committees with specific responsibilities on risk management and governance across the Group. Further details on the duties, composition and number of times these committees have met during 2019 are disclosed in Principle 8 of the Statement of Compliance with the Principles of Good Corporate Governance.

Board Risk Committee

The Board Risk Committee ("BRC") has an oversight responsibility for all material risks in all business functions and subsidiaries of the Group. As a result, the BRC ensures that the material risks and cases which might affect the Group are duly identified. In addition, the BRC oversees the updating and monitoring of the Group's Risk Appetite Framework. The Committee's responsibilities also include, but are not limited to, the following matters:

a. Overseeing risk management and governance structures;
b. Monitoring Risk Appetite and Risk Tolerance limits for credit, market and product risk;
c. Reviewing updates to the Risk Appetite Statement;
d. Providing updates on limits as approved by the Board Credit Committee;
e. Reviewing and proposing recommendations to the Board on Funding Risk (Capital and Liquidity);
f. Reviewing and monitoring the Group's overall process for risk assessment, ranking and management/mitigation, as well as ensuring that the Board is fully informed and updated on all major potential risks;
g. Reviewing and monitoring the Group's Operational Risk Framework; and
h. Reviewing, assessing and determining Key Operational Risk indicators.

The Chairman of the BRC reports the outcome of all its meetings to the Board of Directors by means of a presentation during Board meetings. The report highlights the key emerging risks related to credit, market, operational and reputation and key changes to the Group's risk profile (including developments on new and existing Non-Performing Assets). The Secretary (Head of Risk Management) prepares and maintains minutes of all meetings of the Committee.

The BRC appoints, terminates and sets remuneration of the GCRO, who in turn reports on a day-to-day basis to the CEO. The BRC meets at least four (4) times a year, with authority to convene additional meetings, as circumstances require. For the composition and the number of times the BRC has met during 2019, please refer to Principle 8 of the Statement of Compliance with the Principles of Good Corporate Governance.

Board Credit Committee

The Board Credit Committee ("BCC") is the main body (subject to specified delegated authorities to management) with the powers and duties to review credit applications and approve credit limits and specific transactions up to the legal lending limit of the Bank, and within the guidelines specified in the Group's credit policy procedures. The BCC records the outcome of all its meetings by keeping record of the approved minutes of meetings held, which are available to BCC members and the Bank's internal auditors, and by issuing a circular – shortly after each meeting - to management and to the key business origination officers, highlighting the main credit decisions taken by the BCC. The BCC shall meet as frequently as exigencies dictate, and meetings are normally expected to be convened every 2 weeks. For the composition and frequency of meetings held in 2019, please refer to Principle 8 of the Statement of Compliance with the Principles of Good Corporate Governance.

4 Identification of risks

The Group identified the following Pillar I and Pillar II risks (under the economic perspective) as being significant:

a. default risk;
b. concentration risk;
c. counterparty credit risk;
d. settlement risk;
e. foreign exchange lending risk;
f. foreign exchange risk;
g. interest rate risk in the banking book;
h. position risk in the traded debt instruments;
i. price risk;
j. operational risk;
k. reputational and conduct risk
l. liquidity risk

In the following sections, we lay out the manner in which the Group manages and mitigates the above-mentioned risks, indicating whether such risks are allocated a capital charge under Pillar I and Pillar II (under the economic perspective).

4.1 Credit risk

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

The Bank is exposed to the following types of credit risk:

i. default risk
ii. concentration risk
iii. counterparty credit risk
iv. settlement risk
v. foreign exchange lending risk

4.1.1 Credit risk management strategy and processes

Strict credit assessment and control procedures are in place in order to monitor credit exposures. The Board Credit Committee is responsible for implementing the Group's credit policy within the risk parameters identified by the Board, for approving individual limits for banks and corporates within its delegated parameters of authority as set out in the Statement of Compliance with the Principles of Good Corporate Governance in page 14 of the Annual Report.

All on- and off- balance sheet exposures are approved after a thorough review of the counterparties' creditworthiness. Whilst any external rating of the counterparty by established Credit Rating Agencies is taken into account, an internal rating is given to each obligor and credit support provider through an internal rating system provided by Moody's. The Group has implemented Moody's RiskAnalyst software at Head Office to establish internal ratings. In addition to this, a credit review is also done by means of other assessment criteria, including but not limited to, financial statements review, analysis of relevant markets and sectors, commodity prices outlook, structure of proposed transactions and market position of the relevant counterparties.

The Group also ensures that it has a reasonable level of diversification of loans to customers. This diversification of credit among different economic sectors is a policy adopted by the Group to mitigate against a number of risks, including concentration risk. The Group also monitors its risk on balances held with other banks by establishing bank and country limits. The risks associated with off-balance sheet assets and liabilities arise from the normal course of banking operations. In the case of risks associated with inter-bank participants under letters of credit, the Group exercises the same credit controls as those applied to on-balance sheet risks.

The Group maintains a prudent provisioning policy in accordance with the applicable laws and regulations to ensure that losses are immediately recognised in the Statement of Profit or Loss. Efforts at recovering losses incurred in past financial periods are continuous. To this purpose, legal proceedings have been undertaken in the courts of competent jurisdictions.

4.1.2 Credit risk limit setting and monitoring

The Group has established policies requiring limits on counterparties and countries, and controls in relation to concentration to specific sectors, and industries, thus ensuring a more diversified on- and off- balance sheet lending portfolios. Refer to Note 5.2.10 and section 4.1.5 below.

Credit risk exposure by region

The geographic distribution of the Group exposures as at 31 December 2019, broken down in significant areas by the same exposure classes shown in the previous table is set out in Note 5.2.10 to the Financial Statements.

Credit risk exposure by sector

Note 5.2.10 to the Financial Statements also sets out the distribution of the Group's exposures as at 31 December 2019 by sector.

Credit risk exposures by maturity

The residual maturity breakdown of the Group's exposures as at 31 December 2019, broken down by exposure classes is set out in Note 5.3.2.2 to the Financial Statements.

4.1.3 Default risk

Default Risk is the chance that a borrower, whether corporate or personal or other, becomes unable to repay their credit obligations to the Bank.

4.1.4 Minimum capital requirements under Pillar I: credit risk

The Group calculates the overall minimum capital requirement for credit risk using the Standardised Approach to credit expressed as 8% of the risk weighted exposure amounts for each of the Standardised Credit Risk Exposure Classes. The table below illustrates the capital requirement for each of the exposure classes as at 31 December 2019.

	Risk weighted amount 2019 USD	Minimum capital requirement (8%) 2019 USD
Type of exposure		
Central governments or central banks	988,100	79,048
Institutions	87,705,943	7,016,475
Corporates	392,927,866	31,434,229
Retail	13,426,330	1,074,106
Secured by mortgages on immovable property	353,369	28,270
Exposures in default	86,430,173	6,914,414
Items associated with particular high risk	204,397,770	16,351,822
Collective investments undertakings (CIU)	125,289,721	10,023,178
Equity	53,077	4,246
Other items	138,585,214	11,086,817
	1,050,157,563	**84,012,605**

The above exposures relate solely to those subject to credit risk and exclude those subject to counterparty risk. The exposure type 'other items' includes cash balances, property and equipment (net of depreciation), prepayments and accrued income, current tax recoverable, deferred tax asset and other remaining assets. The movements in the 'Retail exposures', 'Exposures in default' and 'Items associated with particular high risk' exposure classes from 2018 are a result of increases in (i) exposures with SMEs; (ii) non-performing exposures; and (iii) real estate lending, respectively. Real estate lending is classified as 'Items associated with particular high risk' due to the fact that these fall under the definition of 'speculative immovable property financing' in terms of Article 4 (79) and Article 128 (1)(d) of the CRR. The 2019 Risk Weighted Amount decreased by USD52.8 million when compared to that disclosed in 2018 (USD1,102,955,543).

4.1.5 Concentration risk

In addition to policies aimed at managing credit risk and concentrations within credit portfolios as set out in Note 5.2 to the Financial Statements and this section within the Additional Regulatory Disclosures, the Group estimates the capital requirements for concentration risk a part of the economic perspective based on the Banco De España methodology using the Herfindhal Hirschmann Index (HHI).

4.1.6 Counterparty credit risk

Counterparty credit risk is defined as the risk that a counterparty to an over-the-counter derivative transaction may default before completing the settlement of the transaction. An economic loss might occur if the transaction has a positive economic value at the time of default.

Minimum capital requirements under Pillar I: counterparty credit risk

	Risk weighted amount 2019 USD	Minimum capital requirement (8%) 2019 USD
Type of exposure		
Institutions	626,481	50,118
	626,481	**50,118**

Use of derivatives within the Group is limited to hedging balance-sheet positions, hedging capital investments, interest rate hedging on behalf of LFC and to a lesser extent to satisfy customer requests (for example, for foreign exchange hedging). The Group's Treasury unit is responsible for the internal management of such instruments. Such a risk is monitored through the setting up of counterparty limits to capture the position and settlement risks associated with forward and other derivative instruments. The Group has in place operational procedures to mitigate these risks. Counterparty credit risk is assigned a capital charge using the mark-to-market method, based on the residual maturities of the contracts. During 2019, all exposures to derivatives were held with institutions (2018: 1.3% of derivatives were held with corporates).

