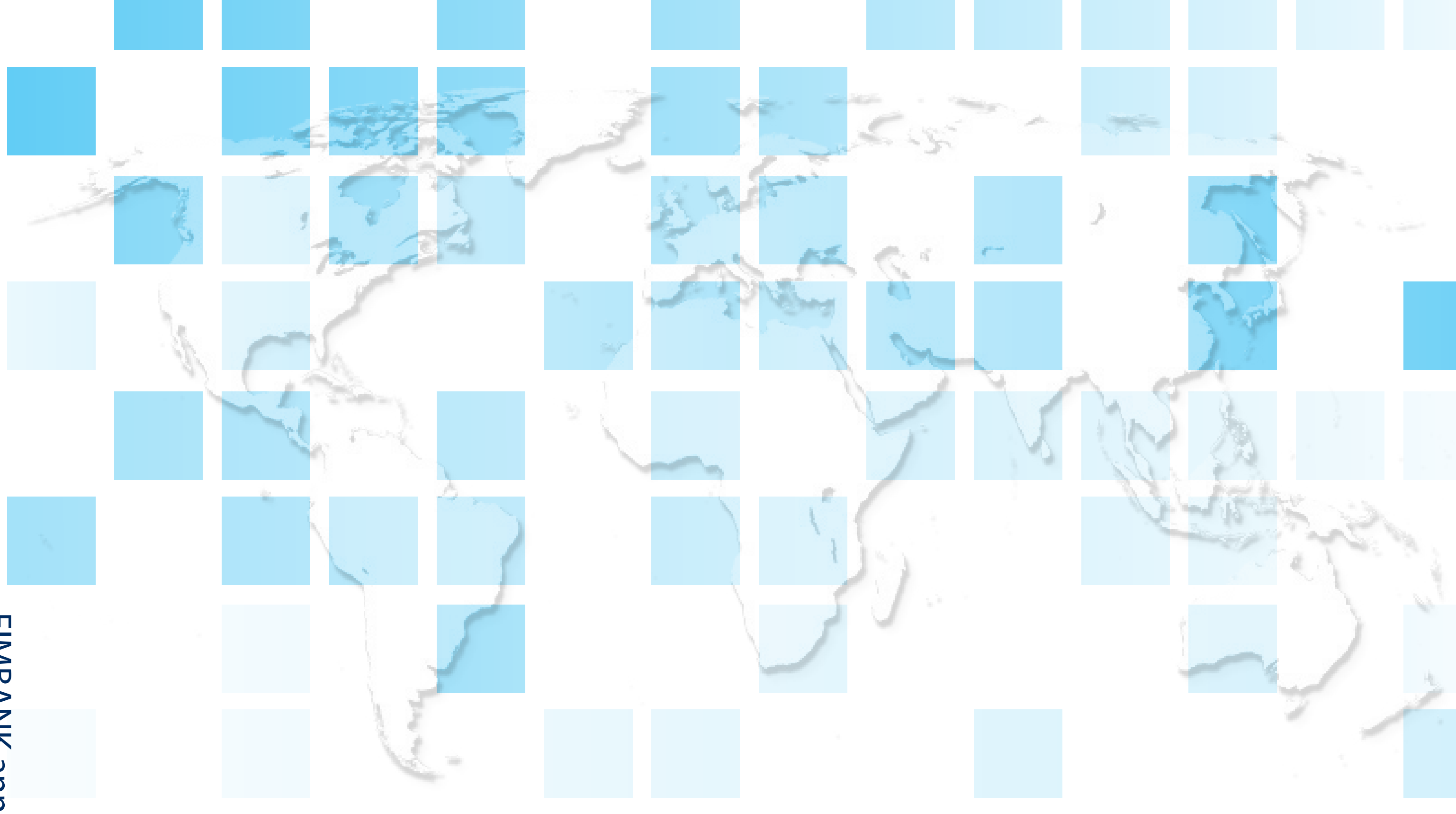

FIMBANK annual report & financial statements 2014

FIMBANK
GROUP

annual report & financial statements 2014

FIMBANK
GROUP

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chairman's statement to the shareholders

John C. Grech, FIMBank Group Chairman

2014 presented significant challenges for some of the FIMBank Group's international business, with a combination of economic issues, adverse market conditions and credit defaults leaving their mark. Consequently, FIMBank experienced significant impairments across various Group entities, making the year one of the most challenging in FIMBank's history. As a result, the Group registered an after-tax loss of USD45.23 million, compared to a loss of USD4.22 million in 2013.

