

# Shareholders' Newsletter

Issue 02 - August 2015



FIMBANK

## MESSAGE FROM THE CHAIRMAN

Dear Shareholder,

*It is my pleasure to welcome you to the second edition of FIMBank's Shareholders' Newsletter.*

*At the time of our last Annual General Meeting in May, it was clear that FIMBank had reached an important turning-point – one which required us to take a focused and determined course of action to bring the Group back on the track of profitability and long-term growth.*

*One important factor which I am sure will influence the outcome of this process in a couple of years' time, was our dynamic response to the situation that was developing during 2014. We acknowledged the problems we were facing, identified their source, and took immediate action to start turning around the situation.*

*The fruits of the turnaround strategy we announced then and which is currently underway are already evident, and attest to the fact that we are on the right track. However, as announced during the last AGM, the effects of what is being accomplished now by our management team will take some time to be reflected in the financial results of the Group.*

*For the six months ending 30th June 2015, the Group posted an after-tax loss of USD 8.64 million, compared with a profit of USD 1.45 million registered in the same period in 2014. Other key financial indicators highlighted in the Group's interim results, show Total Consolidated Assets standing at USD 1.34 billion, broadly mirroring the position at end-2014 of USD 1.41 billion, while Total Consolidated Liabilities stood at USD 1.16 billion, 6% below the USD 1.23 billion registered in December 2014.*

*The Net Impairment losses amounted to USD 8.56 million and mainly represented residual legacy cases from the events of 2014. I believe that it is worth highlighting that prior to impairment losses, marked-to-market adjustments and share of equity results, the Group maintained a stable operating performance, reporting a minimal drop in net operating results.*

*The core underlying business continues to perform strongly and the streamlining of operations and optimisation of Group resources will result in a more focused business model. In this respect, we anticipate that the various measures undertaken to date will translate into tangible bottom line results in the latter part of this year.*

*It is in the light of the dynamic process of change and progress that has characterised these last months, that I am delighted to announce the appointment of Murali Subramanian as our new Chief Executive Officer (CEO), which is effective as from the 6th August, 2015. Murali, an Indian national, is a results-oriented senior banker with a proven track record in developing and executing growth strategies on a global basis. Prior to joining FIMBank, he was Executive Vice President at Abu Dhabi Commercial Bank, where he held the position of Head of Transaction Banking of the Group. This followed a 13-year stint at Citibank, where he occupied various posts, ending his career there as Managing Director, Global Head of Domestic Payables. The appointment of Murali as CEO comes at a crucial time for the Group, and is the result of succession*



*planning process initiated last October. Throughout his career, he has proven himself as a corporate leader, possessing strong banking acumen and particular expertise in trade finance and financial technology innovation.*

*Meanwhile, we have also decided to retain the valuable talents of Simon Lay, who has held the position of Acting CEO at the Bank since January 2015. Simon will be appointed as Deputy CEO, while maintaining his position as Managing Director of London Forfaiting Company Ltd. We thank Simon for his unstinting efforts throughout the past seven months, during which he has set FIMBank on a new course.*

*We are confident that the team led by Murali, together with Simon and the other members of executive management, will continue building on the current recovery process, implementing a successful turnaround strategy which will be characterised by a period of consolidation, where the focus will be on restoring shareholder value with a rapid improvement in financial performance.*

*The dedication and expertise of our people continues to be one of our most formidable assets, and a major determinant of success. I am certain that our employees and members of management at head office and across the globe, will embrace the Group-wide move towards a stronger performance-driven culture led by our new CEO and Deputy CEO. This will not only lead to greater efficiency and profit, but also enable the organisation to adapt more effectively to changing market conditions.*

*At the AGM, I had also emphasised our need for your support through these complicated times. And I remain extremely grateful for the show of trust and loyalty you demonstrated that evening. I can assure you that it boosted our resolve to turn the situation around at FIMBank.*

*As I had the opportunity to explain during the Annual General Meeting, we are also encouraged by the support of our controlling shareholders. In this respect, I am very pleased to report that we have received a commitment for funding facilities to the tune of USD 250 million from Burgan Bank. This is indeed a significant milestone that will allow us to implement FIMBank's new business strategy, permit us to reinforce our asset base and target higher income levels. The facilities made available will be shared between FIMBank and London Forfaiting, and will be drawn in an initial tranche of USD 150 million, followed by another of USD 100 million. I must highlight that these facilities are in addition to the existing USD 195 million funding lines already provided by KIPCO Group member banks, and reflect the strong commitment by our controlling shareholders, Burgan Bank and United Gulf Bank, in support of FIMBank's strategic plan.*

*Finally, on behalf of the Board of Directors and the entire management team, we would like to thank you for your continued support and wish you a pleasant summer.*

Dr John C. Grech  
FIMBank Group Chairman



## MESSAĠĠ MINGĦAND IĊ-CHAIRMAN

Għażiż Azzjonist,

Huwa pjacir tiegħi li nilqgħek għal din it-tieni edizzjoni tar-Rivista għall-Azzjonisti ta' FIMBank.

Waqf l-aħħar Laqgħa Ġenerali Annwali tagħna f'Mejju, kien jidher ċar li FIMBank kien laħaq punt importanti ħafna – punt li minħabba fih kellna nieħdu triq aktar iffukata u determinata biex inwasslu lill-Grupp lura għal profitt u tkabbir fit-tul.

Fattur importanti li bla dubju se jinfluwenza dan il-proċess fi ftit snin kien ir-rispons dinamiku tagħna għas-sitwazzjoni li kienet qiegħda tiżviluppa matul l-2014. Aħna għarafna l-problemi li konna qegħdin naffaċċjaw, identifikkajna minn fejn kienu ġejjin, u ħadna azzjoni immedjata biex nibdew indawru r-rotta.