Credit derivatives

Apart from the positions entered into by the Treasury department, the Group through its subsidiary LFC (Protection Seller), enters into agreements, typically with top-tier investment grade rated banks (Protection Buyer) on an unfunded basis. As at December 2019, the amount of Loan Credit Default Swaps stood at USD21.2 million (2018: USD7.5 million). Transactions are entered into primarily on the strength of the referenced entity under a deliverable obligation (restricted to loans to investment grade institutions that are approved in accordance to the Group's Credit Risk Policies). The credit derivative is structured as a contractual agreement pursuant to which the Protection Seller agrees with the Protection Buyer to take on risk of a default or non-performance of a specified entity (Reference Entity), with a specific loan as the only deliverable obligation. Following the occurrence of a default or non-performance, the Protection Seller is required to make a payment to the Protection Buyer (at a pre-determined price). In return for the protection offered, the Protection Buyer pays the Protection Seller a fixed premium at pre-determined intervals up to the termination of the LCDS.

4.1.7 Settlement risk

Settlement risk arises through failed delivery versus payment ("DvP") transactions and for all non-DvP trades. The Group faces settlement risk due to the fact that few financial transactions are settled simultaneously or on a same day basis. Consequently, the Group could suffer a loss if the counterparty fails to deliver on settlement date.

In order to mitigate against this risk, the Group has in place settlement lines where a limit is placed on the maximum settlement exposure against a single counterparty as explained in Note 5.2.12. The capital requirements for settlement risk are Nil under Pillar I as prescribed by Article 378 of Title V of Part Three of CRR.

4.1.8 Foreign Exchange Lending Risk

Foreign exchange lending risk is the risk that borrowers default due to movements in foreign exchange rates. The Group lends primarily in USD, but the customers of the Group may not necessarily operate in USD. As a result, foreign exchange rate movements could negatively affect the Group's borrowers. In the event that the currency of lending appreciates when compared to their currency of operation, loan repayments may be more costly in real terms and may increase the Group's probability of default.

Trade finance facilities are provided to customers that operate in USD. In fact, this is observed at initial stages of on boarding. However, in situations where this is not the case, the Group does not have specific mitigation measures to address FX lending risk but accepts such risk as part of its business.

4.2 Credit and market risk from equities not included in the trading book

The only Group's exposure to equities is in its non-trading book and such equities are in unlisted entities. The accounting and valuation methodologies differ depending on the percentage holding and marketability of the instruments. All interests in equity investments are in line with the Group's strategic objectives of investing in trade finance related companies to be able to carry out trade finance activities.

4.2.1 Equity investments less than 10%

Equity investments comprising less than 10% of the investee company's capital are classified as 'financial assets at fair value through profit or loss '. All equity securities carried by the Group are not listed on an exchange and there is no readily available active market. These unquoted securities are carried at fair value, with fair value movement being in the Income Statement.

The Group calculates the overall minimum capital requirement for equity investments less than 10% using the Standardised Approach for credit risk expressed as 8% of the risk weighted exposure amount, as shown in the table below:

	Balance sheet value 2019 USD	Fair value 2019 USD	Risk weighted exposure amount 2019 USD	Minimum capital requirement 2019 USD
Credit risk	53,077	53,077	53,077	4,246

4.2.2 Equity investments between 10% and 50%

Equity investments comprising between 10% and 50% of the investee company's capital are generally classified as 'investments in equity-accounted investees' and are accounted for using the equity method, recognised at cost less impairment allowances.

The Consolidated Financial Statements include the Group's share of the income and expenses and equity movement of equity-accounted investees, after adjustments to align the accounting policies with those of the Group. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. This accounting treatment is also applied on those investments where the Group has joint control (50%) over the strategic, financial and operational decisions of the investee.

All interests in equity-accounted investees are allocated (a) a 'specific risk' charge by multiplying the overall position by 8% and (b) a 'general risk' charge which also requires multiplying the overall position by 8%, under market risk. As at 31 December 2019, the balance sheet value and the fair value of such interests was nil, resulting in a USD nil risk weighted exposure and no minimum capital requirement.

4.2.3 Equity investments exceeding 50%

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

During 2019, Menafactors Limited was dissolved. No realised gains or losses were recorded.

4.2.4 Unit investments in collective investment schemes

Unit investments in collective investment schemes are classified as 'financial assets at fair value through profit or loss'. These unit investments are not listed on an exchange and there is no readily available active market. Fair value for the collective investment schemes is determined by reference to the funds' net asset values, with fair value movement being recognised in the Statement of Profit or Loss.

The Group calculates the overall minimum capital requirement for unit investments in collective investment schemes using the standardised approach for credit risk expressed as 8% of the risk weighted exposure amount, as shown in the table below:

	Balance sheet value 2019 USD	Fair value 2019 USD	Risk weighted exposure amount 2019 USD	Minimum capital requirement 2019 USD
Credit risk	125,289,721	125,289,721	125,289,721	10,023,178

During 2019, 500,000 unit investments in a collective investment scheme were redeemed, resulting in a total unrealised loss of USD218,459 being recorded in the Statement of Profit or Loss. In addition, a total unrealised gain of USD28 and a total revaluation loss of USD323,943 were realised on the units that the Group holds in two other collective investment schemes.

4.3 Market risk

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

4.3.1 Management and mitigation of market risk

The Group has implemented policies, established limits and maintains currency and interest derivative contracts to mitigate market risks.

4.3.2 Foreign exchange risk

Foreign exchange risk is attached to those monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the Group. Transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement.

Note 5.4.1 describes the mitigation process around this risk.

Minimum capital requirement: foreign exchange risk

When calculating its capital requirements under Pillar I, the Group considers its net open foreign currency position in terms of Article 352 of the CRR. Through this approach, each net currency position is analysed and a capital charge is taken on the net short or long currency exposure (whichever is the higher).

At 31 December 2019, the Group took a foreign exchange capital charge as follows:

	Long position USD equivalent	Short position USD equivalent
Foreign currency		
Euro	-	33,074
Pound Sterling	-	921,547
Indian Rupee	-	1,285,263
Egyptian Pound	696,747	-
United Arab Emirates Dirham	-	90,930
Kuwaiti Dinar	-	6,094
Other foreign currencies	95,064	12,982
Total position	**791,811**	**2,349,890**
Notional risk weighted amount		**2,349,890**
8% capital requirement		**187,991**

4.3.3 Interest rate risk in the banking book

Interest rate risk on positions not included in the trading book (i.e. Interest Rate Risk in the Banking Book or ("IRRBB") refers to the risk to earnings or Group's financial instruments to movements in interest rates. The risk impacts the earnings and equity of the Group as a result of changes in the economic value of its assets, liabilities and off-balance sheet instruments. The Group's operations are subject to interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or at different amounts.

Note 5.4.3 to the Financial Statements details the methodology for computation of the interest rate risk, showing the effect to the Group's assets and liabilities due to a +/- 200 basis point change in interest rates.

Notwithstanding that no capital charge is taken under the Pillar I framework, the Group calculates its capital requirements as part of its assessment for capital requirements under the economic perspective - Pillar II.

4.3.4 Position risk

Position risk in traded debt instruments refers to the risk of adverse effects on the value of positions in the trading book of general movements in market interest rates or prices or movements specific to the issuer of a security.

The Group has non-securitised debt instruments for which a capital charge under Pillar I is considered. Such assets are allocated a) a 'specific risk' charge based on the percentage risk weight which would be attributable to the assets under the Standardised Approach for credit risk in line with Article 336 of the CCR and b) a 'general risk' charge based on the maturity profile of the asset in line with Article 339 of the CCR.

At 31 December 2019, the Group took a position risk capital charge as follows:

	Risk weighted amount 2019 USD	Minimum capital requirement 2019 USD
Specific risk		
Debt securities which would receive the following risk weight under the standardised approach for credit risk:		
- 20% or 50% risk weight with a residual term <= 6 months	1,782,775	142,622
- 20% or 50% risk weight with a residual term > 6 months and <= 24 months	6,124,485	489,959
- 20% or 50% risk weight with a residual term > 24 months	5,070	406
- 100% risk weight	344,102,093	27,528,167
- 150% risk weight	15,099,600	1,207,968
General risk		
Zone one - debt securities with a residual term <= 12 months	23,364,145	1,869,132
Zone two - debt securities with a residual term > 1 year and <= 4 years	14,779,782	1,182,383
Zone three - debt securities with a residual term > 4 years	396,950	31,756
	405,654,900	**32,452,393**

4.3.5 Price risk

The Group is also exposed to price risk on other assets (i.e. other than traded debt instruments) that arises out of changes in market values not related to changes in interest rates or foreign currency. Generally, these would be factors directly related to the issuer's or exposure's financial stability and performance.