The combination of factors which contributed to this difficult year for FIMBank included the prolonged geo-political tensions in Eastern Europe, which continued to increase economic uncertainty in Russia and impacted our operations in this country. Moreover, credit impairments in a number of markets, totalling USD 51 million and emanating particularly from India and Russia, but also from FIMBank's solo performance, practically wiped out the Group's otherwise positive operating results. As a matter of fact, the financial statements for 2014 show considerable growth in the Group's Balance Sheet. Group liquidity also remains strong, while capital adequacy, measured in terms of Basle III/CRD 4 requirements, stood at 13.8% for Total Capital, of which 13.3% is Tier 1 - significantly above the minimum regulatory requirements.

There is no doubt that the financial performance for 2014 is disappointing, however, it is in times like these that we turn to our many strengths and opportunities. Towards the end of the year in review, FIMBank saw a change at the helm of its management team. After twelve years of dedicated and loyal service, Margrith Lütschg Emmenegger retired as President, and Simon Lay was appointed as the Group's Acting Chief Executive Officer. Simon has a strong management track record and a wealth of industry experience, having led FIMBank Group subsidiary London Forfaiting Company Ltd since 2003, transforming it from a loss-making operation to one which has consistently contributed to the profitability of the Group.

Simon has been entrusted with fine-tuning FIMBank's strategic focus to the requirements of the future, setting the Group on a course which will enable it to meet shareholders' performance expectations. We are confident that he will manage to implement a successful turnaround strategy which will be characterised by a period of consolidation, where the focus will be on a rapid improvement in financial performance. Simon has already stated his commitment towards deploying resources, in a controlled manner, in key business sectors which offer profit potential. He will also be strengthening further the Group's approach to governance, risk structures and internal control capabilities, while employing the appropriate resources to maximise recoveries. We are delighted to have a corporate leader of his calibre leading the Group.

We are also encouraged by the support of our controlling shareholders, Burgan Bank and United Gulf Bank. In the intractable scenario which the Group has been facing, we are privileged to benefit from the presence of these shareholders, members of the KIPCO Group, one of the largest holding companies in the Middle East. We particularly appreciate the active engagement of Burgan Bank, which has been assisting FIMBank's management in implementing measures to improve risk management and reduce credit loss. It is reassuring to note that our controlling shareholders believe in FIMBank's business model, and are committed to supporting the Group in overcoming the difficulties experienced in 2014, and a return to better times.

Meanwhile, FIMBank's Board of Directors will not be recommending a cash dividend. However, subject to regulatory approval, the Board will be recommending a 1 for 10 Bonus Issue of Ordinary Shares by way of capitalisation of the Share Premium Account. Moreover, in line with the stated aim of consolidating the Group's international footprint, the Board of Directors has also approved a decision which will lead to discontinuing investments such as the one in FactorRus (Russia), which will no longer form part of the Group's investment strategy.

The year 2014 has been a pivotal one for FIMBank. This has also been an occasion for the Group to take stock, to re-evaluate strategic priorities and to re-energise, looking forward to the opportunities ahead. We shall also be strengthening further our business model. At FIMBank we have a robust global trade finance platform which places us in a strong position to capture a good share of a large global trade finance market, all the while retaining our customers at the centre of our strategic considerations. This shall remain our underlying primary objective.

Our employees and members of management at head office and across the globe have had to face a challenging and complicated year. Nevertheless, their dedication and expertise continues to be one of our most formidable assets. Their unswerving commitment to customers defines FIMBank's unique value proposition. Thanks to the quality of their individual and collective efforts, we can continue to aspire to be a global leader in trade finance. I would also like to thank my fellow Directors for their support and counsel, and I look forward to their continued contribution in the coming year.