Il-frott tal-istrategija li biha dawwarna r-rotta li ħabbarna dak iż-żmien u li għadha qiegħda taħdem bħalissa diġà jidher, u dan minħabba l-fatt li aħna qegħdin fit-triq it-tajba. Imma, kif ġie mħabbar waqt l-AGM li għadna, l-effetti ta' dak li qiegħed jinkiseb issa mit-tim tal-manigment tagħna se jieħu xi ftit ħin biex jigi rifless fir-riżultati finanzjarji tal-Grupp.

Għas-sitt xhur li spicċaw nhar it-30 ta' Ġunju tal-2015, il-Grupp irrapporta telf ta' 8.64 miljun Dollaru Amerikan wara t-taxxa, meta mqabbel mal-istess perjodu fl-2014, fejn kien ġie reġistrat profitt ta' 1.45 miljun Dollaru Amerikan. Indikaturi finanzjarji oħra importanti fir-riżultati interim tal-Grupp juru Assi Totali Konsolidati ta' 1.34 biljun Dollaru Amerikan. Dan jirrifletti tnaqqis marginali fuq il-1.41 biljun Dollaru Amerikan li kienu ġew irrappurtati fl-aħħar tal-2014. L-Obbligazzjonijiet Totali Konsolidati kienu ta' 1.16 biljun Dollaru Amerikan, jew tnaqqis ta' 6 perċentwali fuq il-1.23 biljun Dollaru Amerikan irrappurtati f'Diċembru tal-2014.

It-telf mill-indeboliment għall-ewwel sitt xhur ta' din is sena ammonta għal 8.56 miljun Dollaru Amerikan. Dan kien prinċipalment dovut għal każijiet li seħħew matul l-2014. Ta' min jinnota li matul dan il-perjodu, il-Grupp żamm prestazzjoni stabbli fl-operat tiegħu bi tnaqqis minimu f'dawk li huma riżultati operattivi netti. Fix-xhur li ġejjin, in-negożju tal-Grupp għandu jkompli jissahħaħ fil-waqt li l-operazzjonijiet tal-Grupp se jkunu aktar iffokati. Għalhekk aħna qed nanticipaw li d-diversi miżuri li ttieħdu s'issa se jwasslu għal riżultati aktar tangibbli fl-aħħar ta' din is-sena.

Huwa fid-dawl tal-proċess dinamiku ta' bidla u progress li kkaratterizza lil dawn l-aħħar xhur, li jien bi pjacir inħabbar il-ħatra ta' Murali Subramanian bħala l-Kap Eżekuttiv (CEO) il-ġdid tagħna. Din l-aħbar daħlet f'effett mis-6 ta' Awwissu tal-2015. Murali, li huwa ta' nazzjonalità Indjana, huwa bankier ta' esperjenza li l-mira tiegħu hi li jkiseb ir-riżultati. Hu għandu track record ippruvat biex jiżviluppa u jesegwixxi l-istrategiji tat-tkabbir fuq bażi globali. Qabel ma nġaħad ma' FIMBank, hu kien Viċi President Eżekuttiv tal-Bank Kummerċjali ta' Abu Dhabi, fejn okkupa l-pożizzjoni ta' Kap tat-Tranzazzjoni Bankarji tal-Grupp. Wara dan, huwa kellu numru ta' pożizzjonijiet ma' Citibank għal 13-il sena, fejn spicċa l-karriera tiegħu bħala Direttur Maniġerjali, Kap Globali tal-Pagamenti Domestiċi. Il-ħatra

ta' Murali bħala CEO ġiet fi żmien kruċjali għall-Grupp, u hija riżultat ta' proċess ta' ppjanar ta' suċċessjoni li beda f'Ottubru li għadda. Matul il-karriera tiegħu, huwa wera li hu mexxej tajjeb tal-kumpanija, li għandu għarfien kbir fil-banek u hu kompetenti fil-finanzjament tal-kummerċ u fl-innovazzjoni tat-teknoloġija finanzjarja.

Aħna ddecidejna wkoll li nżommu t-talent kbir ta' Simon Lay, li ilu jokkupa l-pożizzjoni ta' Acting CEO tal-Bank minn Jannar tal-2015. Simon se jigi maħtur bħala Deputy CEO, waqt li jżomm il-pożizzjoni tiegħu bħala Direttur Maniġerjali ta' London Forfeiting Company Ltd. Aħna nringrazzjaw lil Simon għall-isforzi bla waqfien u dedikazzjoni tiegħu matul is-seba' xhur li għaddew, li matulhom mexxa lil FIMBank lejn triq ġdida. B'dan il-mod, aħna saħħajna t-tim eżekuttiv għoli tal-FIMBank.

Aħna kunfidenti li t-tim immexxi minn Murali flimkien ma' Simon u mal-membri l-oħra tal-manigment eżekuttiv se jkompli jibni fuq il-proċess tal-irkupru preżenti billi jimplementa strategija ta' suċċess li ddawwar ir-rotta li tkun ikkaratterizzata minn perjodu ta' konsolidazzjoni, fejn il-fokus ikun li jintradd il-valur tal-azzjonisti b'titjib mgħaġġel fil-prestazzjoni finanzjarja.

Id-dedikazzjoni u l-kompetenza tan-nies tagħna tkompli tkun waħda mill-assi l-aktar formidabbli tagħna u waħda mill-punti li jiddeterminaw is-suċċess tagħna. Jien ċert li l-impjegati u l-membri tal-manigment fl-uffiċċju prinċipali u madwar id-dinja se jaċċettaw bil-qalb il-mixja tal-Grupp kollu lejn kultura ta' prestazzjoni aktar b'sahħitha mmexxija mis-CEO il-ġdid tagħna. Dan mhux biss se jwassal għal aktar effiċjenza u profitabbiltà imma wkoll se jippermettu lill-organizzazzjoni biex taddatta ruħha b'mod aktar effettiv għall-kundizzjonijiet tas-suq li kulma jmur jinbidlu.