As set out in Note 5.4.4 to the Financial Statements, the Group is exposed to price risk which arises from debt investments measured at Fair Value Through Other Comprehensive Income , as well as equity investments measured at Fair Value Through Profit or Loss .

The Group assesses the requirement for a capital allocation against other price risk under the economic perspective - Pillar II.

4.4 Operational risk

The Group defines Operational Risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. When policies, processes or controls fail to perform, there is potential of business disruption which can lead to financial losses. Operational risks can have legal or regulatory implications, potentially also leading to financial loss. Operational risk exposures are managed through the implementation of a common framework for the identification, assessment, reporting, control, monitoring and mitigation of operational risk. The Group has invested in technology to manage and mitigate against operational risk and a strong awareness of operational risk awareness has been embedded in the culture of the Group.

The Group cannot expect to eliminate its exposure to operational risk, but its main objective is to maintain such risk within acceptable levels and parameters. Although the prime responsibility of establishing detailed processes to identify, assess, monitor and report operational risks in accordance with the Operational Risk Management ("ORM") policy, lies with the Business/Support Unit head functions and the appointed Operational Risk Champion in each department, an independent Operational Risk Management Unit ("ORMU") within Risk Management Group and a senior management Operational Risk Management Committee ("ORMC") exist to oversee and embed the operational risk culture within the Group. Each of the respective roles and responsibilities are covered under the Group ORM policy which was approved by the Board.

Note 5.5 to the Financial Statements further details the monitoring and processes in place to manage this risk.

Two key components of Operational Risk are IT risk and Legal risk. In view of their importance they are considered separately as detailed in Note 5.5.1 and 5.5.2 to the Financial Statement.

The Group assesses the capital requirements for operational risk under Pillar I by reference to the Basic Indicator Approach in line with Article 315 of the CRR. Moreover, the Bank undertakes an additional assessment on Operational Risk capital requirements under the economic perspective in line with the Standardised Measurement Approach ("SMA") as per Article 317 of the CRR.

4.4.1 Minimum capital requirement: operational risk

Presently the Group uses the Basic Indicator Approach, as detailed in the CRR, in order to calculate its capital charge. Under this approach, the capital requirement for operational risk is equal to 15% of the relevant indicator, being the average over the last three years of the sum of Operating Income before net impairment. At 31 December 2019, the Group took an operational risk capital charge of USD7,908,458 as disclosed below.

	2019 USD
Gross income	
Financial year ending 31/12/2018	64,692,890
Financial year ending 31/12/2017	48,878,302
Financial year ending 31/12/2016	44,597,967
Average gross income	**52,723,053**
Capital requirement (15%)	**7,908,458**
Notional risk weighted amount	**98,855,725**

4.4.2 Reputational and conduct risk

Reputational risk at FIMBank is defined as the risk of possible damage to the Bank's brand and reputation, and the associated risk to earnings, capital or liquidity arising from any association, action or inaction, which could be perceived by stakeholders to be inappropriate, unethical or inconsistent with the Bank's values and beliefs. Reputational risk could be particularly damaging for the Group since the nature of its business requires maintaining the confidence and trust from its employees, shareholder, depositors, creditors, and from the public in general. The ensuing damage to the Bank's reputation can be significant and can result in loss of customers, increased costs and ultimately, a reduction in income.

It is not only third parties that can cause damage to a Bank's brand. Employees, whether junior staff members or senior business leaders, can, through their words and deeds, expose the Bank to conduct risk.

FIMBank educates employees regarding reputational and conduct risk and has plans in place to manage stakeholder engagement in the event of a data breach. Network security, social media impact, business continuity and communication planning and the like, are regularly reviewed.

A key source to Reputation risk is financial crime for which specific policies, procedures and tools are in place to mitigate the risk. Note 5.6 to the Financial Statement describes the Group's approach in more detail.

4.4.3 Strategic and business risk

Strategic risk is the risk associated with the Banks future business plans and strategies. As overarching considerations this risk category includes: (a) the general economic landscape for the products the Bank offers and the markets in which the Bank operates; (b) plans for entering new business lines and markets; (c) plans for expanding existing products and services through acquisitions and/or joint-ventures; (d) competitive, regulatory and reputational issues; as well as (e) plans for enhancing its operating infrastructure (e.g. new technology, etc.). Poor strategic choices or ineffective implementation of strategic decisions or lack of responsiveness to changes in the economic environment, are all examples of how strategic risk can have a significant impact on prospective profit and capital results. As the Group is mainly engaged in trade finance business, this risk category is intimately connected with the overall performance of international trade in the global economy, and in particular to the level of cross-border trade between countries and in markets that are typically in the developing stages of their economic development and political stability.

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

The Group adopts various means to mitigate strategic and business risks. Primarily, the Group has in place a 'corporate governance' structure composed of both executive and non-executive officials as detailed in the Statement of Compliance with the Principles of Good Corporate Governance. Based on their remit and charters, the various corporate committees provide advice to the Board in taking ultimate strategic and business decisions. The size of the Group enables its corporate structures to have a more 'on the ground' approach and positions and decisions can be formulated and taken in a sufficient timely manner. The Board and Committees are assisted by a team of executive and senior management, who have focused on-the ground expertise in their various areas of responsibilities. Executive and senior management hold periodical meetings in order to discuss major business decisions, business and economic trends, as well as implement decisions taken by the Board or any of its Committees. Through these meetings, the collective expertise of the management team is brought together and is a determinant factor in the success of identifying and exploiting business opportunities.

The Group's strategic and business risk is assessed through a sensitivity analysis for capital adequacy. The Group performs a capital adequacy assessment using both the 'Base Case' and 'Base Case – Risk Sensitive' projections which takes into consideration strategic and business risks. The Risk Sensitive assessment is based on assumptions that the Group will not meet its projections such as the Group's inability to restrain or reduce impairment losses and the inability of the Group to limit the cost-to-income ratio to projected levels. This enables an assessment of the resilience of the Group's capital base under best and worst case scenarios, under business-as-usual conditions.

4.5 Liquidity risk

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

4.5.1 Management and mitigation of liquidity risk

Liquidity risk is managed by maintaining significant levels of liquid funds, and identifying and monitoring changes in funding required to meet business goals driven by management. The Group's Asset-Liability Committee is responsible for establishing appropriate asset and liability management policies, monitoring their application and reviewing financial information on the basis of which investment and funding decisions are taken. The daily application of the asset and liability management policies rests with the Treasury unit of the Group. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In addition to the number of policies, procedures and internal controls which the Group has in place to manage its liquidity and funding risks, in line with Article 86 of Directive 2013/36/EU, prepares an Internal Liquidity Adequacy Assessment Process ("ILAAP") report on an annual basis. The ILAAP forms part of the Group's management processes. The ILAAP is designed to demonstrate the Group's robust funding and liquidity risk management strategies whilst also to ensure that the Group has adequate liquidity to meet its liabilities both in normal and stressed conditions. Liquidity Risk Management is described in detail in Note 5.3.1 to the Financial Statements.

The following Group numbers represent the values and figures reported for the most recent four calendar quarters irrespective of currency denomination. The 'liquidity buffer' is the total high-quality liquid assets after the application of haircuts and any applicable cap, whilst the 'total net cash outflows' is calculated after the application of the cap on inflows as prescribed in the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions.

Quarter ending on	Total adjusted value 31 March 2019 USD million	Total adjusted value 30 June 2019 USD million	Total adjusted value 30 September 2019 USD million	Total adjusted value 31 December 2019 USD million
Liquidity buffer	201.5	194.7	209.6	240.5
Total net cash outflows	142.4	143.4	142.7	193.0
Liquidity coverage ratio (%)	**141.5%**	**135.8%**	**146.8%**	**124.7%**

During 2019, the Bank maintained its Liquidity Coverage Ratio (LCR) at an average of 135%, which is comfortably in excess of the regulatory minimum of 100% and the internal threshold of 120% as set in the Group's Risk Appetite Statement.

Note 5.3 to the Financial Statements set out the Group's policies, tools and other mitigants used in managing liquidity risk.

In line with the delegated regulation on liquidity coverage requirements the Group seeks to maintain a proper diversification of High Quality Liquid Assets (HQLAs) held as part of the Bank's liquidity buffer at all times. The Group also seeks to maintain stability in its funding by maintaining a diversified deposit base, ensuring an adequate presence of longer dated deposits and a mix in size of relationships. In managing the funding position the Treasury Function seeks to avail itself of committed and uncommitted lines from related as well unrelated parties, that is, upstream and downstream banks, and retail funding. A key indicator used to monitor concentration is a basic risk metric, namely customer funding compared to the Group's total funding. An internal threshold is set in line with the Group's risk appetite and strategy to maintain a well-diversified and broad mix of funding base.

Intraday liquidity risk management is an important component of the Group's broader liquidity management strategy and critical to implementing the Group's longer-term growth strategy. Primary responsibility of intraday liquidity management is the Treasury unit, which manages the liquidity above a threshold set at 20% over the LCR minimum regulatory requirement of 100%.