Finally, I would like to express my heartfelt appreciation to our customers, partners and shareholders for the unwavering loyalty and the confidence they continue to demonstrate in our ability to ride out the Group's current difficult circumstances. Special thanks go to our members of staff across the globe for their professional, dedicated and loyal support. Despite the recent set-backs, I can assure all that during the year ahead, the Group's Board of Directors, management team and all our employees will be dedicated to the recovery of FIMBank, and to prepare for the next stage of its profitable growth.

John C. Grech
Chairman

stqarrija miċ-chairman

L-2014 ippreżentat sfidi sinifikanti għal ċertu kummerċ internazzjonali tal-Grupp FIMBank, minħabba kwistjonijiet ekonomiċi, kundizzjonijiet avversi fis-suq u inadempjenzi tal-kreditu li ħallew il-marka tagħhom. Konsegwentement, FIMBank esperjenza indebboliment f'entitajiet varji tal-Grupp, illi wassal biex din is-sena toħloq l-akbar sfidi fl-istorja ta' FIMBank. B'riżultat ta' dan, il-Grupp irreġistra telf wara t-taxxa ta' USD 45.23 miljun, kumparat ma' telf ta' USD 4.22 miljun fl-2013.

Il-kombinament ta' fatturi li kkontribwixxew għal dis-sena diffiċli għall-FIMBank inkludew it-tul ta' tensjonijiet ġeopolitiċi fl-Ewropa tal-Lvant, illi komplew żiedu inċertezza ekonomika fir-Russja u ħallew impatt fl-operat tagħna f'dan il-pajjiż. Barra minn hekk, inadempjenzi tal-kreditu f'numru ta' swieq, ta' USD 51 miljun fit-total li ġejjin partikolarment mill-Indja u r-Russja, kif ukoll mill-prestazzjoni tal-FIMBank bħala entità waħedha, prattikament tajru kwalunkwe riżultati pożittivi fl-operat tal-Grupp. Fil-fatt, il-bilanċji finanzjarji għall-2014 urew tkabbir konsiderevoli fil-karta tal-bilanċ tal-Grupp. Il-likwidità tal-Grupp baqgħet b'saħħitha wkoll, filwaqt illi s-suffiċjenza tal-kapital, imkejla skont ir-rekwiżiti ta' Basle III/CRD 4, laħqet it-13.8% tal-Kapital Totali, illi 13.3% minnha hija tal-Grad 1 – li huwa sinifikantament ogħla mir-rekwiżiti regolatorji minimi.

M'hemm l-ebda dubju illi l-prestazzjoni finanzjarja għall-2014 hija diżappuntanti, madanakollu, huwa f'dawn iż-żminijiet illi nirrikorru lejn l-aspetti pożittivi u l-opportunitajiet tagħna. Lejn l-aħħar tas-sena taħt analiżi, FIMBank ra bidla fil-quċċata tat-tim tal-maniġment. Wara tnax-il sena ta' servizz dedikat u leali, Margrith Lütschg Emmenegger irtirat minn President, u Simon Lay ġie appuntat bħala Acting Chief Executive Officer tal-Grupp. Simon għandu track record b'saħħtu ta' maniġment u b'ħafna esperjenza fl-industrija, wara li mexxa s-sussidjarja ta' FIMBank Group, London Forfaiting Company Ltd, sa mill-2003, u ttrasformaha minn operat illi jagħmel it-telf għal wieħed illi kkontribwixxa b'mod konsistenti għall-profitabilità tal-Grupp.

Simon ġie fdat bl-irfinar tal-fokus strateġiku ta' FIMBank mar-rekwiżiti tal-futur, sabiex b'hekk il-Grupp tqiegħed f'mogħdija illi sejra twasslu biex jilħaq l-aspettattivi tal-prestazzjoni tal-azzjonisti. Ninsabu kunfidenti illi ser jirnexxilu jimplimenta strateġija ta' bidla b'suċċess illi ser tiġi kkaratterizzata minn perjodu ta' konsolidazzjoni, fejn il-fokus ikun it-titjib mgħaġġel tal-prestazzjoni finanzjarja. Simon diġà afferma l-impenn tiegħu lejn l-użu tar-riżorsi, b'mod kontrollat, f'setturi kruċjali tal-kummerċ illi potenzjalment joffru profitt. Hu sejjer ukoll isaħħaħ aktar l-approċċ tal-Grupp lejn il-governanza, strutturi tar-riskju u l-kapaċitajiet tal-kontrolli interni, filwaqt illi jimpjega r-riżorsi adegwati sabiex jimmassimizza l-irkupri. Ninsabu ferm kuntenti illi għandna kap korporattiv tal-kalibru tiegħu jmexxi l-Grupp.