Waqf l-AGM, jien għamilt enfasi fuq il-bżonn li għandna għas-sapport tagħkom matul dan iż-żmien diffiċli. Jien nibqa' grat ħafna għall-fiduċja u l-lealtà li wrejtu f'dik il-lejla. Nista' nassigurakom li dan għen biex indawru r-rotta lura tal-FIMBank.

Kif kelli l-opportunità li nispejga waqt il-Laqgħa Ġenerali Annwali, ingħatajna l-kuraġġ mis-sapport tal-azzjonisti ewlenin tagħna. F'dan ir-rigward, jien bi pjacir ngħid li rċevjna impenn għal faċilitajiet ta' finanzjament ta' 250 miljun Dollaru Amerikan minn Burgan Bank. Dan hu sinifikanti ħafna u se jħallina nimplimentaw l-istrategija l-ġdida tan-negożju ta' FIMBank, se jħallina wkoll insahħu l-baży tal-assi tagħna u biex nimmiraw lejn livelli ta' dħul akbar. Il-faċilitajiet li se jkunu disponibbli se jinqasmu bejn FIMBank u London Forfeiting, u se jibdew bl-ewwel ammont ta' 150 miljun Dollaru Amerikan, u jtkomplew b'100 miljun Dollaru Amerikan ieħor. Irrid naċċenna li dawn il-faċilitajiet huma miżjuda mal-finanzjament eżistenti ta' 195 miljun Dollaru Amerikan li diġà ġew mogħtija mill-banek membri ta' KIPCO Group. Dan jirrifletti l-impenn sħiħ mill-azzjonisti ewlenin tagħna, Burgan Bank u United Gulf Bank, fis-sapport tagħhom tal-pjan strategiku tal-FIMBank.

Fl-aħħar, f'isem il-Bord tad-Diretturi u t-tim tal-manigment kollu, nixtiequ nringrazzjawkom għas-sapport kontinwu tagħkom fil-waqt li nixtiqulkom sajf mill-isbaħ.

Dr John C. Grech  
Iċ-Chairman tal-Grupp FIMBank

# Message from the Deputy CEO



*Deputy CEO, FIMBank Group and Managing Director of London Forfeiting Company Ltd*

In December 2014, FIMBank was at a crossroads when I was asked to step in as Acting CEO to consolidate the business, whilst the search for a new CEO continued. This process had already started in September 2014, but following a marked deterioration in the operating environment in some of FIMBank's regional markets (mainly India and Russia), the Board decided to make an interim appointment in order to re-evaluate the strategic priorities of the Group and start the process of re-directing our business priorities and strengthening our business model.

Consequently, I was pleased to lead the restructuring process at FIMBank. Since my appointment in January 2015, we have strengthened our core business model, and our approach to governance, risk structures and internal control. We have also re-deployed our resources to maximise product strengths and to increase core profitability and recoveries. The Group had previously invested heavily in the development of our global franchise, but we needed to consolidate these investments and focus on generating profitability and returns for our shareholders. As a consequence, we exited our factoring operations in Russia and Lebanon, and started to deploy our internal resources in a more effective and controlled manner towards the business sectors, which offered the greatest profit potential.

Together with my senior management team, we set about implementing a turnaround strategy taking steps to discontinue non-profitable segments and to identify business inefficiencies to ensure maximum optimisation of our Group resources. We suspended the acquisition of the Slovenian and Kenyan factoring targets concern, and embarked on the process of winding down our Russian factoring operations. Notwithstanding these developments, factoring remains one of the core pillars of our business, and we are in the process of consolidating the Group's international factoring operations to generate business efficiencies.

A comprehensive Cost-Risk-Benefit review was also set in motion in order to establish an effective structure which will serve to avoid duplication of resources across the Group. Each business unit was put under review, and decisions on where to allocate capital and resources were based upon the ability of each of these to contribute profitably to FIMBank's bottom line.

We also took comprehensive steps towards the rapid deployment of a common risk, control, governance and compliance framework for the Group. This structure will allow us to build a platform that enables management decisions with a thorough understanding of the inherent risks, improved clarity of risk gaps, as well as more effective monitoring capabilities. I am pleased to report that this task is now well in hand, and under the experienced supervision of Ronald Haverkorn, our new Chief Risk Officer.

Meanwhile, a recovery team was established to boost recovery efforts on impaired exposures across the Group. This is a long process, which may span across future financial years due to the various legal and other remedies that are pursued. However, with a committed and dedicated team focused on the recovery of impairments across the Group, we are confident that these efforts will produce tangible results going forward.

Throughout my seven months in this role, I have been positively encouraged by the support of the shareholders and their ongoing financial and other commitments to FIMBank during this difficult period. This has allowed us to take bold decisions and adopt changes far more quickly than might otherwise have been the case.

Whilst this turnaround has been challenging for all involved, particularly as we have had to deal with a large number of legacy issues, we are now starting to see the results of this effort and a return to 'core' operating profitability is now firmly within our sights. Market conditions have been far from optimal, with depressed oil and commodity prices and surplus market liquidity chasing too few assets, thereby driving margins down. These have undoubtedly impacted upon the pace of our recovery. However, at FIMBank we have a strong global franchise and a team that is motivated towards delivering value services and good results going forward.

My time in Malta leading FIMBank through this critical time in its history has to be counted as one of the most interesting times in my career. It has been made all the more rewarding thanks to the support I have enjoyed from all the FIMBank team who supported me during this turnaround process. We still have lots to do and much to deliver, but I am confident that we have the right credentials, capacity and motivation to produce good results in the future. I am therefore delighted to have been given the opportunity to remain in Malta for the near future and to be engaged in the restructuring process, in my new capacity as deputy CEO of FIMBank. I look forward to building a strong working relationship with Murali Subramanian, our newly appointed Group CEO, and to establishing a stable platform from which FIMBank can grow and realise its true potential.



# New Appointments

## FIMBank appoints new Chief Executive Officer



*Murali Subramanian, Chief Executive Officer*

FIMBank announces the appointment of Murali Subramanian as its new Chief Executive Officer. CEO Mr Subramanian is a results-oriented senior banker with a proven track record in developing and executing growth strategies on a global basis.