The Group's Pillar 1 liquidity buffer requirements are determined on the basis of LCR in line with the requirements of the Delegated Regulation, with a binding minimum requirement of 100%. Consequently, the Group considers the LCR as its most relevant liquidity monitoring tool. The Group sets an internal threshold higher than the minimum requirement, intended as an additional management buffer based on the assessment under Pillar II.

The Group also performs an assessment of its funding on the basis of Net Stable Funding Requirement ("NSFR") over the projected period. CRR II introduces a binding NSFR requirement for institutions set at 100% (rules are still not applicable to date). On a similar basis as with LCR, the Group also performs a Pillar II assessment of its funding requirements The Group maintains an NSFR threshold higher than the minimum requirement of 100% prescribed by the regulations.

5 External credit assessment institutions (ECAI)

The Group complies with the standard association of exposure ratings to credit quality steps as detailed in Part Three, Title II, Chapter 2 of the CRR. The Group applies the ratings of the following External Credit Assessment Institutions ("ECAIs") in determining the appropriate credit quality step:

- Fitch Ratings; or
- Moody's; or
- A.M. Best

Fitch Ratings is used as the primary reference agency and if a particular exposure is not rated by Fitch Ratings, reference would subsequently be made to one of the other agencies. In instances where the counterparty is rated by more than one nominated ECAI, reference would be made to the lower rating.

The rating of each ECAI is linked to each exposure using the credit quality steps and risk weights prescribed in Part Three, Title II, Chapter 2 of the CRR. The Group applies the ECAI ratings to the following exposure classes:

- Central governments or central banks
- Public sector entities
- Institutions
- Corporates

At 31 December 2019, the Group classified it's on- and off- balance sheet exposures subject to credit risk under the following exposure classes as defined in the CRR. The risk weights noted in the table below encompass those assigned to the relevant credit quality step in Article 113 to Article 134 in Part Three, Title II, Chapter 2 of the CRR.

	Risk weightings %	Exposure value USD	Credit risk mitigation USD	Exposure value after credit risk mitigation USD
Exposure class				
Central governments or central banks	0%	266,401,789	-	266,401,789
	10%	9,881,003	-	9,881,003
		276,282,792	**-**	**276,282,792**
International organisations	0%	5,492,885	-	5,492,885
		5,492,885	**-**	**5,492,885**
Institutions	20%	219,237,782	-	219,237,782
	50%	32,804,971	-	32,804,971
	100%	23,983,006	-	23,983,006
	150%	5,505,639	-	5,505,639
		281,531,398	**-**	**281,531,398**
Corporates	100%	480,003,537	-	480,003,537
		480,003,537	**-**	**480,003,537**
Retail	75%	20,537,325	-	20,537,325
		20,537,325	**-**	**20,537,325**
Secured by mortgages on immovable property	35%	185,523	-	185,523
	50%	576,873	-	576,873
		762,396	**-**	**762,396**
Exposures in default	100%	57,254,079	-	57,254,079
	150%	34,304,253	-	34,304,253
		91,558,332	**-**	**91,558,332**
Items associated with particular high risk	150%	136,265,180	-	136,265,180
		136,265,180	**-**	**136,265,180**
Claims in the form of CIU	100%	125,289,721	-	125,289,721
		125,289,721	**-**	**125,289,721**
Equity exposures	100%	53,077	-	53,077
		53,077	**-**	**53,077**
Other items	0%	1,883,775	-	1,883,775
	100%	72,441,606	-	72,441,606
	250%	26,457,443	-	26,457,443
		100,782,824	**-**	**100,782,824**

The Group's exposures value subject to credit risk of USD1,518,559,467 has remained stable when compared to 2018 (USD1,696,540,019). This is attributable to the Group's focus on the monitoring and management of its risk weighted assets. The exposure value under the exposure types multilateral development banks and public sector entities was nil.

6 Credit risk mitigation

The Group also makes use of different types of collateral, all aimed at mitigating credit risk within on- and off- balance sheet credit facilities.

Main types of collateral and concentrations in credit risk mitigations

FIMBank seeks to secure, when possible, its exposure to both financial institutions and corporate clients either by property (including shipping vessels), cash collateral, credit insurance cover, personal or bank guarantees or by pledged goods. For financial collateral, the main counterparties would be reputable credit institutions, financial institutions, or credit insurers. Procedures are in place to limit the market and credit risk concentrations of collateral, including the regular monitoring of commodity market prices and assessment of credit worthiness of collateral counterparties.

The collateral policies are reviewed periodically by management both in terms of exposure to the Bank and the Group and to ensure the validity and enforceability of the security taken. Investment securities are not usually held as collateral, and no such collateral was held at 31 December 2019. The table below provides an estimate of the fair value of collateral and other security enhancements held against the Group's loan portfolio (some items of collateral are not being extended a value for regulatory purposes).

When goods are pledged the value of goods representing collateral for such facilities is determined by monitoring the market prices of such commodities. Screen prices are readily available on most commodities exchanges and are monitored on a regular basis. Collateral management is performed on FIMBank's behalf by specialised companies (SGS, Bureau Veritas, Control Union, etc.) appointed ad hoc for a particular transaction. Collateral management agreements are usually tri-partite agreements (between FIMBank, the borrower and the collateral manager) and where applicable, also give FIMBank title to the goods held as collateral, in addition to physical control.

The Group's provision of collateral to third parties is mainly limited to repo transactions with a contractual maturity generally not exceeding 12 months. Given the short nature of such transactions, the Group does not expect a material change to its collateral value as a result of a downgrade in the credit rating of the counterparty.

The table below shows the total exposure value subject to credit risk that is covered by eligible collateral for each exposure class as defined in CRR:

	Exposure value covered by cash 2019 USD	Exposure value covered by guarantees 2019 USD	Exposure value covered by residential immovable property 2019 USD	Exposure value covered by commercial immovable property 2019 USD	Exposure value for uncovered assets 2019 USD
Central governments or central banks	-	-	-	-	276,282,792
International organisations	-	-	-	-	5,492,885
Institutions	27,465,652	-	-	-	254,065,746
Corporate	87,515,757	-	88,378	370,842	392,028,560
Retail	2,635,551	-	-	-	17,901,774
Secured by mortgages on Immovable property	-	-	-	-	762,396
Items associated with particular high risk	-	-	-	-	136,265,180
Exposures in default	22,279,232	-	97,145	206,030	68,975,925
Claims in the form of CIU	-	-	-	-	125,289,721
Equity exposures	-	-	-	-	53,077
Other items	-	-	-	-	100,782,824
	139,896,192	**-**	**185,523**	**576,872**	**1,377,900,880**

7 Credit risk adjustments

Specific credit risk adjustments

The Group reviews its exposures on an on-going basis on an individual basis. For those exposures where no individual impairment is identified, the Group calculates an expected credit loss in line with the requirements of IFRS 9. An identification of a facility which encroaches its terms and conditions would trigger an impairment process and a possible charge to the credit reserve. The basis of allocating amounts to the specific credit reserve is dependent on the grading of non-performing exposures assigned in accordance with Banking Rule 09 and EBA/GL/2018/10. In addition, these are measured on the basis of the adopted policy that is noted under Note 3.10.8 of the Financial Statements following the implementation of IFRS 9. Further information on how expected credit losses and loss allowances resulting from this review are measured is provided under Notes 5.2.4 to 5.2.9. Whilst the impaired portfolio on the total portfolio, as mentioned earlier stands at 6.88%, the Group's two year average non-performing loans, calculated solely on the loan book (excluding any other assets), exceeded the threshold as specified in the rule itself. Based on this, a non-performing loans reduction plan will be presented to the regulator.

Past due and impaired facilities

Impaired facilities are exposures for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). On the other hand, 'past due but not impaired' facilities are exposures where contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

The following tables (7.1 to 7.5) provide details of the Group's exposures subject to credit risk, broken down by geography, industry and residual maturity as at 31 December 2019:

7.1 Credit risk exposures by geography

	Europe USD	Sub-Saharan Africa USD	Middle East and North Africa (MENA) USD	Commonwealth of Independent States (CIS) USD	Others USD
Exposure class					
Central governments or central banks	270,402,032	-	5,880,760	-	-
International organisations	5,492,885	-	-	-	-
Institutions	210,238,037	38,158,603	24,580,308	4,947,050	3,607,399
Corporate	133,236,126	771,065	195,058,730	-	150,937,615
Retail	15,545,436	519,220	3,722,323	-	750,345
Secured by mortgages on immovable property	-	-	-	-	762,396
Items associated with particular high risk	136,265,180	-	-	-	-
Exposures in default	49,134,572	6,706,210	27,670,283	-	8,047,268
Claims in the form of CIU	125,289,721	-	-	-	-
Equity exposures	53,077	-	-	-	-
Other items	-	-	-	-	100,782,824