Ninsabu inkoraġġuti wkoll bis-sapport tal-azzjonisti ewlenin tagħna, Burgan Bank u United Gulf Bank. Fix-xenarju diffiċli li l-Grupp kien qiegħed jaffaċċja, ninsabu pprivileġġati li nibbenefikaw mill-preżenza ta' dawn l-azzjonisti, membri tal-Grupp KIPCO, waħda mill-akbar kumpaniji fil-Lvant Nofsani. Partikolarment napprezzaw l-ingaġġ attiv ta' Burgan Bank, illi qiegħed jassisti l-maniġment ta' FIMBank sabiex jimplimenta miżuri sabiex jitjieb l-immaniġġjar tar-riskju u sabiex jitnaqqas it-telf tal-kreditu. Huwa rassikuranti li wieħed jinnota illi l-azzjonisti ewlenin jemmnu fil-mudell tal-kummerċ ta' FIMBank, u jinsabu impenjati li jagħtu s-sapport lill-Grupp sabiex jegħleb id-diffikultajiet esperjenzati fl-2014, u jirritorna lejn żminijiet aħjar.

Sadanittant, il-Bord tad-Diretturi ta' FIMBank mhux ser ikun qiegħed jirrakkomanda dividend ta' flus kontanti. Madanakollu, suġġett għal approvazzjonijiet regolatorji, il-Bord ser ikun qiegħed jirrakkomanda ħruġ ta' bonus ta' ishma ordinarji, sehem wieħed għal kull għaxar ishma, permezz tal-kapitalizzazzjoni tal-kont tal-primjum tal-ishma. Barra minn hekk, b'konformità mal-għan imsemmi tal-konsolidazzjoni tal-qafas internazzjonali tal-Grupp, il-Bord tad-Diretturi approva wkoll deċiżjoni illi ser twassal sabiex jiġu mwaqqfa investimenti bħal dak fil-FactorRus (Russja), illi ma jiffurmax aktar parti mill-istrateġija tal-investiment tal-Grupp.

Is-sena 2014 kienet waħda b'pern importanti għal FIMBank. Din kienet ukoll okkażjoni għall-Grupp biex jieħu stokk, jevalwa għal darb'oħra l-prijoritajiet strateġiċi u jerġa' jieħu l-enerġija, waqt li jħares 'il quddiem lejn l-opportunitajiet li jmiss. Ser inkunu qegħdin ukoll insaħħu aktar il-mudell tal-kummerċ tagħna. F'FIMBank, għandna pjattaforma robusta ta' kummerċ finanzjarju globali illi jqegħedna f'pożizzjoni b'saħħitha sabiex nakkwistaw sehem tajjeb mis-suq globali tal-kummerċ tal-finanzi, filwaqt illi nibqgħu f'kull ħin inżommu l-klijenti tagħna fiċ-ċentru tal-kunsiderazzjonijiet strateġiċi tagħna. Din ser tibqa' l-bażi tal-objettiv primarju tagħna.

L-impjegati u l-membri tal-maniġment tagħna, ġewwa l-uffiċċju prinċipali u madwar id-dinja, kellhom jaffaċċjaw sena ta' sfidi. Minkejja dan, id-dedikazzjoni u l-kompetenza tagħhom tkompli tkun waħda mill-aktar assi formidabbli tagħna. L-impenn sikur tagħhom lejn il-klijenti jiddefinixxi l-propożizzjoni unika ta' valur ta' FIMBank. Grazzi għall-kwalità tal-isforzi individwali u kollettivi tagħhom, nistgħu nkomplu naspiraw li nkunu mexxejja globali fil-kummerċ tal-finanzi. Nixtieq nirringrazzja wkoll lil sħabi d-Diretturi għas-sapport u l-konsulenza tagħhom, u nħares 'il quddiem lejn il-kontinwità tal-kontribuzzjoni tagħhom matul is-sena li ġejja.