Prior to joining FIMBank, Mr Subramanian was Executive Vice President at Abu Dhabi Commercial Bank for 6 years, where he held the position of Head of Transaction Banking of the Group. His key responsibilities at this financial institution included the

management of trade and supply chain growth business where he oversaw the growth and return to profitability of this USD 250 million revenue business. This followed a 21-year career at Citibank and earlier ABN Amro, where he occupied various posts in several geographies, ending his career at Citi as Managing Director, Global Head of Domestic Payables. Mr Subramanian considers his role in the development of the company's domestic payables capabilities in 105 countries, as well as having built the Trade, Supply Chain and Cash Management businesses in MENA, West Africa, Russia and the CIS, amongst his major achievements at Citibank.

Mr Subramanian holds a Bachelor of Technology in Mechanical Engineering degree from the Indian Institute of Technology, as well as a Masters in Business Administration, Finance and International Business from the Indian Institute of Management.

"We are delighted to announce the appointment of Murali Subramanian as CEO, which appointment comes at a crucial time for the Group," said Dr John C. Grech, Chairman of the FIMBank Group. "Mr Subramanian is an experienced banker with an impressive track record. Throughout his career, he has proven himself as a corporate leader, possessing strong banking acumen and particular expertise in trade finance and financial technology innovation," added Dr Grech. "We are confident that he will successfully steer the Bank towards the goals we have set, and that under his leadership these will effectively lead to restoring shareholder value."

The appointment of Mr Murali Subramanian will be effective as from the 6th August 2015 and is subject to the MFSA's approval as well as the completion of all other mandatory formalities. Meanwhile, Mr Simon Lay, who has held the position of Acting CEO at the Bank since January 2015, will be appointed as Deputy CEO, while maintaining his position as Managing Director of London Forfeiting Company Ltd.

## FIMBank appoints new Chief Risk Officer

FIMBank has appointed Ronald Haverkorn as Chief Risk Officer. Mr. Haverkorn is a senior banker with a proven track record in managing global portfolios, structuring complex risks, developing risk management framework and implementing risk control procedures.

Ronald Haverkorn is a Dutch national and will be based at FIMBank's head office in Malta. Mr. Haverkorn's previous role was that of Executive Vice President of the International Credit Product Group in the International Group of Wells Fargo Bank, N.A, where he held posts in the USA, the United Kingdom and Germany over a period of more than 21 years. During his career he held various global positions in financial institutions and corporate banking with a focus on the emerging markets. His responsibilities at the company included managing financial institution's global structured trade and non-trade credit product development, relationship management, credit origination, credit portfolio monitoring, mitigation, syndication, asset distribution, debt restructuring and various other managerial and strategic roles. During his career he also opened and had oversight over certain overseas offices while managing a global team.

Commenting on this appointment, FIMBank's Deputy CEO Simon Lay stated that: "We are very pleased to have Ronald join the Bank's executive management. He is an accomplished banker and risk professional, and brings to our Group a wealth of international banking experience and technical know-how. His skill-set will prove invaluable in our drive to restructure our risk management framework, which is aimed at building a stable platform for the organisation to achieve its performance objectives."



*Ronald Haverkorn, Chief Risk Officer*

## Awards

### GTR AWARDS

#### FIMBank wins GTR Best Deal of the Year Award

*Participant in a 2014 pre-export finance deal in Moldova*

FIMBank's participation in a structured trade finance solution involving the Trans-Oil Group, Moldova's primary agricultural company, has led to its winning the award for Best Trade Finance Deal of 2014 in this year's GTR Leaders in Trade Awards. FIMBank was one of the participating Banks in a US\$ 155 million revolving pre-export financing for the Trans-Oil Group, an agro-industrial holding involved in a wide range of activities, and one of Moldova's top exporters.



#### LFC wins Best Forfaiting House

London Forfaiting Company (LFC), a fully-owned FIMBank subsidiary, has won the Award for Best Forfaiting House in the GTR Leaders in Trade: LFC Managing Director Simon Lay highlighted that "LFC has been at the forefront of developments in the forfaiting and trade finance services industry for nearly 30 years. This award is won entirely on merit and further attests to the reputation which LFC has established over the years as a key player in the forfaiting market. Moreover, these awards also serve to boost the standing of FIMBank and London Forfaiting as highly respected and reliable

global partners in the specialist world of trade finance, and further justifies the confidence and solid support we are receiving from our controlling shareholders".



#### Mercury Tower, achieved a high energy performance rating

FIMBank's head office, Mercury Tower, achieved a high energy performance rating from the Building Regulation Office which is responsible for implementing the introduction of the energy performance of buildings regulations and promoting building energy performance in Malta. The energy performance rating highlights the overall energy saving being achieved and the positive return on investment. The eco-friendly installations within Mercury Tower include external fabric thermal insulation, high performance glazing, building management software, intelligent lighting system and air-conditioning heat recovery units. Water is a precious commodity on the island and the office block also has a reservoir with a capacity of half a million litres built specifically for rain water harvesting. The high energy performance rating achieved is a result of the Bank's focus to build a sustainable office block while ensuring the environmental impact and energy to run the building are contained, therefore reducing the tower's carbon footprint.



*Mercury Tower, St Julian's*

## Corporate Social Responsibility

### SPONSORSHIP OF - *Richard Saliba*

FIMBank supported local artist Richard Saliba with his latest exhibition entitled 'The Colour of Light'. The exhibition was inaugurated on the 9th January at the Malta Chamber of Commerce in Valletta.

