

Shareholders' Newsletter

Issue 07 - April 2018



FIMBANK

MESSAGE FROM THE CHAIRMAN



Dr John C. Grech, FIMBank Group Chairman

Dear Shareholder,

It is my pleasure to welcome you to the seventh issue of FIMBank's Shareholders' Newsletter.

I am pleased to report another positive year for the FIMBank Group. The financial results for 2017, highlight a profit for the second successive year, a clear indicator of the sound strategic path adopted over the past years and reflect our commitment and resolve in ensuring a strong and sustainable growth trajectory for FIMBank.

This dynamic response over the past two years, the steadfast determination in setting the foundations and implementing our strategy with our expert management team, together with the demonstrated support by the institutional investor Burgan Bank, have led us to the successful position we are in today.

The FIMBank Group's Consolidated Audited Financial Statements for 2017 show that as at 31 December of that year, the Group registered a profit of USD7.7 million, compared to a profit of USD 5.3 million in 2016, a 45% improvement. These results not only confirm the achievements made over the past two years, but underline what could well be considered, a definite shift in the fortunes of the Group.

The results of the year under review, on the back of the Group's performance in 2016, ascertain that we are on the right track, and that we are capable of sustaining and building on this momentum. This belief is also endorsed by prestigious international entities such as Fitch Ratings, which in 2017 confirmed our 'BB' rating with a 'Stable' outlook, as well as the more recent review by Sigma Ratings, which places FIMBank in the upper quartile of its 'satisfactory' rating band, and the outlook for the Group as 'positive'. The Sigma rating specifically reflects a strong shift, within FIMBank, to a culture which places particular emphasis on financial crime, risk management and compliance. This has led to the adoption of a Group-wide 'zero tolerance' policy on compliance failure, in line with guidance from my Board.

The FIMBank Group has clearly been evolving into a stronger banking institution based on sound business discipline, centrally-aligned operations, and effective management of enterprise risks. I am certain that once the dynamics in evidence during these past two years persist, we will ensure value creation to all FIMBank stakeholders, and reap further the benefits of the excellent work undertaken by our senior management team.

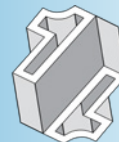
Indeed, if the Group has emerged stronger than ever from the recent difficult times, there is no doubt that this is primarily due to the dedication and expertise, as well as the loyalty and perseverance, of our employees and members of management at head office and across the globe. Their concerted effort has not only led to the successful implementation of our strategy, focused on greater

efficiency and profit, but has also enabled the Group to shift its strategic focus, and to adapt more effectively to changing market conditions. Our members of staff around the world continue to be the most formidable asset, and a keystone of the Group's success. They deserve our gratitude and praise for their consistent accomplishments.

I have often emphasised the importance we give to investor relations, and our sincere appreciation for the support we receive from all of our shareholders. At a time when we had to make tough and courageous decisions, my colleagues on the Board and I always found comfort in the backing we had from our investors, in particular from our majority shareholders, namely Burgan Bank and United Gulf Bank of the KIPCO Group. This demonstration of trust and loyalty served as a great source of encouragement, boosting in no small measure our resolve to achieve more as we set out to reach our full potential, and ultimately continuing to deliver positive and sustainable results.

Dr John C. Grech
FIMBank Group Chairman

"The FIMBank Group has clearly been evolving into a stronger banking institution based on sound business discipline, centrally-aligned operations, and effective management of enterprise risks."



STQARRIJA TA' CHAIRMAN LILL-AZZJONISTI

Għandi l-pjaċir nilqagħkom għas-seba' edizzjoni tal-Bullettin tal-Azzjonisti ta' FIMBank.

Għandi l-pjaċir nirraporta sena pożittiva oħra għall-Grupp FIMBank. Ir-riżultati finanzjarji għall-2017 jenfasizaw profitt għat-tieni sena suċċessiva, indikatur ċar tat-triq strateġika soda li adottajna tul l-aħħar snin u jirriflettu l-impenn tagħna u d-determinazzjoni li niżguraw mogħdija ta' tkabbir sostenibbli u b'saħħtu għal FIMBank.

Dan ir-rispons dinamiku tul l-aħħar sentejn, id-determinazzjoni qawwija li nistabbilixxu l-bażi tagħna u nimplimentaw l-istrateġija tagħna mat-tim esperti tagħna, flimkien mal-appoġġ muri mill-investitur istituzzjonali, Burgan Bank, wassluna għall-pożizzjoni ta' suċċess li ninsabu fiha llum.

Ir-Rapporti Finanzjarji Konsolidati Awditjati tal-Grupp FIMBank għas-sena 2017 juru li fl-31 ta' Diċembru ta' dik is-sena, il-Grupp irreġistra profitt ta' USD7.7 miljun meta mqabbel ma' profitt ta' USD5.3 miljun fl-2016, titjib ta' 45%. Dawn ir-riżultati mhux biss jikkonfermaw il-kisbiet li saru tul l-aħħar sentejn imma jenfasizzaw dak li jista' jittqies bħala bidla definittiva tar-rendiment tal-Grupp.

Ir-riżultati tas-sena taħt analiżi, ibbażati fuq il-prestazzjoni tal-Grupp fl-2016, jaċċertaw li mixjin fit-triq it-tajba u li aħna kapaci nsostnu u nibnu fuq dan il-momentum. Din il-fiduċja hija appoġġjata wkoll minn entitajiet internazzjonali prestiġjużi bħall-Fitch Ratings, li fl-2017 ikkonfermaw ir-rating 'BB' tagħna bi prospett finanzjarju 'Stable', kif ukoll il-valutazzjoni iktar riċenti ta' Sigma Ratings li tpoġġi lill-FIMBank fil-kwartil ta' fuq tal-faxxa 'satisfactory' tar-ratings, u l-prospett għall-Grupp bħala 'positive'. Ir-rating Sigma speċifikament jirrifletti bidla qawwija f'FIMBank għal kultura li tagħmel enfasi partikolari fuq il-ġestjoni tar-riskju kontra l-kriminalità finanzjarja u l-osservanza. Dan wassal għall-adozzjoni ta' politika fil-Grupp kollu ta' l-ebda tolleranza' fir-rigward tan-nuqqas ta' osservanza, skont il-gwida mill-Bord tiegħi.