7.2 Credit risk exposures by industry

Exposure class	Industrial raw materials USD	Ship and transportation USD	Wholesale/ retail USD	Financial intermediaries USD	Others USD
Central governments or central banks	-	-	-	218,131,877	58,150,916
International organisations	-	-	-	-	5,492,885
Institutions	-	-	-	281,531,398	-
Corporate	236,783,373	3,070,376	119,969,345	80,219,389	39,961,054
Retail	10,224,056	188,683	7,332,544	935,347	1,856,694
Secured by mortgages on immovable property	595,664	75,752	90,980	-	-
Items associated with particular high risk	79,021,533	-	729,677	2,020,121	54,493,849
Exposures in default	25,659,598	82,968	51,804,862	10,869,850	3,141,055
Claims in the form of CIU	-	-	-	125,289,721	-
Equity exposures	-	-	-	-	53,077
Other items	-	-	-	-	100,782,824

7.3 Credit risk exposures by residual maturity

Exposure class	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD	No residual maturity USD
Central governments or central banks	218,131,877	-	-	10,011,000	-	48,139,916	-
Public sector entities	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-
International organisations	239,325	-	-	5,253,560	-	-	-
Institutions	220,352,016	5,105,103	17,956,093	16,278,198	16,943,807	4,896,181	-
Corporate	200,359,617	93,277,480	65,155,065	105,173,722	691,568	15,346,086	-
Retail	7,400,851	5,471,779	2,602,814	4,718,663	62,953	280,264	-
Secured by mortgages on immovable property	394,156	-	-	368,240	-	-	-
Items associated with particular high risk	3,964,979	6,136,802	5,929,319	12,259,565	41,481,225	66,493,289	-
Exposures in default	89,559,653	-	-	157,717	1,839,941	1,022	-
Claims in the form of CIU	-	-	-	-	-	-	125,289,721
Equity exposures	-	-	-	-	-	-	53,077
Other items	-	-	-	-	-	-	100,782,824

The following tables provide details of the Group's impaired exposures, past due exposures and credit risk adjustments:

7.4 Breakdown by industry

	Industrial raw materials USD	Ship and transportation USD	Wholesale/ retail USD	Financial intermediaries USD	Others USD
Individually impaired (net of specific credit risk adjustment)	25,887,021	158,720	51,804,862	10,869,850	3,141,055
Past due but not impaired	181,663,784	2,356,298	32,106,748	88,452,392	17,094,817
Specific credit risk adjustment	17,128,648	277,601	37,982,468	10,010,184	6,664,263

7.5 Breakdown by geography

	Europe USD	Sub-Saharan Africa USD	Middle East and North Africa (MENA) USD	Commonwealth of Independent States (CIS) USD	Others USD
Individually impaired (net of specific credit risk adjustment)	49,134,572	6,706,210	27,670,283	-	8,350,444
Past due but not impaired	47,651,702	12,266,069	150,422,342	50,869	111,323,057
Specific credit risk adjustment	19,804,627	2,353,298	44,541,379	104,301	5,259,560

Please refer to Note 5.2.5 for a reconciliation of the changes in the specific (Stage 3) and general (Stage 1 and Stage 2) credit risk adjustments for impaired exposures. The following tables (7.6 to 7.7) provide a breakdown of the performance status and past due days of the Group's exposures. In relation to the non-performing exposures, no collateral was obtained by taking possession and execution processes.

7.6 Credit quality of performing and non-performing exposures by past due days

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Total USD	Not past due or past due ≤ 30 days USD	Past due > 30 days ≤ 90 days USD	Total USD	Unlikely to pay that are not past due or are past due ≤ 90 days USD	Past due > 90 days ≤ 180 days USD	Past due > 180 days ≤ 1 year USD	Past due > 1 year ≤ 2 years USD	Past due > 2 years ≤ 5 years USD	Past due > 5 years ≤ 7 years USD	Past due > 7 years USD	Of which defaulted USD
Loans and advances	**1,019,880,274**	**1,010,331,002**	**9,549,272**	**163,965,790**	**1,033,687**	**2,038,273**	**51,833,375**	**53,511,372**	**33,165,353**	**14,467,031**	**7,916,699**	**163,965,790**
Central banks	**218,260,829**	218,260,829	-	**-**	-	-	-	-	-	-	-	-
General governments	**6,627,230**	6,627,230	-	**4,785,269**	-	-	4,785,269	-	-	-	-	4,785,269
Credit institutions	**230,272,624**	230,272,624	-	**9,015,125**	-	-	-	-	9,015,125	-	-	9,015,125
Other financial corporations	**75,100,065**	75,100,065	-	**9,076,758**	-	372,941	167,557	-	8,536,260	-	-	9,076,758
Non-financial corporations	**489,170,757**	479,631,247	9,539,510	**141,076,694**	1,033,687	1,665,332	46,880,549	53,511,372	15,602,024	14,467,031	7,916,699	141,076,694
of which SMEs	**120,640,716**	115,771,586	4,869,130	**8,576,686**	-	-	240,392	-	5,735,006	2,601,288	-	8,576,686
Households	**448,769**	439,007	9,762	**11,944**	-	-	-	-	11,944	-	-	11,944
Debt securities	**89,332,494**	**89,332,494**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	**-**	-	-	**-**	-	-	-	-	-	-	-	-
General governments	**57,661,212**	57,661,212	-	**-**	-	-	-	-	-	-	-	-
Credit institutions	**21,706,342**	21,706,342	-	**-**	-	-	-	-	-	-	-	-
Other financial corporations	**9,964,940**	9,964,940	-	**-**	-	-	-	-	-	-	-	-
Non-financial corporations	**-**	-	-	**-**	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**172,268,667**			**-**								-
Central banks	**-**			**-**								-
General governments	**-**			**-**								-
Credit institutions	**44,241,536**			**-**								-
Other financial corporations	**2,218,556**			**-**								-
Non-financial corporations	**125,753,163**			**-**								-
Households	**55,412**			**-**								-
Total	**1,281,481,435**	**1,099,663,496**	**9,549,272**	**163,965,790**	**1,033,687**	**2,038,273**	**51,833,375**	**53,511,372**	**33,165,353**	**14,467,031**	**7,916,699**	**163,965,790**

7.7 Performing and non-performing exposures and related provisions

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Total USD	Of which stage 1 USD	Of which stage 2 USD	Total USD	Of which stage 2 USD	Of which stage 3 USD	Total USD	Of which stage 1 USD	Of which stage 2 USD	Total USD	Of which stage 2 USD	Of which stage 3 USD
Loans and advances	**1,019,880,274**	**934,919,873**	**84,960,401**	**163,965,790**	**-**	**163,965,790**	**(6,029,240)**	**(1,515,991)**	**(4,513,249)**	**(73,597,625)**	**-**	**(73,597,625)**
Central banks	**218,260,829**	218,260,829	-	**-**	-	-	**(131,929)**	(131,929)	-	**-**	-	-
General governments	**6,627,230**	6,627,230	-	**4,785,269**	-	4,785,269	**(1,554)**	(1,554)	-	**(478,821)**	-	(478,821)
Credit institutions	**230,272,624**	224,897,376	5,375,248	**9,015,125**	-	9,015,125	**(527,741)**	(410,402)	(117,339)	**(2,559,843)**	-	(2,559,843)
Other financial corporations	**75,100,065**	60,388,157	14,711,908	**9,076,758**	-	9,076,758	**(2,235,342)**	(186,001)	(2,049,341)	**(5,444,570)**	-	(5,444,570)
Non-financial corporations	**489,170,757**	424,307,274	64,863,483	**141,076,694**	-	141,076,694	**(3,131,925)**	(785,572)	(2,346,353)	**(65,102,447)**	-	(65,102,447)
of which SMEs	**120,640,716**	114,928,189	5,712,527	**8,576,686**	-	8,576,686	**(101,881)**	(65,342)	(36,535)	**(7,386,378)**	-	(7,386,378)
Households	**448,769**	439,007	9,762	**11,944**	-	11,944	**(749)**	(533)	(216)	**(11,944)**	-	(11,944)
Debt securities	**89,332,494**	**89,332,494**	**-**	**-**	**-**	**-**	**(179,444)**	**(179,444)**	-	**-**	**-**	**-**
Central banks	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
General governments	**57,661,212**	57,661,212	-	**-**	-	-	**-**	-	-	**-**	-	-
Credit institutions	**21,706,342**	21,706,342	-	**-**	-	-	**-**	-	-	**-**	-	-
Other financial corporations	**9,964,940**	9,964,940	-	**-**	-	-	**(179,444)**	(179,444)	-	**-**	-	-
Non-financial corporations	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Off-balance-sheet exposures	**172,268,667**	**167,394,718**	**4,873,949**	**-**	**-**	**-**	**(88,435)**	**(66,621)**	**(21,814)**	**-**	**-**	**-**
Central banks	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
General governments	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Credit institutions	**44,241,536**	44,185,369	56,167	**-**	-	-	**(17,752)**	(17,360)	(392)	**-**	-	-
Other financial corporations	**2,218,556**	2,218,556	-	**-**	-	-	**(620)**	(620)	-	**-**	-	-
Non-financial corporations	**125,753,163**	120,935,381	4,817,782	**-**	-	-	**(70,063)**	(48,641)	(21,422)	**-**	-	-
Households	**55,412**	55,412	-	**-**	-	-	**-**	-	-	**-**	-	-
Total	**1,281,481,435**	**1,191,647,087**	**89,834,350**	**163,965,790**	**-**	**163,965,790**	**(6,297,119)**	**(1,762,056)**	**(4,535,063)**	**(73,597,625)**	**-**	**(73,597,625)**