Born in 1943, Saliba studied drawing and painting under the tutelage of prestigious names such as Esprit Barthelet, Vincent Apap and George Borg. The Italian Cultural Institute provided the young Saliba with various scholarships at the Accademia di Belle Arti in Perugia. Later, the artist furthered his studies in etching and aquatint at the Istituto Statale D'Arte in the city of Urbino, the birthplace of Raffaello. Since 1975, Saliba's works have been exhibited in numerous personal and collective exhibitions. His works can also be found in the Collection of the National Museum of Fine Arts, in Valletta, and at the Cathedral Museum in Mdina, apart from many other public and private collections. Richard Saliba's current works present the artist's invention of typical characteristic landscape. They retain his hallmark composition, his sensitive treatment of forms and colour, and hark back to his experience of hand-edge and abstraction. The works in the exhibition portray a mixture of some new features together with earlier influences.

Commenting on FIMBank's sponsorship of the exhibition, the Bank's Head of Administration & Public Relations, Jason Zammit said that: "In his work, the message the artist wants to pass on is that we are all guardians of our landscape. As an art critic has remarked, the evident romanticism can perhaps be construed as a form of nostalgia of a landscape that once was but is quickly vanishing. This is a powerful and very topical message". Mr. Zammit said that FIMBank was pleased to support an artist who, like the Bank, greatly appreciated these islands' many qualities.



## Preserving Malta's Maritime History

FIMBank recently contributed towards the Consolate del Mare Appeal Fund, a preservation exercise to preserve valuable manuscripts that record the function of the maritime tribunal some dating back to 1697. Following an appeal by maritime historian Dr Joan Abela a number of companies connected to the maritime industry joined forces with the Malta Chamber of Commerce, Enterprise and Industry to kick start this initiative.

During phase one of this preservation exercise conservation grade covers and archive grade quality boxes will be utilized in order to allow for better protection and storage. The bundles will be cleaned mechanically by specialists using soft brushes and conservation sponges, carefully inspected and classified for further treatment during phase two.

Simon Lay, FIMBank's Deputy CEO stated "The maritime industry has been central to the island's economic and cultural development throughout Malta's history. Some of these manuscripts which shed light on the development of international commercial and contractual law are currently at risk of being lost due to inadequate storage and we are proud to have contributed in a small way to preserve this patrimony for posterity."



## Supporting Dr Klown

FIMBank employees have recently donated €1,000 to Dr Klown organization during the Summer on the Terrace event. A group of clowns from Dr Klown attended the event and took photos with some members of the staff wearing their famous red noses.

Dr Klown is a non-governmental organisation dedicated to provide clown doctor services at paediatric wards of Mater Dei Hospital. In 2010, a group of people with a similar goal came together and transformed a dream into reality by setting up Dr Klown. The team set-out a rigorous training programme for aspiring clown doctors together with a multi-disciplinary team of professionals. What started off as a pilot project is now evolving into a growing NGO that prides itself in delivering humour.

Popularised by the film Patch Adams, clown doctors dose their patients with fun and laughter. Hospital can be scary, confusing or just plain boring for kids. This is where clown doctors can help. Clown doctors are not doctors but volunteers from every walk of life that are artistically and psychologically trained to entertain children in hospital. For clown doctors, it is the person that matters, not the illness. Even when kids are very sick they are still kids and clown doctors can help them forget they are sick for a moment. Just a smile is enough for the clown doctors to know that they have helped.

Clown doctors visit children in their beds, or stay with them while they are having treatment. They have props and giveaways to interact with the children to help them forget the pain for a while, distract them from medical procedures and bring them some relief from the boredom that can be part of a prolonged hospital stay. They play with the moment and improvise around each child's situation and interests. Kids are encouraged to join in however sometimes they just feel like watching. Families and staff are also included in the fun. The healing power of humour has been recognized since antiquity.



Everyone knows that laughter is the best medicine, but international research has found real physiological and psychological benefits to patients.

The volunteers visit the children dressed as clowns. All volunteers Clown Doctors have a name that starts with "Dr", like Dr Ah-Choo, Dr Bubbly, etc. and wear decorated white lab coats; the aim is that children would experience doctors and are not to be afraid of, that doctors are actually quite nice people. Dr Klown volunteers give their time, skill and heart to some of the most vulnerable people in society and share a bit of their own good fortune with the little patients, giving them a good time to remember and something to look forward to.

## Easisave featured on KIPCO LIFE



FIMBank's online savings platform was recently promoted on the parent's publication KIPCO Life. The magazine featured the Easisave USD savings and fixed term deposits. The Easisave platform now allows customers holding an account with Burgan Bank in Kuwait, Turkey and Jordan to interlink their existing Burgan Bank account with an Easisave account. The minimum deposit for Easisave fixed term deposits is EUR 1,000 or USD 1,000 making the product accessible to smaller savers.

The Bank's goal with regards to Easisave is that of building a loyal customer base by offering attractive rates, a robust platform, and providing a superior customer service through its dedicated helpdesk.

For further information about Easisave please visit [www.easisave.com](http://www.easisave.com)

## FIMBank's Training

FIMBank strongly believes in training and in equipping its employees with the right tools to perform their jobs professionally as well as to enhance their personal development. Over the last few months apart from using Skills Soft e-learning products, FIMBank has teamed up with local providers to deliver a series of face-to-face training. Multiplex delivered a Leadership and Development Programme for Managers and a supervisory skills course, whilst ThinkTalent delivered one day workshops on inter and intra personal skills. Moreover, in April Multiplex facilitated a Coaching for Managers course to equip our middle managers with coaching skills. DRUM Commodities from the UK presented a technical in-house training on Warehousing/Collateral Management (CMA).



## FIMBank Employees donation to the Alive Charity



*Caroline Ciappara, ALIVE Charity and Claire Blake, FIMBank HR Department.*

FIMBank employees presented their donation of Eur 1,500 to the Alive Charity Foundation. A total of 47 cyclists and back up team departed for Liechtenstein on the 9th of July for a gruelling marathon across seven countries in seven days and finished at Puttinu Cares Residence in Sutton, UK on the 16th July 2015.

Caroline Ciappara stated: "I would like to express my sincere appreciation to all FIMBank employees for their very generous donation to ALIVE Charity Foundation in Aid of Children's Cancer Research".