Huwa ċar li l-Grupp FIMBank ilu jevolvi f'istituzzjoni bankarja iktar b'saħħitha bbażat fuq dixxiplina ta' negozju sod, operazzjonijiet allinjati b'mod ċentrali, u ġestjoni effettiva ta' riskji tal-intrapriża. Jien ċert li ladarba d-dinamika preżenti tul dawn l-aħħar sentejn tipersisti bħalma qed tagħmel, aħna niżguraw il-ħolqien ta' valur lill-partijiet kollha interessati ta' FIMBank u nkomplu ngawdu mill-benefiċċju tax-xogħol eċċellenti mwettaq mit-tim tal-manigment.

M'hemmx xi ngħidu, jekk il-Grupp ħareġ miż-żminijiet diffiċli riċenti iktar b'saħħtu minn qatt qabel, dan bla dubju kien prinċipalment minħabba d-dedikazzjoni u l-ħila, kif ukoll is-sens ta' lealtà u perseveranza tal-impjegati u l-membri tagħna tal-manigment kemm fl-uffiċċji prinċipali kif ukoll fl-uffiċċji madwar id-dinja. L-isforz koordinat tagħhom mhux biss wassal għall-implimentazzjoni tal-istrateġija ta' suċċess tagħna, iffukata fuq iktar effiċjenza u profitti, imma wkoll ippermetta lill-Grupp biex ibiddel id-direzzjoni strateġika tiegħu u jadatta għall-kundizzjonijiet dejjem jinbidlu tas-swieq b'mod iktar effiċjenti. Il-membri tagħna tal-istaff madwar id-dinja

jibqgħu fost l-iktar formidabbli fost l-assi tagħna u fattur ewlieni fis-suċċess tal-Grupp. Jisthoqqilhom ir-ringrazzjament u t-tiffhir tagħna għall-kisbiet konsistenti tagħhom.

Ta' spiss enfasizzajt l-importanza li nagħtu lir-relazzjonijiet mal-investituri tagħna u l-apprezzament sinċier tagħna lejn l-appoġġ li nircievu mill-azzjonijiet kollha tagħna. Fi żmien meta kellna nieħdu deċizzjonijiet ibsin u kuraġġużi, jien u l-kollegi tiegħi fuq il-Bord dejjem sibna serħan il-moħħ mill-appoġġ tal-investituri tagħna, partikularment mill-azzjonisti l-kbar tagħna, jiġifieri minn Burgan Bank u United Gulf Bank tal-Grupp KIPCO. Din it-turija ta' fiduċja u lealtà serviet bħala sors kbir ta' inkoraġġiment u żied mhux ftit fid-determinazzjoni tagħna li niksbu iktar biex nilhqu l-potenzjal kollu tagħna u fl-aħħar mill-aħħar, biex inkomplu nwasslu riżultati pożittivi u sostenibbli.

*Dr John C. Grech
Iċ-Chairman*

Message from the CEO



Murali Subramanian, FIMBank Group CEO

The positive financial results announced for 2017 reflect a significant progression due to the efficiency enhancements and portfolio quality improvements we have been implementing since 2015. Throughout the year under review, we sharpened revenue generation, benefitting from the risk management and operational efficiencies we have been undertaking for the past two years, whilst optimising on our capital and funding resources.

The financial results also confirm the strength of the FIMBank Group's fundamentals and the ability to deliver success in key business areas. An upgraded asset origination process, as well as product differentiation, remain at the core of the Group's strategy. In addition to these, we have made significant strides in the implementation of client-centric coverage models, cross-sell initiatives across the different Group segments, and the strategic use of offices in key markets, particularly in the MENA region.

We also saw the generation of business as a result of inter-Group referrals through our membership of the KIPCO Group. Meanwhile, we have made important inroads in the development of niche products, including lending instruments for the Malta real estate portfolio, as well as those for funding purposes, especially with the launch of the fully-fledged digital banking platform, FIMBank Direct. In doing so, we have overhauled our asset-liability management processes, becoming more efficient on liquidity and funding needs, and improving net margins both on revenue generation and cost of funding. Our Malta book however remains very small and insignificant in absolute terms as well as in comparison to our overall business.

I cannot fail to emphasise the importance of robust governance and an effective risk framework in the context of the Group's achievements, particularly the strong compliance culture which has enabled the Group to maintain a healthy relationship with its correspondent banks. In this regard, the positive rating we received from Sigma Ratings following a comprehensive review by the US-based specialist, was of essential significance. Apart from the fact that Sigma's rating was consistent with the affirmation of our 'BB Rating' and 'Stable' outlook announced by Fitch Ratings earlier that year, it was also the outcome of the enhanced risk management framework we had been working on since 2016. This was a process which incorporated various management and operational reforms, supported by heavy investment, all aimed at improving the financial crime compliance posture across the entire Group.

2017 also saw FIMBank signing up to the Target2 payment system, operated by the European Central Bank System. As a result, FIMBank became a direct counterparty for thousands of banks worldwide that

were otherwise paying into the correspondent bank on our behalf. Among others, this had immediate positive effects on the Bank's customers since these have started benefitting from being able to make payments later without affecting the value dating. Moreover, they are now able to deliver payments electronically to the Bank via FIMBank Direct, our new client portal. Having this efficient digital banking platform in place covering all general banking services, including deposit products offered at attractive interest rates for both Euro and USD and supported by an excellent customer service, has enabled us to better adapt to the needs of today's online consumers. It has also boosted our efforts to build a loyal customer base by offering a wide range of trade finance products.

Across the Group, London Forfaiting Company (LFC) in the UK returned another positive year, while India Factoring's business continued to strengthen. In Egypt, following the acquisition of the factoring business in the second half of 2016, the company was re-capitalised and given the financial ability to reboot and seek growth and return to profitability. In Chile, Latam Factors had a marginal increase in its factoring and leasing portfolio, impacted by a highly competitive domestic market environment. In Brazil, the 50%-owned factoring business returned a net loss for the year on the back of an erosion of its funded asset portfolio. Meanwhile, we pursued our strategy of consolidating and relaunching FIMBank Dubai's client base in the MENA region, in order to assure its position as an important profit centre for the Group.

The FIMBank Group's Consolidated Audited Financial Statements show that for the year ended 31 December 2017, the Group registered a profit of USD7.7 million, compared to a profit of USD 5.3 million in 2016. As the loan and asset portfolios were contained within the prior year levels, profitability continued on its upward trajectory, asset origination and revenue generation were upgraded, whilst focus continued on priority areas in the strategic framework of the business. In addressing regulatory capital developments, FIMBank has restrained its asset growth in anticipation of a planned capital injection, and simultaneously managed higher regulatory liquidity requirements and increased regulatory costs. Significantly, operating income before net impairment for 2017 stood at USD51.7 million, an increase of 12% over the USD46.1 million registered in 2016. Meanwhile, net impairments for the year also improved, from a loss of USD2.2 million in 2016, to a net recovery position of USD2.2 million in 2017. This is a result of significant recoveries made by the Bank and its subsidiaries in India and Egypt on legacy loans, which were partly offset by increases in coverage on other impaired legacy credits. This is considered another major milestone for FIMBank, reflecting firmness and determination.