Fl-aħħar nett, nixtieq nesprimi apprezzament minn qalbi lejn il-klijenti, soċji u azzjonisti tagħna għal-lealtà konsistenti u l-fiduċja illi jkomplu juru fl-abbiltà tagħna illi neliminaw iċ-ċirkostanzi diffiċli kurrenti tal-Grupp. Grazzi speċjali tmur lejn il-membri tal-istaff madwar id-dinja għas-sapport professjonali, dedikat u leali tagħhom. Minkejja l-iżvantaġġi riċenti, nista' nassigurakom illi matul is-sena li ġejja, il-Bord tad-Diretturi tal-Grupp, it-tim tal-maniġment u l-impjegati tagħna lkoll ser ikunu ddedikati lejn l-irkuprar ta' FIMBank, u l-preparazzjoni lejn l-istadju li jmiss ta' tkabbir fil-profitabilità.

John C. Grech
Chairman

بيان رئيس مجلس الإدارة للمساهمين

حمل عام ٢٠١٤ في طياته تحديات جمّة لبعض الأعمال الدولية لمجموعة فيم بنك، وذلك في ظل وطأة مجموعة من العوامل شملت المشكلات الاقتصادية وظروف السوق غير المواتية والتعثرات الائتمانية. ومن ثمّ، شهدت مجموعة فيم بنك تراجعاً كبيراً في القيمة عبر مختلف كيانات المجموعة، مما جعل العام واحداً من أكثر الأعوام تحدياً في تاريخ فيم بنك. ونتيجة لذلك، سجلت المجموعة خسائر بعد الضريبة بلغت ٤٥,٢٣ مليون دولار أمريكي، مقارنة بخسارة ٤,٢٢ مليون دولار أمريكي في عام ٢٠١٣.

وقد تضمنت مجموعة العوامل التي ساهمت في صعوبة هذا العام لمجموعة فيم بنك استمرار التوترات الجيوسياسية في شرق أوروبا، وهو ما أدى إلى استمرار زيادة حالة عدم اليقين الاقتصادي في روسيا وأثّر على العمليات في هذه الدولة. وعلاوة على ذلك، فإن انخفاض القيم الائتمانية في عدد من الأسواق، بقيمة إجمالية ٥١ مليون دولار أمريكي والناشئة بصفة خاصة من الهند وروسيا، وأيضاً من أداء فيم بنك المنفرد، قضى من الناحية العملية على نتائج عمليات التشغيل الإيجابية للمجموعة. والواقع أن البيانات المالية لعام ٢٠١٤ تظهر نمواً كبيراً في الميزانية العمومية للمجموعة. تظل سيولة المجموعة قوية، في حين أن كفاية رأس المال، المُقاسة من حيث متطلبات بازل ٣/توجيه متطلبات رأس المال، بلغت ١٣,٨٪ بالنسبة لرأس المال الإجمالي، منه ١٣,٣٪ من الشريحة الأولى - وهذا يتجاوز كثيراً الحد الأدنى للمتطلبات التنظيمية.

لا يوجد شك في أن الأداء المالي لعام ٢٠١٤ مخيب للآمال، غير أنه في الأوقات المماثلة للأوقات التي نعيشها الآن فإننا نتجه إلى ما نتمتع به من نقاط قوة عديدة وفرص هائلة. وقرب نهاية السنة الخاضعة للمناقشة، شهد فيم بنك تغيراً في قيادة فريقه الإداري. فبعد اثني عشر عاماً من التفاني والولاء في الخدمة، تقاعدت مارجريت لوتش-إيمنجر كرئيس للبنك، كما تم تعيين سيمون لاي رئيساً تنفيذياً بالإنابة للمجموعة. يحظى سيمون بسجل إداري حافل وثروة من الخبرات الصناعية، حيث قاد شركة London Forfaiting Company Ltd التابعة لمجموعة فيم بنك منذ عام ٢٠٠٣، حيث حولها من شركة خاسرة إلى شركة أسهمت بثبات في ربحية المجموعة.