## FIMBank donates office furniture to the Peace Laboratory

FIMBank donated used office furniture and equipment to the John XXIII Peace Laboratory for its facility in Hal Far. Over 40 swivel chairs, 30 desks, meeting tables, 12 office cabinets and other office equipment were delivered to the Peace Laboratory in Hal Far last June.

The John XXIII Peace Laboratory of Malta is a living practical example of the role that a non-governmental, voluntary organization can play in shaping the conscience and opinion of the majority. Its founder Fr. Dionysius Mintoff, a Franciscan friar believes deeply in the need for an open and unrestricted meeting-place, where people of all background and attitudes can mix together. The Peace Laboratory is giving shelter and hospitality to 45 immigrants who will benefit from the furniture that was donated.

Fr. Dionysius Mintoff was very grateful and thanked the Bank for its generosity. He stated: "Your donation will definitely help to improve the lives of 45 immigrants residing at the Peace Laboratory. Some of the desks, tables and chairs will be used in our internet café within our grounds in Hal Far. This internet facility enables residents to communicate with their families, located predominantly in sub Saharan Africa. Communication with family members allows peace of mind which boost morale and attitude and allows the individuals to go on with their lives and acquire a sense of meaning."



*Fr Dionysius Mintoff with Maria Scicluna from FIMBank's Administration/PR Dept.*



During the past three years, we have grown used to Greece featuring in the international news headlines in connection with the sovereign debt crisis, and the effects of the implementation of a bail-out programme set by the EU and the IMF. Greece's outlook has been fraught with uncertainty, and the Greek economy has been suffering. Greek banks, strongly affected by the sovereign debt crisis, saw their capital shrinking from the Greek Bonds write-offs, as well as their liquidity squeezing. Some light began to be seen at the end of the tunnel towards the end of 2014, when, as a result of tough austerity measures, the Greek government was in a position to announce a budget surplus and slightly positive GDP growth following four years of contraction. There had also been signs of increase in domestic demand and consumption. At the time, it had been estimated that in 2016, growth would gain momentum and unemployment would decline somewhat, as exports and investment would recover.

However, last January, a new government came to power with the aim of re-negotiating terms with creditors. Now, after quite a difficult five-month period of negotiations and with the economy moving slightly towards a recession, the new government has finally reached an agreement with the EU and the IMF on a new three-year debt financing programme. This is expected to gradually bring things back to normal.

The long-standing process to reach an agreement with its creditors left its mark on Greek businesses, apart from the effects it also had on the Greek banking sector, with the capital controls imposed at the end of June. However, during the last five years of turbulence, and despite the problems arising from such an environment, a number of Greek businesses have managed to ride the crisis and emerge stronger. These were mainly export-oriented companies or companies with low leverage.

During these years, Factoring has proven to be a resilient financing tool for businesses, assisting companies to finance and develop their business. Notwithstanding the enduring financial crisis, characterised by a lack of liquidity and the undercapitalization of the whole banking system, the Greek factoring market has managed to perform satisfactorily. Although it remains a niche product, Factoring remains a healthy and remunerative financial tool, showing a stable penetration rate (c.7% of GDP, reaching €13 bln.). The moderate turndown in the utilisation of factoring during 2014, when compared to the previous year, can be justified mainly by the scarce liquidity available, rather than by a lower demand of a market which offers good opportunities for cross-border business as well as within the domestic market.

FIMBank's Hellenic Branch was established in 2014 with the objective of tapping the potential for cherry-picking business and to provide alternative financing solutions within the Greek market, in order to bridge current limitations being faced by businesses. The Branch engages in the purchase, management, risk coverage and collection of trade receivables. Although the scope of the business encompasses the entire spectrum of trade transactions, it focuses primarily on export-oriented business, facilitated mainly through factoring. It is worth pointing out that most of these transactions are 'without-recourse', but the risk is covered either by correspondent factors or by other credit mitigants, which has been

strongly supporting the Branch's business by offering credit coverage to both domestic as well as foreign counterparties.

The Branch offers local clients the financing of their purchases from suppliers. It also combines other Bank products, offering solutions for financing stock, and facilitating business by issuing or receiving Letters of Credit. Furthermore, the Hellenic Branch has also been liaising with FIMBank's Dubai office in order to promote the pre-demo shipping finance product.

From a strategic perspective, the goal of the Branch is to gain entry into crisis-resilient sectors, focusing on industries related to exports and imports, as well as on large international corporations in the domestic market. It also aims to provide increased flexibility and liquidity in a market that values highly such traits, while maintaining an appropriate risk profile, adding value to and creating synergies with FIMBank's global network.

The Branch has a local team of five professionals with extensive factoring experience, boasting a highly successful track record going back between 15 and 20 years. The team is headed by Demetris Zouzoukis, who has been managing factoring operations for more than 14 years, including at Eurobank Factors S.A. (a member of the Eurobank Group) and Marfin Factors and Forfaiters S.A. (a member of Laiki Bank Group), where he served as Deputy General Manager and as a member of the Board of Directors.

The team also includes George Goumassis, a senior professional with 18 years' experience in the international factoring market, having occupied the post of International Factoring Manager in two successful factoring companies. George heads the Business Development department of the Branch. Michael Michaelides, on the other hand, who has twelve years' experience in credit appraisal and credit control in the factoring industry, is the Head of Risk and MLRO. Kostas Georgakopoulos, with twelve years in managing factoring relationships and collections, is the Head of Operations. Assisting Kostas in Operations is Maria Stefanidou, who has 15 years' experience in factoring and managing client relationships and operations.



*Dr. John C. Grech, Chairman with Demetris Zouzoukis, Hellenic Branch Head*

## Meet Our Team members in Paris and Cologne



**Eric Baillavoine**  
**Head of French Marketing**

Based in Paris, France, Eric is responsible for the French market at London Forfaiting. His job description includes identifying opportunities for forfaiting, origination and the distribution of deals. While his primary focus is assisting French corporates with financing their exports, in this role Eric also maintains relationships with secondary market financial institutions. Eric attended the EDHEC Business School between 1998 and 2001, majoring in Finance.