Looking forward, indications are that for the first time since 2010, the world economy in 2018 will continue outperforming most predictions, and this strength is expected to continue. With easier financial conditions and some support from fiscal policy, the markets expect continued strong expansion in the world economy both across advanced and emerging economies, though with greater differences across countries. At FIMBank, we will continue building on the business platform that we have been able to transform and strengthen over the past years. The pursuit for excellence across the different businesses, products and markets will remain at the heart of the Group's strategy. We will achieve our objectives through superior client delivery channels and product evolution, risk and governance stability, as well as efficiency in funding and cost structures. The scaling of the business, supported by an expert team of management and staff in key trade hubs across different regions, will enable the Group to maintain a flexible business model which can adapt to arising circumstances, achieve sustainable profitability, and improve overall returns to all key stakeholders.

Murali Subramanian
Chief Executive Officer

Stqarrija tas-CEO

Ir-riżultati finanzjarji pożittivi mħabbra għall-2017 jirriflettu progressjoni sinifikanti minħabba t-titjib fl-effiċjenza u t-titjib fil-kwalità tal-portafoll li ilna nimplimentaw mill-2015. Tul is-sena taht analiżi, tejjibna l-generazzjoni tad-dhul fejn ipproffittajna mill-ġestjoni tar-riskju u l-effiċjenzi operattivi li ilna nagħmlu għal dawn l-aħħar sentejn, filwaqt li tejjibna l-kapital tagħna u r-riżorsi ta' finanzjament. Ir-riżultati finanzjarji jikkonfermaw ukoll is-saħħa tal-prinċipji fundamentali tal-Grupp FIMBank u l-kapaċità tiegħu li jrendi suċċess f'oqsma ewlenin ta' negozju. Proċess imtejjeb fl-orijini tal-assi, kif ukoll id-divrenzjar tal-prodott, jibqgħu fil-qalba tal-istrateġija tal-Grupp. Barra minn hekk, għamilna passi kbar fl-implimentazzjoni ta' mudelli ta' kopertura bbażati fuq il-klijenti, inizjattivi ta' cross-selling fit-taqsimiet differenti tal-Grupp u l-użu strateġiku ta' uffċji fi swieq ewlenin, partikularment fir-reġjun tal-MENA.

Rajna wkoll il-generazzjoni ta' negozju b'riżultat tar-riferimenti fil-Grupp stess permezz tal-isħubija tagħna mal-Grupp KIPCO. Sadattant, għamilna progress importanti fl-iżvilupp ta' prodotti speċjalizzati, fosthom strumenti ta' self għall-portafoll ta' proprjetà immobbli f'Malta, kif ukoll dawk għall-għanijiet ta' finanzjament, speċjalment bit-tnedija tal-pjattaforma bankarja diġitali, FIMBank Direct. Permezz ta' dan, bididna totalment l-proċessi tagħna tal-ġestjoni tal-assi-obbligazzjonijiet, fejn sirna iktar effiċjenti fil-ħtiġijiet ta' likwidità u finanzjament, u tejjibna l-margini nett kemm fuq il-generazzjoni ta' dhul kif ukoll fuq l-ispiża tal-finanzjament. In-negozju tagħna f'Malta madankollu għadu żgħir ħafna u insinifikanti f'termini assoluti, kif ukoll meta mqabbel man-negozju tagħna fit-total tiegħu.

Ma nistax nišhaq biżżejjed fuq l-importanza ta' governanza robusta u qafas effettiv ta' riskju fil-kuntest tal-kisbiet tal-Grupp, partikularment il-kultura qawwija ta' osservanza li ppermettiet lill-Grupp iżomm relazzjoni b'saħħitha mal-banek korrispondenti tiegħu. F'dan ir-rigward, ir-rating pożittiv li rċevjuna minn Sigma Ratings wara r-reviżjoni komprensiva minn speċjalist ibbażat fl-Istati Uniti, kien ta' importanza sinifikanti. Minbarra l-fatt li r-rating ta' Sigma kien konsistenti mal-affirmazzjoni tal-'BB Rating' tagħna u l-prospett finanzjarju 'Stable' mħabbar iktar kmieni dik is-sena minn Fitch Ratings, dan kien ukoll ir-riżultat tal-qafas imtejjeb tal-ġestjoni ta' riskju li ilna naħdmu fuqu mill-2016. Dan kien proċess li inkorpora bosta riformi operattivi u ta' ġestjoni, megħjun minn investiment qawwi, li kollha kienu mmirati biex itejbu l-qagħda tal-osservanza kontra l-kriminalità finanzjarja tul il-Grupp kollu.

Fl-2017, FIMBank ingħaqad fis-sistema ta' pagamenti ta' Target2, operata mis-Sistema tal-Bank Ċentrali Ewropew. B'riżultat ta' dan, FIMBank sar kontroparti dirett għal eluf ta' banek madwar id-dinja li kienu qed jagħmlu pagamenti fil-bank korrispondenti f'isimna. Fost oħrajn, dan kellu effetti pożittivi immedjati fuq il-klijenti tal-Bank peress li dawn bdew jibbenifikaw mill-fatt li setgħu jagħmlu pagamenti iktar tard mingħajr ma jaffettwaw id-datar tal-valur. Barra minn hekk, issa jistgħu jagħmlu pagamenti lill-Bank b'mod elettroniku permezz tal-portall il-ġdid tagħna għall-klijenti, FIMBank Direct. Din il-pjattaforma diġitali effiċjenti li tkopri s-servizzi bankarji ġenerali kollha, inkluż il-prodotti ta' depożiti offruti b'rati attraenti ta' imghax kemm għall-Ewro kif ukoll USD u appoġġjata minn servizz eċċellenti għall-klijenti, ippermettitilna nadattaw aħjar għall-bżonnijiet tal-konsumaturi onlajn tal-lum. Żiedet ukoll fl-isforzi tagħna biex nibnu bażi ta' klijenti leali billi offrjet għażla wiesgħa ta' prodotti fil-finanzjament tal-kummerċ.

pożittiva oħra, filwaqt li n-negozju tal-India Factoring baqa' jissaħħaħ. Wara l-akkwist tan-negozju tal-fatturat fl-Eġittu fit-tieni nofs tal-2016, il-kumpanija ġiet rikapitalizzata u nġhatat il-kapaċità finanzjarja biex tfassal ruhha mill-ġdid u tirritorna għat-tkabbir u tirritorna għall-profitabbiltà. Fiċ-Ċili, Latam Factors kellu zieda marginali fil-portafoll tiegħu tal-fatturat u s-self minħabba ambjent kompetittiv ħafna fis-suq domestiku. Fil-Brazil, in-negozju tal-fatturament fejn għandna 50% tal-fatturament, irriżulta f'telf nett għas-sena minħabba tnaqqis fil-portafoll tiegħu ta' assi finanzjati. Sadattant, segwejna l-istrateġija tagħna fil-konsolidazzjoni u t-tnedija mill-ġdid tal-baži ta' klijenti ta' FIMBank Dubai fir-reġjun MENA sabiex nassiguraw il-pożizzjoni tiegħu bħala ċentru ta' profitt importanti għall-Grupp.