	Collateral and financial guarantees received	
	On performing exposures USD	On non-performing exposures USD
Loans and advances	**290,799,275**	**23,933,694**
Central banks	-	-
General governments	-	-
Credit institutions	20,389,984	1,194,599
Other financial corporations	12,922,596	378,755
Non-financial corporations	257,427,541	22,360,340
Of which SMEs	85,394,086	929,517
Households	59,154	-
Off-balance-sheet exposures	**20,400,441**	**-**
Central banks	-	-
General governments	-	-
Credit institutions	7,075,667	-
Other financial corporations	8,932	-
Non-financial corporations	13,260,430	-
Households	55,412	-
Total	**311,199,716**	**23,933,694**

7.8 Credit quality of forborne exposures

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Forbearance refers only to those loan modification or renegotiations in response to actual or perceived financial difficulties of a customer. Note 5.2.3 of the Financial Statements provides further detailed information on the Group forbearance policy.

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne						Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
	Total USD	Total USD	Of which defaulted USD	Of which impaired USD	On performing forborne exposures USD	On non-performing forborne exposures USD	Total USD	USD
Loans and advances								
Central banks	-	-	-	-	-	-	-	-
General governments	-	**4,785,269**	4,785,269	4,785,269	-	(478,821)	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	**8,536,260**	8,536,260	8,536,260	-	(5,414,133)	**11,642**	11,642
Non-financial corporations	**4,095,780**	**12,997,082**	12,997,082	12,549,454	(113,678)	(7,134,788)	**1,794,112**	186,383
Households	-	-	-	-	-	-	-	-
Total	**4,095,780**	**26,318,611**	**26,318,611**	**25,870,983**	**(113,678)**	**(13,027,742)**	**1,805,754**	**198,025**

No debt securities or loan commitments given were forborne as at 31 December 2019.

8 Asset encumbrance

The following tables provide an overview of the encumbered assets of the Group. The 'Debt securities' consist of debt investments which are pledged under central bank main-refinancing operation facilities. In 2019, no 'Debt securities' or 'Equity Instruments' were pledged under other borrowing arrangements or repoed transactions. 'Other assets' encumbered represent amounts pledged in favour of the Depositor Compensation Scheme or to counterparties under documentary credits.

	Carrying amount of encumbered assets USD	Fair value of encumbered assets USD	Carrying amount of unencumbere d assets USD	Fair value of unencumbere d assets USD
Equity instruments	-	-	125,342,798	125,342,798
Debt securities	56,947,725	56,947,725	492,443,860	492,443,860
Other assets	5,142,016	-	1,213,153,880	-
Assets	**62,089,741**		**1,830,940,538**	

	Fair value of collateral received available for encumbrance USD
Other assets	327,875,876
Collateral received	**327,875,876**

	Matching liabilities USD	Assets and collateral received USD
Carrying amount of selected financial liabilities	**51,303,512**	**56,997,597**

The Group continues to recognise these encumbered assets since all the risks and rewards of the assets will be substantially retained in a manner that does not result in the encumbered assets being derecognised for accounting purposes. There are no encumbered assets between entities of the Group.

Encumbered assets increased by around USD27.9 million from December 2018. This was mainly a result of a larger portion of debt securities being pledged in favour of central bank operations in 2019: USD 51.3 (2018: USD15.6 million).

9 Own funds and capital requirements

A detailed analysis on the composition of Tier 1, Tier 2 and Own Funds is disclosed in Note 5.7 of the Financial Statements as at 31 December 2019.

9.1 Full reconciliation of own funds items to audited financial statements in accordance with article 437(1)(a) of the CRR

9.1.1 Reconciliation between the statement of financial position used to calculate own funds and that used to calculate regulatory own funds

	Note*	TA**	SOFP in accordance with IFRS scope of consolidation 2019 USD	Effect of deconsolidation for regulatory consolidation 2019 USD	SOFP in accordance with regulatory scope of consolidation 2019 USD
Equity					
Share capital	39		**261,221,882**	**-**	**261,221,882**
Share premium	39		**858,885**	**-**	**858,885**
Retained earnings	39		**10,937,616**	**-**	**10,937,616**
Reserve for general banking risks	39		2,323,486	-	2,323,486
Currency translation reserve	39		(7,086,044)	-	(7,086,044)
Fair value reserve	39		11,311,278	-	11,311,278
Other reserve	39		2,916,863	-	2,916,863
Other Reserves			**9,465,583**	**-**	**9,465,583**
Non-controlling interests not deductible from own funds			(1,471,364)	(1,471,364)	-
Non-controlling interests	40		**(1,471,364)**	**(1,471,364)**	**-**
Assets					
Deposits placed directly in the Depositor Compensation Scheme's account with the Central Bank of Malta reported under other assets	33		4,801,655	-	4,801,655
Market value of assets held as payment commitments in favour of the Depositor Compensation Scheme			**4,801,655**	**-**	**4,801,655**
Expected credit losses	23/24/ 27/37	TA2	**54,007,340**	**46,793,031**	**7,214,309**
Goodwill accounted for as intangible asset			8,506,084	-	8,506,084
Other intangible assets			4,601,797	-	4,601,797
Intangible assets and goodwill	31		**13,107,881**	**-**	**13,107,881**
Deferred tax asset that rely on future profitability and arise from temporary differences and deductible from own funds			10,316,143	-	10,316,143
Other transitional adjustments to CET1: deferred tax asset that rely on future profitability and arise from temporary differences and deductible from own funds		TA2	(1,857,643)	-	(1,857,643)
Deferred tax asset that rely on future profitability and arise from temporary differences and not deductible from own funds			28,315,086	28,315,086	-
Deferred taxation	32		**36,773,586**	**28,315,086**	**8,458,500**

* Cross-reference to Notes to the Financial Statements

** Cross-reference to Statement of Transitional Adjustments

9.1.2 Mapping between own funds statement as reported in note 5.7 and the statement of financial position in accordance with regulatory scope of consolidation and the statement of transitional adjustments as reported in tables 9.1.1 and 9.1.2 respectively

	Own funds statement 2019 USD		SOFP in accordance with regulatory scope of consolidation 2019 USD		Statement of transitional adjustments 2019 USD
Tier 1					
Paid up capital instruments	261,221,882	Share capital	261,221,882		
Share premium	858,885	Share premium	858,885		
Retained earnings	10,937,616	Retained earnings	10,937,616		
Other reserves	9,465,583	Other Reserves	9,465,583		
Deductions					
Goodwill accounted for as intangible asset	(8,506,084)	Goodwill accounted for as intangible asset	(8,506,084)		
Other intangible assets	(4,601,797)	Other intangible assets	(4,601,797)		
Deferred tax asset that rely on future profitability and arise from temporary differences and deductible from own funds	(10,316,143)	Deferred tax asset that rely on future profitability and arise from temporary differences and deductible from own funds	(10,316,143)		
Market value of assets held as payment commitments in favour of the Depositor Compensation Scheme	(4,801,655)	Market value of assets held as payment commitments in favour of the Depositor Compensation Scheme	(4,801,655)		
Value adjustments due to the requirements for prudent valuation	(592,231)				
Other transitional adjustments	9,071,952			Transitional adjustment to CET 1	9,071,952
Common Equity Tier 1	**262,738,008**				
Total Tier 1	**262,738,008**				
Tier 2					
Total Tier 2	-				
Total own funds	**262,738,008**				

9.1.3 Statement of transitional adjustments

	Note	2019 USD
Non-controlling interests deductible from own funds	TA 1	-
Deferred tax asset that relies on future profitability and arises from temporary differences and is deductible from own funds	TA 2	1,857,643
IFRS 9 adjustment prescribed under Regulation (EU) No 2017/2395	TA 3	7,214,309
Transitional adjustments to CET 1		**9,071,952**

9.2 Description of the main features of common equity tier 1 and tier 2 capital instruments in accordance with article 437(1)(b) of the CRR

	Paid up capital instruments
Issuer	FIMBank plc
ISIN number	MT0000180100
Governing law of the instrument	Maltese law
Regulatory treatment	
- transitional CRR rules	Common Equity Tier 1
- post transitional CRR rules	Common Equity Tier 1
- eligibility for inclusion in own funds	Bank solo and Group consolidated
- Instrument type	CET1 as published in the EBA list (art. 26(3))
- amount recognised in regulatory capital	522,443,763 shares
- nominal value of each share	USD 0.50
- issue price	N/A
- redemption price	N/A
- accounting classification	Shareholders' equity
- original date of issuance	8 November 1994
- perpetual or dated	N/A
- original maturity date	N/A
- issuer call subject to prior supervisory approval	N/A
Dividends	
- fixed or floating dividend	Floating
- coupon rate and any related index	N/A
- existence of a dividend stopper	No
- fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
- fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
- existence of step-up or incentive to redeem	N/A
- non-cumulative or cumulative	Non-cumulative
- convertible or non-convertible	Non-convertible
- write-down features	N/A
- position in subordination hierarchy in liquidation	Subordinated to senior creditors and depositors
- non-compliant transitional features	No