**Wenli Wang**  
**Head of Chinese Business Development**

Wenli is based in Cologne, Germany, and has over seven years of trade finance experience. Her role is focused on originating transactions from Chinese corporates and banks, and includes relationship-building with potential clients based in Germany. Wenli obtained a BA in Economics & Sociology from the University of Toronto, Canada in 2006, and a year later she was awarded a Master's degree in Economics from the University of Hong Kong.



## Global trade: at (another) turning point

By Giovanni Bartolotta, Group Head of Risk Management

By Giovanni Bartolotta,  
Group Head of Risk Management

What happened to global trade? This is the question that is puzzling many analysts and commentators in the wake of the recent slowdown of global trade growth. Since the 1950s, international trade grew faster than GDP – at a ratio of 1.4, with the 1990s representing a golden decade for trade, with growth rates more than double those of global income. This trend appears to have reversed in the last three years, with trade growing at 3% in 2012 and 2013, and only 3.1% in 2014, a slower growth rate than the global economy. Suggestions of ‘peak’ trade abound in the financial press. The causes for such statistical anomaly could be both cyclical and structural and are usually broken down as follows:

- 1) the ongoing crisis of the Eurozone economies whose internal trade represents about 25% of global flows;
- 2) a secular transformation of the Chinese economy, where overseas parts for products assembled in China are gradually being replaced by parts made in the country (see Chart 1), especially in factories built inland over the years by foreign companies – it is becoming evident that the cost to move such parts to final assemblers is lower than shipping them from overseas, due to the improvements in the country’s transport infrastructure;
- 3) despite being a more recent trend, the end of the commodity boom is also held responsible, with rising volumes of energy and food exports not being able to compensate for the price weakness of commodities (caused, especially in the case of oil, by a supply glut and more efficient use of resources);
- 4) a lower supply of trade finance, sparked by the global financial crisis of 2008, which saw a significant increase in regulation and capital costs for providing trade finance to importers and exporters. This resulted in many leading European banks exiting from the sector altogether;
- 5) a slower pace of trade liberalization and some re-emergence of protectionism, also caused by the financial crisis.

While there is little evidence that trade finance developments and slower liberalization played a role in sluggish trade growth (will come back to this later), the reality might be that such slowdown is only a reversion to long-term trends, after an extraordinary period of growth in the 1990s when the emergence of global supply chains shaped a sea change in the world’s economic infrastructure. Trade growth started slowing down before the 2008 financial crisis, mainly as a consequence of reduced offshoring (or even reshoring, although this was quite limited) of industrial production. China can be seen as the main culprit for this, but only because, in the words of Aaditya Mattoo, head of trade research at the World Bank, “it globalized internally” a longer section of the global supply chain (i.e. trade flows took place within China and not across borders). Despite this, China has also

emerged as the true “mega-trader”, a role last played by Victorian Britain at the end of the 19th century. China represents today 11.5% of global trade (which in turn constitutes almost half of its own GDP). However, as China’s economy’s matures, its contribution to global trade growth and the pace of globalization will necessarily diminish and be replaced by other players.

An historical look at the different waves of globalization will explain why. The first wave occurred before World War I, when European countries imported commodities from the rest of the world in exchange for manufactured goods. Goods were produced in a region, but consumed in another. The second wave took place after World War II and was characterized by the break-up of production itself, with various stages performed in different locations. This was the traditional global supply chain. The third wave of globalization is the one we are witnessing today, where growing specialization is further breaking down manufacturing of goods into specific tasks. Take the example of Apple products, which are designed in California, assembled in China, but with parts actually produced in other countries like Taiwan and Korea. Another fitting example is that of t-shirts manufactured in Mexico, with textiles imported from the US and the final product re-exported to the US. One might argue that the actual import is one of “tailoring services” from Mexico to the US.

Rapid advances in telecommunications, robotics, 3D printing and other edge technology are lowering the barriers to further specialization. As China matures (and its wages increase) further countries are joining the fray and are becoming specialized (and low cost) providers of either design, assembly or other manufacturing services to the global economy. Countries like Vietnam, Bangladesh, the Philippines and increasingly also Nigeria, Ghana, Uganda and Ethiopia are rapidly becoming integral part of this third wave of globalization. This phenomenon is known as the “flying geese” pattern of trade, where development of an economy and its subsequent wage increases trigger further offshoring to other economies. Whatever the reason, this will in turn provide a boost to global trade growth and allay fears that global economic growth is coming to a halt.



China's Imports of Parts and Components in Total Exports of Merchandise (percent)  
Classification of parts and components based on UN Comtrade's BEC<sup>1</sup>

## Our Controlling Shareholders

### KIPCO announces 17% rise in net profits for 1st half of 2015

(Source: KUNA, Kuwaiti News Agency, 22 July 2015)

The Kuwait Projects Company, known as KIPCO, has announced a net profit of KD 25.4 million (USD 84.1 million) in the first six months of 2015, an increase of 17 percent on the KD 21.7 million (USD 71.8 million) reported for the same period last year.

In the second quarter (the three months ended 30 June, 2015), KIPCO made a net profit of KD 13.4 million (USD 44.4 million), an increase of 17.5 percent on the KD 11.4 million (USD 37.7 million) profit reported in the same period of 2014, the KIPCO said in a press statement Wednesday. KIPCO's total revenue for the first six months of 2015 increased 5.2 percent to KD 304 million (USD 1.01 billion) compared to the KD 289 million (USD 957 million) for the first half of 2014.

The company also saw a 4.4 percent rise in operating profit before provisions for the first half of 2015 to KD 81 million (USD 268 million) from the KD 77.6 million (USD 257 million) reported in the first half of 2014. KIPCO's consolidated assets increased in the first half of 2015 to KD 9.6 billion (USD 31.8 billion) from KD 9.3 billion (USD 30.8 billion) at year-end 2014.