Ir-Rapporti Finanzjarji Konsolidati Awditjati tal-Grupp FIMBank juru li fis-sena li ntemmet fil-31 ta' Diċembru 2017, il-Grupp irreġistra profitt ta' USD7.7 miljun meta mqabbel ma' profitt ta' USD5.3 miljun fl-2016. Peress li l-portafoll tas-self u tal-assi nżammu fil-livelli tas-sena preċedenti, il-profitabbiltà baqgħet tiżdied, ittejjbu l-orijini tal-assi u l-generazzjoni tad-dhul filwaqt li nżammet l-attenzjoni fuq prijoritajiet ewlenin fil-qafas strateġiku tan-negozju. Bl-indirizzar tal-iżviluppi regolatorji tal-kapital, FIMBank rażżan it-tkabbir tiegħu fl-assi bl-antiċipazzjoni ta' injezzjoni pplanata tal-kapital u fl-istess ħin, iġġestjona rekwiżiti regolatorji oghla u zied l-ispejjeż regolatorji. B'mod sinifikanti, l-introjtu operatorju qabel l-indebboliment nett għall-2017 kien ta' USD51.7 miljun, zieda ta' 12% fuq il-USD46.1 miljun irreġistrat fl-2016. Sadattant, l-indebboliment nett għas-sena żdied ukoll, minn telf ta' USD2.2 miljun fl-2016 għal pożizzjoni stabbli nett ta' USD2.2 miljun fl-2017. Dan huwa r-riżultat ta' rkupri sinifikanti fuq legacy loans magħmula mill-Bank u mis-sussidjarji tiegħu fl-Indja u fl-Eġittu, li kienu parzjalment ibbilanċjati minn żidiet fil-kopertura fuq legacy credits oħra indebboliti. Dan jittqies bħala kisba importanti oħra għal FIMBank peress li jirrifletti l-fermezza u d-determinazzjoni.

B'ħarsa 'l quddiem, l-indikazzjonijiet huma li għall-ewwel darba mill-2010, l-ekonomija dinjija fl-2018 se tkompli teċċedi l-maġġoranza tat-tbassir u dan it-tiżiħ huwa mistenni li jipperpisti. B'kundizzjonijiet finanzjarji iktar faċli u b'xi appoġġ mill-politika fiskali, is-swieq qed jistennew li jkomplu jespandu ħafna fl-ekonomija dinjija kemm ma' ekonomiji avvanzati u dawk emergenti, imma b'differenzi ikbar fil-pajjiżi. Fi ħdan FIMBank, se nkomplu nibnu fuq il-pjattaforma tan-negozju li konna kapaċi nittrasformaw u nsaħħu tul l-aħħar snin. It-tfittxija għall-eċċellenza fin-negozji, il-prodotti u s-swieq differenti se tibqa' fil-qalba tal-istrateġija tal-Grupp. Se niksbu l-għanijiet tagħna permezz ta' mezzi superjuri ta' għajjuna lill-klijenti u l-evoluzzjoni tal-prodotti, l-istabbiltà tar-riskju u l-governanza kif ukoll l-effiċjenza fil-finanzjament u l-istrutturi ta' spejjeż. L-iskalar tan-negozju, appoġġjat minn tim espert ta' manigment u persunal f'ċentri fokali ta' kummerċ f'reġjuni differenti, se jippermetti lill-Grupp iżomm mudell ta' kummerċ ta' suċċess li jista' jadatta għaċ-ċirkostanzi li jinqalgħu, jikseb il-profitabbiltà sostenibbli u jtejjeb ir-rendimenti ġenerali għall-partijiet interessati ewlenin kollha.

CFO Review of 2017 Financial Results

The FIMBank Group's Consolidated Audited Financial Statements show that for the year ended 31 December 2017, the Group registered a profit of USD7.7 million, compared to a restated profit of USD5.4 million in 2016. At 31 December 2017, total Consolidated Assets stood at USD1.64 billion, a decrease of 6 per cent on the USD1.74 billion reported at end 2016. The drop in assets is attributed to a reduction in business assets aimed at addressing more stringent capital requirements, partly offset by increases in treasury balances as a result of higher liquidity requirements. In fact, Trading Assets decreased by USD127 million, whilst Loans and Advances to Customers increased by USD 140 million.

At the end of the period under review, total Consolidated Liabilities stood at USD1.47 billion, down by 6 per cent from USD1.57 billion in 2016. Deposits from corporate and retail clients decreased by USD101 million whilst wholesale funding and bank deposits decreased by a further USD36 million. This reduction reflects the drop in assets and also the planned diversification of the funding sources between wholesale and retail.

Operating income before net impairment for 2017 stood at USD51.7 million, an increase of 12% over the USD46.1 million registered in 2016. During 2017, net interest income rose by USD3.0 million (to USD24.9 million), as a result of overall improved interest yields and increased efficiency in funding volumes and cost of funds. This rise was also mirrored in an increase of USD3.7 million in net fee income, to USD18.5 million.

During 2017, the Group changed its accountancy policy and started measuring owned properties, in particular that which houses its Head Office, at their fair value. This resulted in a fair value gain of USD3.4 million in 2017. Meanwhile, net impairments for the year improved, from a loss of USD2.2 million in 2016, to a net recovery position of USD2.2 million in 2017. This is a result of significant recoveries made by the Bank and its subsidiaries in India and Egypt on legacy loans, which was partly offset by increases in coverage on other impaired legacy credits. This is a significant development reflecting the determined and successful efforts of the Group to settle the effects of legacy misadventures of prior years.