9.3 Comparison of own funds, and capital and leverage ratios in accordance with article 473a of the CRR

In 2016, the European Union ("EU") adopted the IFRS 9, 'Financial Instruments' which came into force on 1 January 2018. To mitigate the impact of this standard on own funds, and capital and leverage ratios due to sudden increases in Expected Credit Loss provisions ("ECL"), in 2018 the EU approved Regulation (EU) No 2017/2395 which created Article 473a of the CRR. The introduction of IFRS 9 led to a significant increase in the Bank's ECL provisions which will ultimately impact the Bank's CET1 capital levels. The Group has therefore decided to apply the transitional arrangements prescribed in this above-mentioned regulation, allowing it to phase-in the impact of the increased ECL on the Bank's capital levels. From 2018, the transitional arrangement allows the Group to include in its Common Equity Tier 1 Capital a portion of the increased ECLs for five years, decreasing over time to zero to ensure full implementation of the standard.

Regulation (EU) No 2017/2395 also requires the disclosure of the following items with and without the application of the transitional arrangements prescribed within the same Article. The following table is based on 'Template IFRS 9-FL' from the 'Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds' (EBA/GL/2018/01).

	2019 USD	2018 USD
Available capital (amounts)		
CET1 capital	262,738,008	261,276,991
CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	255,523,700	253,213,940
Tier 1 capital	262,738,008	261,276,991
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	255,523,700	253,213,940
Total capital	262,738,008	268,167,590
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	255,523,700	260,104,539
Risk-weighted assets (amounts)		
Total risk-weighted assets	1,557,644,559	1,486,275,878
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,549,644,700	1,478,178,852
Capital ratios		
CET1 (as a % of risk exposure amount)	16.9%	17.6%
CET1 (as a % of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.5%	17.1%
Tier 1 (as a % of risk exposure amount)	16.9%	17.6%
Tier 1 (as a % of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.5%	17.1%
Total capital (as a % of risk exposure amount)	16.9%	18.0%
Total capital (as a % of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.5%	17.6%
Leverage ratio (fully phased in)		
Tier 1 capital (fully phased in)	253,666,056	250,624,237
Leverage ratio total exposure measure	1,962,064,275	1,879,028,894
Leverage ratio	12.9%	13.3%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.0%	13.5%

The transitional arrangement resulted in a higher total capital ratio of 16.9% (16.5% without applying the transitional arrangement). This increase of 0.4% in the capital ratio was a result of an additional USD7.2 million in the Group's own funds and a greater total risk weighted assets (increase of USD10.8 million) being adjusted in line with the transitional arrangement. As a result, the Group's leverage ratio decreased to 12.9% (13.0% without applying the arrangement).

9.4 Nature and amounts of specific items on own funds during the transitional period in accordance with articles 437(1)(d) and (e) of the CRR

	Amount at disclosure date 2019 USD	Amount subject to pre-CRR treatment or prescribed residual amount of CRR 2019 USD
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts: ordinary share capital	262,080,767	-
Retained earnings	10,937,616	-
Accumulated other comprehensive income (and other reserves)	7,142,097	-
Funds for general banking risk	2,323,486	-
Common equity Tier 1 (CET1) capital before regulatory adjustments	**282,483,966**	**-**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments	(592,231)	-
Intangible assets (net of related tax liability)	(13,107,881)	-
Deferred tax asset arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38(3) of the CRR are met)	(8,458,500)	1,857,643
Market value of assets pledged in favour of the Depositor Compensation Scheme	(4,801,655)	-
IFRS 9 adjustment prescribed under regulation (EU) No 2017/2395	7,214,309	7,214,309
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(19,745,958)**	**9,071,952**
Common Equity Tier 1 (CET1) capital	**262,738,008**	**9,071,952**
Tier 1 capital	**262,738,008**	**9,071,952**
Tier 2 capital	**-**	**-**
Total capital	**262,738,008**	**9,071,952**
Total risk weighted assets	**1,557,644,559**	
Capital ratios and buffers (as a percentage of risk exposure amount)		
Common Equity Tier 1 (CET1)	16.9%	
Tier 1	16.9%	
Total capital	16.9%	
Institution specific buffer requirement		
of which: capital conservation buffer requirement	2.5%	
of which: countercyclical buffer requirement	0.07%	
Amounts below the thresholds for deduction (before risk weighting)		
Deferred tax asset arising from temporary differences (below 10% threshold and net of related tax liability)	26,457,443	

The Group is required to maintain additional capital buffers, specifically the Capital Conservation Buffer and the Countercyclical Capital Buffer. These buffers are a requirement of Banking Rule 15, Capital Buffers of Credit Institutions authorised under the Banking Act, 1994. If the Group's CET1 capital falls below the combined buffer, automatic restrictions apply on capital distributions.

The Group is required to maintain a Capital Conservation Buffer of 2.5% (2018: 1.875%). In addition, the Group is required to retain an institution-specific Countercyclical Capital Buffer ("CCB") in line with Article 130 of Directive 2013/36/EU. This buffer is based on the weighted average of the CCB rates that apply in those countries where the exposures are located. In this regard, the following tables disclose the Group's (a) geographical distribution of exposures relevant for the calculation; and (b) amount of institution-specific CCB. These tables are in line with the disclosure requirements of Article 440 of the CRR and the supplementary Commission Delegated Regulation (EU) 2015/1555.

	General credit exposures	Trading book exposures	Own funds requirement				
	Exposures for standardised approach 2019 USD	Sum of long and short position of trading book 2019 USD	Of which general credit exposures 2019 USD	Of which trading book exposures 2019 USD	Total 2019 USD	Own funds requirements weights 2019 USD	Countercyclical capital buffer rate 2019 USD
Bulgaria	-	337,075	-	2,191	**2,191**	0.00%	0.50%
Czech Republic	1,302,945	-	87,171	-	**87,171**	0.07%	1.50%
Denmark	1,025,537	-	81,925	-	**81,925**	0.07%	1.00%
France	22,328,341	20,375,476	1,102,765	645,843	**1,748,608**	1.50%	0.25%
United Kingdom	24,677,661	35,911,635	2,498,039	2,195,375	**4,693,414**	4.03%	1.00%
Hong Kong	12,593,849	-	1,004,523	-	**1,004,523**	0.86%	2.00%
Iceland	861,391	-	68,911	-	**68,911**	0.06%	1.75%
Norway	67,720	-	5,418	-	**5,418**	0.00%	2.50%
Sweden	12,864,488	-	136,884	-	**136,884**	0.12%	2.50%
	75,721,932	**56,624,186**	**4,985,636**	**2,843,409**	**7,829,045**	**6.72%**	

	2019
Total risk exposure amount	USD1,557,644,559
Institution specific countercyclical buffer rate	0.067%
Institution specific countercyclical buffer requirement	USD1,043,622

9.5 Capital requirements

The Group uses the Standardised Approach under the capital requirements framework. The overall capital requirements have to be calculated and compared with the own funds described above. The overall capital requirements are expressed in terms of Risk Weighted Assets ("RWA") whereby capital requirements need to be 8% of RWA. The Group's minimum capital requirement under Pillar I is calculated by adding the credit risk charge to that required for operational risk and market risk.

The following table shows the Group's overall capital requirement under Pillar I:

	Risk weighted assets 2019 USD	Capital requirement 2019 USD
Credit risk (section 4.1.4 above)	1,050,157,563	84,012,605
Counterparty risk (section 4.1.6 above)	626,481	50,118
Operational risk (section 4.4 above)	98,855,725	7,908,458
Market risk - position risk in traded debt instruments (section 4.3.5 above)	405,654,900	32,452,393
Market risk - foreign exchange risk (section 4.3.2 above)	2,349,890	187,991
	1,557,644,559	**124,611,565**

9.6 Internal capital adequacy assessment process

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

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

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

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

The final version of the ICAAP is eventually discussed by the Audit Committee before being presented to the Board Risk Committee, and following its recommendation, it is ultimately approved and further ratified by the Board of Directors and submitted to the Regulator.

The Group is also bound by the terms of the capital requirements outlined within the SREP decision.

10 Leverage ratio

CRR requires credit institutions to calculate a non-risk based leverage ratio to supplement risk based capital requirements. The leverage ratio is defined as Tier 1 capital divided by a non-risk-based measure of an institution's on- and off- balance sheet items, not deducted from Tier 1 capital (the 'exposure measure'). The leverage ratio has two objectives, namely to limit the risk of excessive leverage by constraining the building up of leverage in the banking sector during economic upswings and to act as a simple instrument that offers a safeguard against the risks associated with the risk models underpinning risk weighted assets. The minimum requirement of the Tier 1 leverage ratio is 3%.