Tariq AbdulSalam, KIPCO's Chief Executive Officer - Investments, said the company's first half results reflect the continued strong performance of KIPCO's core businesses, in line with the company's objectives for the year: "At our Shafafiyah Investors' Forum in March, we announced that we aim to double our 2014 profits by 2018," he said.

"The results of the first six months of the year are on course to achieving this objective, as our core companies continue to grow their revenue and operating profit. The performance of our core companies is on track, and we expect them to continue to deliver positive performance for the remainder of 2015."



KIPCO Tower, Kuwait City

### Kuwait's Burgan Bank Q2 net profit rises 23%, beats estimates

(Source: Reuters, Dubai, 21 July 2015)



Eduardo Eguren,  
Chief Executive Officer, Burgan Bank

Burgan Bank, Kuwait's third-largest lender by assets, reported a 23 percent rise in second-quarter net profit, beating analyst forecasts. A unit of KIPCO, Burgan made a net profit of KWD 19.9 million (USD 65.7 million) in the three months to the end of June, compared to KWD 16.2 million in the same period a year earlier, it said in a bourse filing. Four analysts polled by Reuters estimated, on average, a net profit of 17.6 million dinars for the Bank in the quarter. Burgan said the rise in net profit was due to growth in operations and increase in net gains from foreign currencies.

Eduardo Eguren, Burgan Bank's Chief Executive Officer told Reuters in May that the Kuwaiti lender would consider expanding in the UAE, Saudi Arabia and Egypt as foreign banks operating in the Middle East retrench as a result of losses and regulatory pressure. He added that total group revenue was rising at an annual rate of about 10 to 15 percent.



## Annual General Meeting 2015

During the Annual General Meeting of the 7th May 2015 Members considered and approved the following resolutions:

1. The Audited Accounts for the Financial Year ended 31 December 2014, together with the Report of the Directors, the Corporate Governance Statement, the Remuneration Report and the Report of the Auditors thereon.
2. The appointment of KPMG Registered Auditors as auditors, and the authority of the Board of Directors to fix their remuneration.
3. The maximum aggregate emoluments of the Directors for the Financial Year ending 31 December 2015 be fixed at USD 350,000.
4. The appointment of the following persons as Directors: John C. Grech; Masaud M.J. Hayat; Majed Essa Ahmed Al-Ajeel; Eduardo Eguren Linsen; Adrian Alejandro Gostuski; Rabih Soukarieh; Mohamed Fekih; Rogers LeBaron; Osama Talat Al-Ghoussein.
5. The authority to issue bonus shares to those Members on the register of the Central Securities Depository of the Malta Stock Exchange as at the Record Date (7 April 2015) by means of a capitalisation of the share premium account.

### Latest Company Announcement (FIM 232)

The following is a Company Announcement issued by FIMBank p.l.c. ("FIMBank" or the "Bank") pursuant to Chapter 5 of the Malta Financial Services Authority Listing Rules.

#### Quote

The Board of Directors of FIMBank met in London on 4 August 2015, to approve the Consolidated and the Bank's Interim Financial Statements for the six months ended 30 June 2015.

The Half-Yearly Report, drawn up in terms of the Listing Rules, is attached to this Company Announcement. The Interim Financial Statements are unaudited but independently reviewed by KPMG, the Registered Auditors.

In accordance with the requirements of the Listing Rules the Half-Yearly Report is being made publicly available for viewing on the Bank's website at [www.fimbank.com](http://www.fimbank.com)

#### Unquote

### Interim Directors' Statement (FIM 229)

19 May 2015

The following is a Company Announcement issued by FIMBank p.l.c. ("FIMBank" or the "Bank") pursuant to the Malta Financial Services Authority Listing Rules 5.86 et seq. covering the period between 1 January 2015 and the date of this Announcement:

#### Quote

Interim Directors' Statement.

After disappointing results in 2014, FIMBank started 2015 with changes in senior management and a revised business strategy which sees a consolidation of previous investments and a closure of certain loss making activities. The Board of Directors ("Board") supported the new Acting CEO's turnaround strategy at its meeting of the 10 March 2015, including:

- a) Retaining a focus on global trade finance as a central pillar to the Group's business model;
- b) An emphasis on consolidation, in order to increase profitability from FIMBank's core activities and a reduced focus on making new acquisitions;
- c) Consolidation of the Group's international factoring businesses, to allocate more resources to those entities capable of generating greater profitability;
- d) A selective approach to new business growth and further strengthening of governance and risk structures;

e) Restructuring or discontinuing non-profitable segments and identifying efficiencies to ensure that all resources are productively allocated;

f) Strengthening recovery efforts on impaired exposures Group-wide. Liquidity and funding have been maintained at very prudent levels during the last few months, but during the next six months we anticipate a growth of new business opportunities. The winding down process to exit from our factoring business in Russia continues and discussions are being held to pursue various options including a sale of this business, although the costs associated with exiting this investment are likely to have some additional impact during 2015.

The business of India Factoring & Financial Solutions Limited, a major contributor to the Group's losses in 2014, is now much more stable and whilst new impairments were experienced in 2015, these related to legacy issues which were largely anticipated. FIMBank Solo experienced some relatively small increases in net impairments, but the Group's overall impairments were in line with the 2015 Budget. Recovery efforts have started with a dedicated team focused on this activity to generate positive results over the medium term.

The Board believes that the core fundamentals are being enhanced in order to return the Group to sustainable profit levels within a relatively short timeframe.

No material events or transactions have otherwise taken place that would have an impact on the financial position of the Group or require specific disclosure in terms of the Listing Rules.

#### Unquote

**Andrea Batelli**  
Company Secretary

<b>ISIN</b>	FIM
<b>Company</b>	FIMBank p.l.c.
<b>Total Shares issued (as at 1 June 2015)</b>	298,536,643
<b>Currency</b>	US Dollar
<b>Share Price (as at 6 August 2015)</b>	0.495

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