In the year under review, operating expenses rose by USD3.7 million to USD42.3 million, largely as a result of an increase in mandatory regulatory costs and other variable staff-related expenses.



Ronald Mizzi, Group Chief Financial Officer

FIMBank Awarded Deutsche Bank Excellence Award



FIMBank has been awarded the prestigious Deutsche Bank Excellence Award, in recognition of the exceptional quality of its payments. The 2016 Straight Through Payment Award from Deutsche Bank takes into consideration the achievement of measured processing rates, which are considered the most important indicator for quality in the field of payment transactions. FIMBank has won this award for twelve successive years. Commenting on this achievement, Howard Gaunt, FIMBank's Group Chief Operating Officer, stated that "This prestigious award by one of the most prominent international banks demonstrates FIMBank's commitment to operational excellence and unparalleled customer service. Winning the Deutsche Bank STP Excellence Award recognises our advanced technological infrastructure including the capacity to satisfy regulatory needs while

delivering an enhanced banking experience. We remain committed to further investment in the FIMBank Direct digital banking platform, as we continue to grow our payments volumes."

Loranne Pace, Head of Banking Operations commented that "Our Payments team is trained to ensure that payments processing is cost-effective and timely, and through optimised processes we have been achieving this recognition for such excellence. We are very proud of our Payments team, as winning this award for twelve consecutive years is evidence of the team's consistent success in maintaining the highest standards".

FIMBank event brings together corporate clients

FIMBank recently hosted an event during which its relationship managers and other client-facing employees met with the Bank's real estate finance, trade finance and factoring corporate clients. The reception was held at the Hilton Malta in St Julian's.

Welcoming the Bank's clients, FIMBank Group Chairman Dr John C. Grech thanked them for their continued support. He elaborated on recent developments in FIMBank's performance and business outlook, while highlighting the customer-centric approach which continues to underline the Bank's strategy, aimed at adding value to clients and shareholders alike. He added that events such as this "are an important opportunity to further strengthen the Bank's rapport with clients and partners, and to share ideas and information which can potentially lead to new avenues of business."

The FIMBank Group Chief Operating Officer, Howard Gaunt, stated that, "As our Bank continues to evolve, we are adamant that our clients will remain key protagonists in this journey of development. FIMBank is firmly committed to customer-centricity, as we pro-actively reach out to address and understand our clients' needs. Following the Bank's recent process of transformation, we encourage our clients to continue providing us with regular feedback, thus enabling us to grow our businesses together."



FIMBank direct participant in TARGET2



FIMBank has announced its direct participation in TARGET2, a payment system owned and operated by the European Central Bank Eurosystem. TARGET2 is the leading European platform for processing large-value payments, and is used by both central and commercial banks to process real time payments in Euro.

Commenting on this landmark development, FIMBank's Group Chief Operating Officer Howard Gaunt stated that, "Modern economies are heavily dependent on the safe and seamless flow of transactions. Payment systems provide the plumbing that allows money to flow in the economy. TARGET2 enables EU banks to transfer money between each other in real time, which is known as real-time gross settlement (RTGS). More than 1,700 banks use TARGET2 to initiate transactions in Euro, either on their own behalf, or on behalf of their customers. Taking into account branches and subsidiaries, more than 55,000 banks worldwide (and all their customers) can be reached via TARGET2."

FIMBank's Head of Banking Operations & Project Management Lorraine Pace, explained that "Our membership to the TARGET2 system means that we will now be able to receive Euro payments directly from banks through the TARGET2 network. This also means that we are now in a position to process priority payments on behalf of our customers." She further added that such membership will allow the bank to provide a Payments Priority Service, for which a respective fee applies.



As part of the advantages of TARGET2 payments, FIMBank is now directly reachable for Euro payments without the need for payments to go through its Euro correspondents. Membership of the system also facilitates the processing of high value priority payment orders in 'safe' central bank money with immediate finality, even across borders, thus reducing the inherent risks in payment transactions. Moreover, TARGET2 allows for extended cut-off time for Euro payments. The system also allows for straightforward direct settlement, thereby minimising claims from beneficiaries for non-receipt of funds. Finally, national and cross-border payments are processed in the same way, with beneficiary banks being addressed directly.

FIMBank Achieves Positive Rating from Sigma Ratings



FIMBank has achieved a positive rating from Sigma Ratings following a comprehensive review by the US-based specialist. The entity issues annual ratings on company-level financial crime risk posture, and utilises cutting-edge computer science to generate daily risk approximations on companies around the world. It has pioneered a technology-driven approach to understanding non-credit counterparty risk, evaluating inherent risk and control effectiveness data, to generate financial crime vulnerability ratings.

Whilst most control sub-areas were rated as 'strong', the overall rating places FIMBank in the upper quartile of Sigma's 'satisfactory' rating band. Sigma also classifies FIMBank's outlook as 'positive'. Commenting on the Bank's achievement, FIMBank Group CEO Murali Subramanian stated "Sigma's rating is consistent with the recent

affirmation of our 'BB Rating' and Stable Outlook by Fitch Ratings. It is the outcome of the enhanced risk management framework adopted and encourages us to invest additional time and resources to seek further progression."

Mr Subramanian explained that over the past years, FIMBank has implemented a number of management and operational reforms, and boosted investments aimed at improving its financial crime compliance posture across the entire Group. "This has led to a dramatic shift in culture, one which places a particular focus on financial crime risk management and compliance. In line with guidance we receive from our Board, we have continued to adopt a group-wide "zero tolerance" policy on compliance failure".

FIMBank Employees Donate to Dar il-Hena

In December, FIMBank's employees came together to give a donation towards a charitable cause, Dar il-Hena Foundation.

Dar il-Hena foundation currently has two homes, Dar Papa Frangisku and Dar Maria Dolores which are always busy and are now looking to open their third home. The Foundation works hard to provide certain commodities that most take for granted, such as a hot meal and warm bed.

Mr. Anthony Girard, Chairman of the Foundation, explained that all this is done from the bottom of their hearts. They take pride in providing delicious meals for their guests on a daily basis, and making them feel as welcome and comfortable as possible. Mr. Girard, together with the Board representing Dar il-Hena extended their gratitude to all the employees at FIMBank who contributed with their generous donation.



FIMBank Supports Pink October



FIMBank supported breast cancer awareness through Pink October donation initiatives. Employees were encouraged to purchase pink ribbons and to offer their donations in pink ribbon jars and also to commemorate the event by wearing pink attire on the Bank's dress down day.

"We are glad to contribute our efforts and donations to support the noble cause of breast cancer awareness, by endorsing initiatives aimed at promoting education with the ultimate aim of saving lives" said Christine Coleiro, FVP of Human Resources at FIMBank.