	Applicable amount 2019 USD
Summary reconciliation of accounting assets and leverage ratio exposures	
Total assets as per published Financial Statements	1,893,030,224
Adjustments for derivative financial instruments	1,028,408
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	105,286,417
Other adjustments	(37,280,774)
Leverage ratio total exposure measure	**1,962,064,275**

	CRR leverage ratio exposures 2019 USD
Leverage ratio common disclosure	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,892,887,974
Asset amounts deducted in determining Tier 1 capital	(37,280,774)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**1,855,607,200**
Replacement cost associated with all derivatives transactions	1,170,658
Total derivatives exposures	**1,170,658**
Off-balance sheet exposures at gross notional amount	170,839,748
Adjustments for conversion to credit equivalent amounts	(65,553,331)
Other off-balance sheet exposures	**105,286,417**
Tier 1 capital (fully phased-in)	**253,666,056**
Leverage ratio total exposure measure	**1,962,064,275**
Leverage ratio	**12.9%**
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in

	CRR leverage ratio exposures 2019 USD
Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	**1,855,607,200**
Trading book exposures	**460,238,537**
Banking book exposures	**1,395,368,663**
of which:	
Exposures treated as sovereigns	281,775,677
Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	-
Institutions	250,773,513
Secured by mortgages of immovable properties	762,396
Retail exposures	19,790,243
Corporate	468,699,959
Exposures in default	91,558,333
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	282,008,542

10.1 Description of the processes used to manage the risk of excessive leverage

Leverage risk is managed through regular monitoring and reporting of the leverage ratio, which forms part of the Risk Appetite Framework. FIMBank has set a prudent threshold for the leverage ratio at 5% (at group level). The leverage ratio for FIMBank has never breached the required minimum level of 3%, as prescribed by European regulations. The Group's strategy is based on profit improvement and selective asset growth which will further improve the leverage ratio. Changes in regulation relating to leverage ratio are monitored and their potential impact is assessed.

10.2 Description of the factors that had an impact on the leverage ratio during the period to which the disclosed ratio refers

The leverage ratio amounted to 12.9% (2018: 13.4%). This is more than 100% in excess of the required prudential level. The marginal change in leverage was mainly due to an increase in the balance sheet over the previous year.

11 Remuneration policy

The Remuneration Policy ("Policy") outlines the key guiding principles and framework of the Group in terms of remuneration structure. This structure comprises both fixed and variable remuneration and is intended to attract, develop and retain a high-performing workforce while remaining aligned to the Group's long-term strategy, risk appetite, sustainable performance and corporate values.

This Policy is reviewed annually and is approved by the Nomination and Remuneration Committee ("Committee") which is also the body delegated by the Board of Directors to oversee its implementation. The Committee is governed by a Charter. As at 31 December 2019, the composition of the Committee was as disclosed under the Remuneration Report in this Annual Report. The Committee seeks professional advice whenever this is deemed necessary. In 2019, the Committee met four times.

The Policy was last updated in August 2019, namely to:

i. Outline the process used to compile the list of Identified Staff for the purpose of this same disclosure;
ii. Better define both the fixed and variable remuneration components;
iii. Specifically reference the requirement of a multi-year performance assessment when awarding the Performance Bonus; and
iv. Specifically introduce, following approval by the Annual General Meeting in May 2019, the Employee Share Award Scheme as part of the variable remuneration component. This did not impact variable remuneration awarded in respect of performance during financial year 2018.

The Policy governs the remuneration of all members of staff, including this disclosure's target population defined as Identified Staff. This target population is determined in line with the EBA's qualitative and quantitative regulatory technical standards as currently in force. The Group's Identified Staff includes the management body in its management or supervisory function and senior employees who are inter alia responsible for one or more of the below:

- a material business unit or are directly accountable to the person heading the material business unit;
- an internal control in terms of risk, compliance and audit;
- a unit providing legal, financial budgeting and accounting, human resources, information technology or economic analysis support;
- taking decisions on new products, material systems or material processes;
- serving on a committee tasked with overseeing the management of a risk category;
- initiating credit proposals & have the authority to approve/decline or veto credit applications that result in a credit risk exposure of a nominal amount per transaction which represents 0.5% of the institution's Common Equity Tier 1 capital and is at least EUR5 million;
  taking a decision on transactions on the trading book under Article 4 of Commission delegated regulation 604/2014; and,
- employees who match one or more of the quantitative criteria as per Article 4 of Commission delegated regulation 604/2014).

For the purpose of remuneration, the Group's 'identified staff' are being sub-categorised according to the EBA guidelines and namely the following business areas:

- Supervisory;
- Management;
- Independent Control;
- Corporate;
- Retail; and
- Others

In aggregate these amount to 8.79% of the Group's total workforce.

The below table includes total fixed and variable remuneration for Identified Staff in each business area.

	Supervisory	Management	Corporate	Independent	Retail *	Other
Number of identified staff	**11**	**9**	**5**	**4**	**3**	**5**
	USD	USD	USD	USD	USD	USD
Total fixed remuneration	396,494	3,355,312	587,882	622,554	321,608	901,759
Total variable remuneration	-	458,218	80,467	15,088	37,998	55,887
Total remuneration	**396,494**	**3,813,530**	**668,349**	**637,642**	**359,606**	**957,646**

' * ' including lending activity to enterprises

The fixed remuneration includes all statutory and non-statutory amounts disbursed to or on behalf of employees, including fringe benefits, premia for insurance cover and other cash payments.

The variable remuneration consists of the performance bonuses awarded in line with the Group's Performance Management Programme with performance being measured bi-annually through the performance appraisal process. Individual performance is linked to both core competences (qualitative) and role goals (quantitative) and is assessed on a four-point scale. Employees who are rated as having met expectations or higher are awarded a performance bonus which reflects their rating. The bonus pool for the award of performance bonuses is determined by the Committee in accordance with the Policy and more specifically up to the stipulated percentage of the Group's profits before tax and general provisions

In accordance with Article 94(1)(g) of Directive 2013/36/EU, the Group did not award a performance bonus in excess of 100% of the fixed remuneration disbursed to the respective employee, nor were there cash bonuses which exceeded EUR100,000.

The Policy stipulates that before the deferred part of the variable remuneration is paid out, the Group Chief Risk Officer reassesses performance to ensure that this variable remuneration reflects the risks and errors that might have arisen or materialised since the component was awarded. This is carried out as part of Group's Performance Management Process. Furthermore, the Policy stipulates that in cases where the Group incurs financial losses, payment of any deferred bonuses will be decided by the Committee. This approach is carried out in the interest of strengthening the capital base.

In cases of resignations and where deferred bonus payments are still due, such payments shall be effected as and when they become due. Moreover, in case of termination due to failure or misconduct, any deferred bonus(es) will be subject to malus and paid bonus(es) will be subject to clawback up to a maximum of three years as per the terms defined in the contract of employment. The Group did not pay any deferred bonuses since none were due. As per Policy, in the eventuality that part of the variable remuneration is deferred, it will be spread over a period of three years.

There were no individual employees who were remunerated more than EUR1 million. No severance payments were made.

In 2019, the ratio of variable remuneration to fixed remuneration for the target population of Identified Staff for the whole group stood at 11.82%.

Supplementary information on remuneration is included in the Remuneration Report of this Annual Report.

Directors and executive management

Board of Directors

John C. Grech (Chairman)
Masaud M. J. Hayat (Vice Chairman)
Adrian Alejandro Gostuski
Edmond Brincat
Hussain Abdul Aziz Lalani
Majed Essa Ahmed Al-Ajeel
Mohamed Fekih Ahmed
Osama Talat Al-Ghoussein
Rabih Soukarieh
Rogers David LeBaron

Company Secretary

Andrea Batelli

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MALTA

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Executive Management

FIMBank p.l.c.

Acting Group Chief Executive Officer	Adrian Alejandro Gostuski	
Senior Executive Vice President	Howard Gaunt	Group Chief Operating Officer
Executive Vice Presidents	Andrea Batelli	Group General Counsel, Head of Investor Relations & Company Secretary
	Michael Davis	Group Chief Compliance Officer/MLRO
	Ronald Haverkorn	Group Chief Risk Officer
	Ronald Mizzi	Group Chief Financial Officer

London Forfaiting Company Limited

Chief Executive Officer	Simon Lay	
Company Secretary	William Ramzan	Head of Finance

India Factoring and Finance Solutions (Private) Limited

Chief Executive Officer	Ravi Valecha	
Company Secretary	Swati Zawar	Assistant Manager – Compliance

The Egyptian Company for Factoring S.A.E.

Chief Executive Officer	Ahmed Shaheen	
Company Secretary	Hesham Amin	General Manager & Chief Financial Officer

This is the last year that FIMBank will be printing its Annual Report.
Upcoming Annual Reports will be accessible on the FIMBank website under the Investor Relations, Financial Information section. This year's Annual Report has been printed on 100% recyclable paper.

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