The donations have been sent to the Action for Breast Cancer Awareness Foundation, a voluntary organisation that is campaigning for a quality assured service in order to diagnose and treat breast cancer in Malta.



FIMBank is an established global player in the trade finance sphere. First Vice President of Trade Finance at FIMBank, Dennis Camilleri, explains FIMBank's service offering to its clients and discusses the impact of trade on the global economy.

"FIMBank's competitive edge lies in tailor-made solutions aimed at providing clients with a unique bespoke service, catering for their varied trade finance needs. The experience and specialised expertise of our management team, and our international reach, make us a reliable partner in delivering quality. We also understand that such deals require timely execution, and our collective experience, together with our systems, are designed to guarantee speed and efficiency," says Mr Camilleri.

He also explains that FIMBank offers a secure and efficient service in relation to the cross-border transfers of funds for inward and outward payments related to all trade settlements, and funds transfers in all major currencies. Payments are also effected collectively in bulk in order to maximise settlement efficiency.

"In line with its standard trade finance, factoring and forfaiting services, FIMBank also offers ancillary services such as cash management, cross-border payments in major currencies, document collection, guarantees and stand-by letters of credit. Complementing these services is the bank's recently launched digital banking platform, FIMBank Direct, which is equipped to cater for the needs of corporate customers. Services offered include balance view and management, the ability to book single or multi-currency payments, and access to statements and advices. The platform also allows customers to benefit from competitive foreign exchange rates," says Mr Camilleri.

"The Bank provides Documentary Collections, offering exporters and sellers greater security than obtained when trading on an open account basis. This payment collection method does not offer the protection of a letter of credit. In documentary collections, the Bank liability is limited to the forwarding and release of documents against payment, together with the acceptance or promise of payment (a letter of undertaking) by the importer," adds Mr Camilleri.

Mr Camilleri states that all credit-worthy trading companies may be regarded as potential customers. FIMBank also offers the standard documentary or cheque/bills of exchange/promissory notes collection service. Furthermore, the Bank provides its customers with the discounting of receivables and the avalisation of bills of exchange/promissory notes.



Dennis Camilleri, First Vice President, Commodity Trade Finance

He also explains that FIMBank provides transactional and structured short-term financing to trading companies: "Clients benefit from a wealth of experience by specialist personnel in handling transactions dealing with a number of basic agricultural, metal and energy commodities, coupled with a good understanding of emerging markets. We offer flexible creative solutions supporting back-to-back L/C deals, as well as the more complex structured trade transactions."

Mr Camilleri is keen to emphasise the fact that FIMBank supports these facilities in all major currencies, combined with the necessary currency hedging instruments. "Bridging finance is normally available on a floating interest rate base, while margins apply, depending on the level of finance available, on the goods traded, as well as on the associated market risk for the product.

In addition to these trade services, FIMBank also offers warehouse and ship financing. The Bank is recognised for its unique specialised



expertise in the maritime sector, and is able to offer a wide range of banking and finance services to its customers involved in the shipping industry. “As a Bank dedicated to the finance of international trade, we understand the global shipping markets, and tailor our approach to suit the individual needs of customers using our in-depth knowledge of the industry. Warehouse finance allows the trading company the flexibility of taking a period of extended credit undisclosed to the supplier, thus obtaining optimum payment terms and the ability to consolidate merchandise emanating from different suppliers,” Mr Camilleri explains.

“One has to be mindful regarding which jurisdiction or arbitration the contract is made subject to, as this will be the jurisdiction used in case of a dispute and ultimately for the purpose of any litigation in court. It is natural that most clients would normally prefer to have the contract issued subject to their home jurisdiction. In cross-border trade, however, the choice of jurisdiction may be a bone of contention between parties, with each party pushing to make the contract subject to their domestic law. In order to reach some compromise, many contracts are made subject to well-established jurisdictions, such as those of the United Kingdom or Switzerland. It is common to encounter contracts which are subject to these jurisdictions, even when the parties involved are based elsewhere. In contracts involving the movement of goods, parties need to pay special attention to their respective responsibilities and obligations. The contract needs to be clear with regards to where one’s responsibility commences and finishes, and the obligations of each party.”

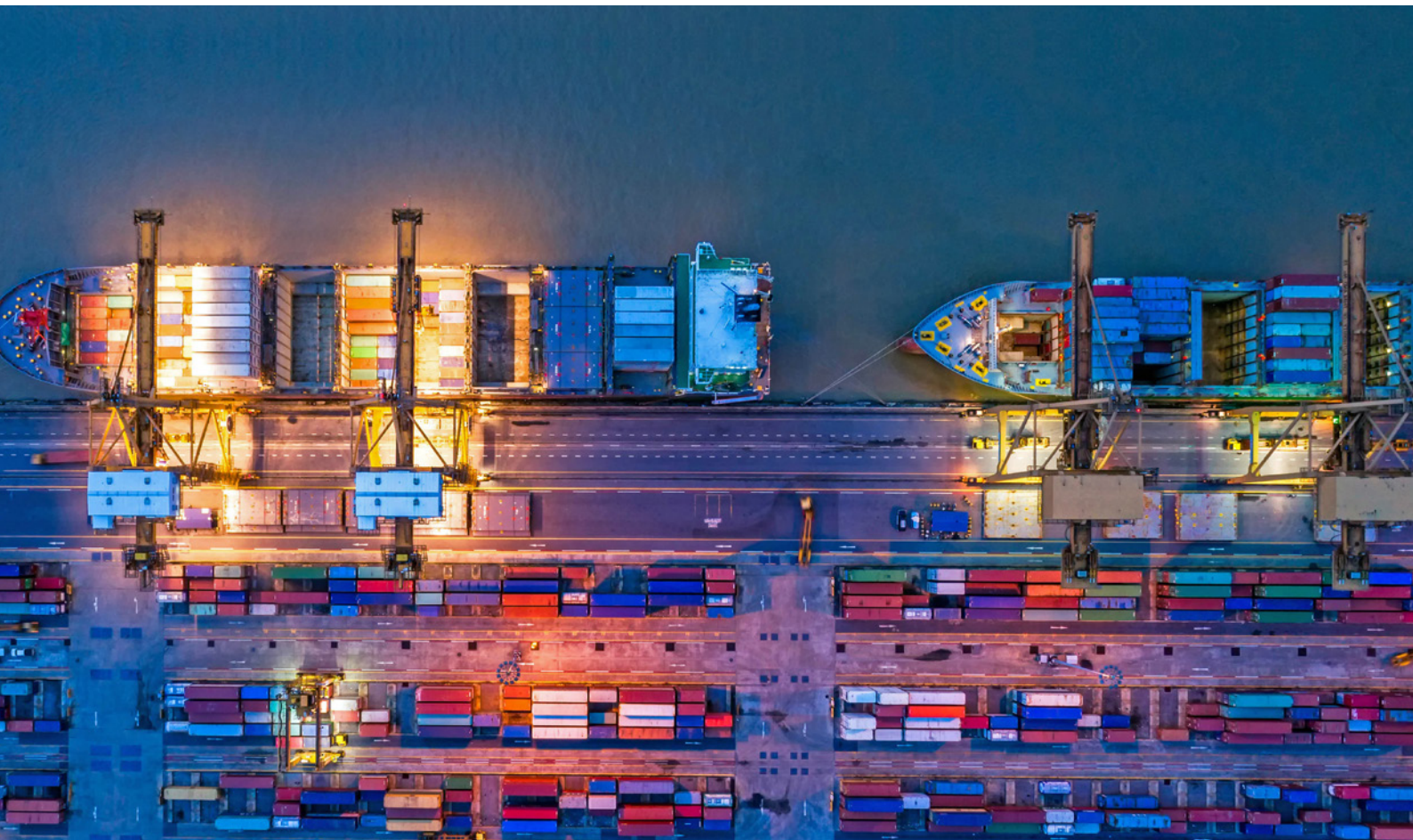
The prevailing compliance regulations are affecting the financing of the movement of goods, Mr Camilleri says. “‘Know Your Customer’ protocols and regulatory requirements imposed on banks and financial institutions are changing the way parties interact between each other,” he says. “The reputational risk associated with non-compliance and the financial exposure that might arise, has resulted in a reduction of bank correspondent relationships, with most financial institutions reducing their correspondent network drastically. This is mainly due to high compliance costs and the desire to avoid unnecessary reputational risk. The African continent and a number of CIS countries were the ones most impacted by the

loss of bank correspondent networks, particularly in relation to US banks. This has made the trading of commodities, which is primarily denominated in USD, more difficult.”

With regard to market trends and developments, Mr Camilleri highlights de-risking as an issue of paramount importance: “A growing de-risking scenario is resulting in substantial and growing levels of unmet demand for trade finance. Financial Technology (FinTech) companies, many of which are in their initial stages, have identified the opportunities available and are prepared to address them. As these are private companies, the level of regulation applicable may be somewhat lower than that imposed on banks and financial institutions. On the other hand, this is allowing them to be creative and come up with innovative products to meet the changing trends in trade finance,” he says.

Trade finance funds have also become an alternative source of trade financing. These funds are in direct competition with banks, and are a prime source of financing for small and/or newly established trading companies. Meanwhile, large European and American banks are dedicating substantial resources to be at the forefront of Block-chain technology. Mr Camilleri says that Block-chain can offer a secure platform in handling cross-border deals and drastically reduce fraud. “Other interesting developments which deserve to be followed, concern peer-to-peer lending and the ever-increasing use of cryptocurrencies. Although these are not yet considered mainstream, world trade is changing. Old trade corridors are drying up, while new stream flows are emerging. Trade finance is evolving, and changing to a more globalised but regulated environment.”

Mr Camilleri concludes by stating that “When dealing with such a specialised and dynamic service as trade finance, it is critical to discuss your requirements with specialists who can cater for your specific needs and tailor a service accordingly. At FIMBank, the concept of partnering with clients to achieve their objectives underlines our modus operandi. When a customer engages FIMBank to deliver a trade finance service, whether import or export related, they know that they will be getting the best assistance and support around to ensure the success of their project or transaction.”



Our Controlling Shareholders

KIPCO announces net profit of KD 22.3 million (US\$ 74 million) for the first nine months of 2017

Source: www.kipco.com - 31 October 2017

KIPCO – the Kuwait Projects Company (Holding) – has announced a net profit of KD 22.3 million (US\$ 74 million), or 11.22 fils per share (US\$ 3.7 cents), for the first nine months of 2017. This is compared to KD 40 million (US\$ 132.4 million), or 24.62 fils per share (US\$ 8.15 cents), reported for the same period last year.

KIPCO's net profit for the three months ended September 30, 2017, came to KD 8.2 million (US\$ 27.1 million), from the KD 12 million (US\$ 39.7 million) reported for the same period last year.

KIPCO's consolidated assets stood at KD 9.7 billion (US\$ 32 billion), compared to KD 10 billion (US\$ 33 billion) reported at year-end 2016.

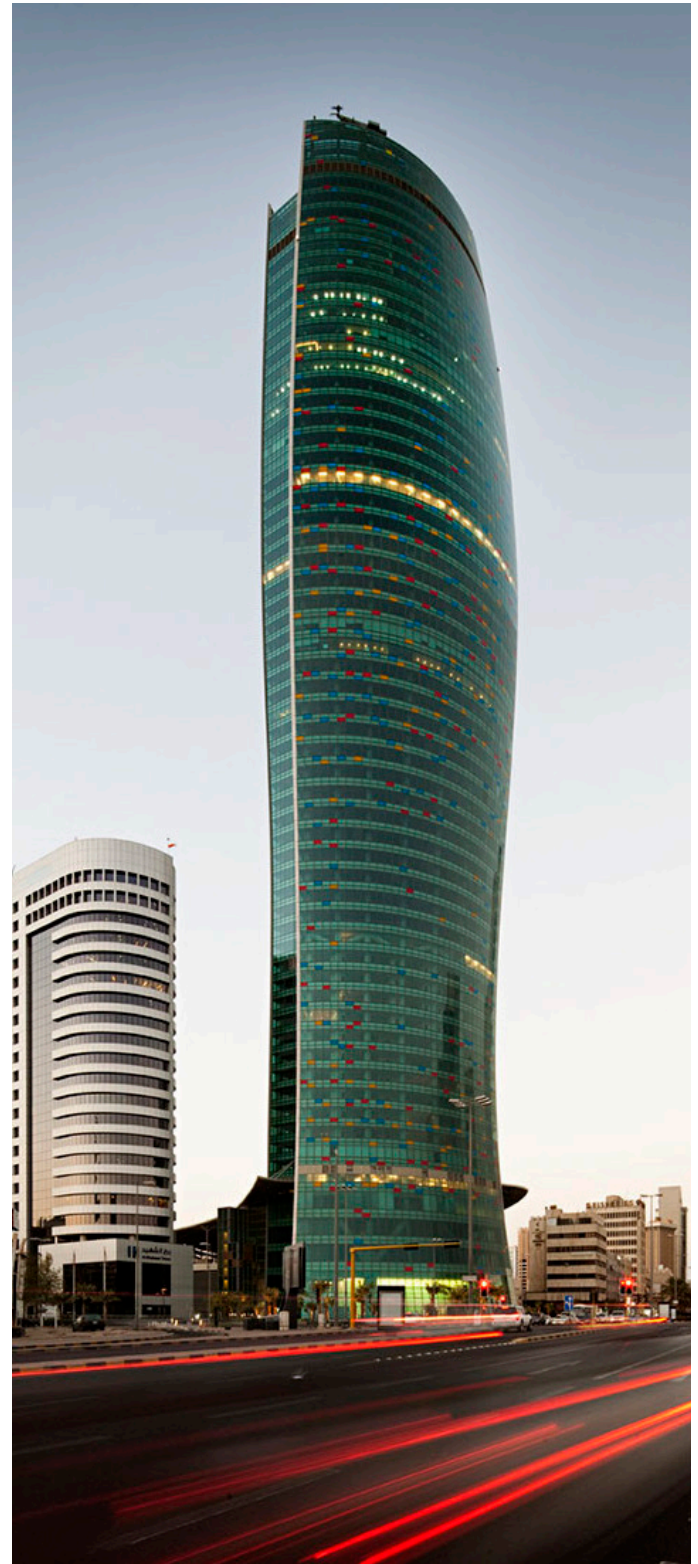
Mr Masaud Hayat, KIPCO's Chief Executive Officer – Banking, said the first nine months of the year were difficult, as expected, due to external challenges the whole region and the company are facing:

“Our core businesses have been resilient in the face of a difficult environment that continues to affect our performance this year. The internal discipline we adopted throughout the years have allowed us to achieve the results we expected. We continue to work in harsh global economic circumstances and continued geopolitical tension in our region. Despite these challenges, we remain positive that the performance of our companies will be in line with our expectations. While we remain cautiously optimistic, we believe that our businesses will move to stronger ground in the next year.”



Mr Masaud Hayat, KIPCO's Chief Executive Officer

“We remain positive that the performance of our companies will be in line with our expectations. While we remain cautiously optimistic, we believe that our businesses will move to stronger ground in the next year.”





FIMBank Announces USD7.7 Million Profit for 2017

The FIMBank Group's sustained run of profitability is the outcome of a successful consolidation and operational strategy, coupled with a solid business performance.

The FIMBank Group's Consolidated Audited Financial Statements show that for the year ended 31 December 2017, the Group registered a profit of USD7.7 million, compared to a restated profit of USD5.4 million in 2016. At 31 December 2017, total Consolidated Assets stood at USD1.64 billion, a decrease of 6 per cent on the USD1.74 billion reported at end 2016. The drop in assets is attributed to a reduction in business assets aimed at achieving better capital requirements, partly offset by increases in treasury balances as a result of higher liquidity requirements. In fact, Trading Assets decreased by USD127 million, whilst Loans and Advances to Customers increased by USD 140 million.

At the end of the period under review, Total Consolidated Liabilities stood at USD1.47 billion, down by 6 per cent from USD1.57 billion in 2016. Operating Income before net impairment for 2017 stood at USD51.7 million, an increase of 12% over the USD46.1 million registered in 2016. During 2017, net interest income rose by USD3.0 million as a result of overall improved interest yields and increased efficiency in cost of funds and funding volumes. This rise was also mirrored in an increase of USD3.7 million in net fee income, to USD18.5 million, on improved fees on documentary credits and forfaiting.

During 2017, the Group changed its accountancy policy and started measuring owned properties at their fair value. This resulted in a fair value gain of USD3.4 million in 2017. Meanwhile, net impairments for the year improved, from a loss of USD2.2 million in 2016, to a net recovery position of USD2.2 million in 2017, a result of significant recoveries made by the Bank and its subsidiaries, which also assisted with increases in coverage on other impaired legacy credits. This is considered another major milestone for FIMBank, as legacy misadventures of prior years have been dealt with firmly.

In the year under review, operating expenses rose by USD3.7 million, to USD42.3 million, largely as a result of an increase in mandatory regulatory costs. Rising regulatory costs is a growing phenomenon across the industry, with further increases expected in the coming years.

Commenting on FIMBank's financial results for 2017, the Group's Chairman, Dr John C. Grech, stated that these "are a clear indicator of the sound strategic path adopted over the past years, and highlight our commitment and resolve in ensuring a strong and sustainable growth trajectory for FIMBank."

Discussing the outlook for the Group, FIMBank Group CEO Murali Subramanian said that "For 2018, we expect to continue building on the business verticals we have transformed and strengthened over the past years. 2018 will be characterised by a capital injection allowing the business to grow and achieve improved economies."

Mr Subramanian added that "The spirit of entrepreneurship and pursuit of excellence across businesses, products and markets will remain at the heart of the Group's strategy. This will be achieved through superior client service, best in class and tested risk management, and governance stability, as well as efficiency in funding and cost structures. The scaling up of the business, supported by an expert management team and staff in key trade hubs across different regions, will enable the Group to maintain a flexible business model. Our results during the past years demonstrate our ability to adapt to changing circumstances whilst driving sustained profitability and growing shareholder value."

For further information about FIMBank please visit:
www.fimbank.com

Company Announcement FIM 257

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.

Quote

FIMBank announces that its Annual General Meeting (or "Meeting") is scheduled for Wednesday 9 May 2018.

Pursuant to the Malta Financial Services Authority Listing Rules, a Shareholder or Shareholders holding not less than 5% of the voting issued share capital of the Bank may:

(i) Request the Bank to include items on the agenda of the Meeting, provided that each item is accompanied by a justification or a draft resolution to be adopted at the same Meeting; and

(ii) Table draft resolutions for items included in the agenda of the Meeting.

The request to put items on the agenda of the Meeting or the draft resolution shall be submitted to the Bank in hard copy form or in electronic form to csec@fimbank.com by 24 March 2018 and shall be authenticated by the person or persons making it. The Bank shall not be obliged to entertain any requests by shareholders after 24 March 2018.

Further information relating to the Meeting will be announced at a later date and published in the Investor Relations section of the Bank's website at <https://www.fimbank.com/en/shareholder-services>.

Unquote

ISIN	FIM
Company	FIMBank p.l.c.
Total Shares issued	314,531,123
Currency	US Dollar
Share Price as at 12 March 2018	USD 0.605

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