وقد أُسندت إلى سيمون مهمة إدخال تعديلات دقيقة على التوجه الاستراتيجي لبنك فيم بما يركز على متطلبات المستقبل، ويضع المجموعة على طريق يمكنها من الوفاء بتوقعات المساهمين للأداء. نحن على ثقة من أنه سيتمكن من تنفيذ استراتيجية تحول ناجحة تتسم بفترة من التوحد والتكامل، حيث سينصب التركيز على إحداث تحسن سريع في الأداء المالي. وقد أعرب سيمون بالفعل عن التزامه باستغلال الموارد، بطريقة خاضعة للسيطرة والتحكم، في قطاعات تجارية أساسية تتيح القدرة على تحقيق الأرباح. كما أنه سوف يعزز نهج المجموعة في الحوكمة ووضع هياكل إدارة المخاطر والضوابط الداخلية، مع استغلال الموارد الملائمة لتعظيم التعافي لأقصى درجة. يسرنا أن يكون لدينا قائد بهذه القامة العالية ليقود المجموعة.

ونحن نشعر بالحماسة بفضل دعم مساهمي الأغلبية لدينا، بنك برقان وبنك الخليج المتحد. وفي ظل السيناريو العسير الذي تواجهه المجموعة، فإننا نشعر بميزة الاستفادة من تواجد هؤلاء المساهمين وأعضاء مجموعة كيبكو، إحدى أكبر الشركات القابضة في الشرق الأوسط. ونحن نُقدّر بصفة خاصة المشاركة النشطة والفعالة لبنك برقان، الذي يساعد إدارة فيم بنك على تنفيذ معايير لتحسين إدارة المخاطر والحد من الخسائر الائتمانية. ومن المطمئن أن نذكر أن مساهمي الأغلبية لديهم إيماني في نموذج عمل بنك فيم، وهما ملتزمان بدعم المجموعة للتغلب على الصعوبات التي واجهتها خلال عام ٢٠١٤، والعودة إلى أوضاع أفضل.

وفي غضون ذلك، لن يوصي مجلس إدارة بنك فيم بتوزيعات نقدية للأرباح. غير أنه رهنا بالحصول على الموافقات التنظيمية، فسوف يوصي مجلس الإدارة بإصدار علاوة للأسهم العادية بنسبة ١ إلى ١٠ عن طريق رسملة حساب علاوة الأسهم. وعلاوة على ذلك، فإنه تماشياً مع الهدف المعلن من وراء توحيد الأعمال الدولية للمجموعة، فإن مجلس الإدارة وافق أيضاً على قرار سيؤدي إلى وقف الاستثمارات في مشاريع مثل FactorRus (روسيا)، والتي لن تشكل جزءاً من الاستراتيجية الاستثمارية للمجموعة.

لقد كان عام ٢٠١٤ محورياً بالنسبة لفيم بنك. وقد كان بمثابة فرصة لكي تقوم المجموعة بجرد المخزون وإعادة تقييم الأولويات الاستراتيجية واستنهاض الهمم مرة أخرى تطلعاً لاقتناص الفرص المستقبلية. كما ينبغي أن نعزز نموذجنا في العمل بشكل أكبر. نحن في فيم بنك لدينا منصة تجارة عالمية قوية تضعنا في مكانة قوية للاستحواذ على حصة جيدة من سوق التمويل التجاري العالمي الكبيرة، كل ذلك مع الاحتفاظ في وضع عملائنا في بؤرة اهتماماتنا الاستراتيجية. وينبغي أن يظل هذا هدفنا الأولي الرئيسي.

إن موظفينا وأعضاء الإدارة في المقر الرئيسي وعبر العالم سوف يواجهون عاماً مليئاً بالتحديات والتعقيدات. ورغم ذلك، لا يزال تفانيهم وخبرتهم أحد أصولنا الرائعة. والتزامهم الراسخ تجاه العملاء يحدد عرض القيمة الفريد لفيم بنك. وبفضل تميز جهودنا الفردية والجماعية، يمكننا مواصلة الطموح لكي نصبح رائداً عالمياً في مجال التمويل التجاري. أود أن أتوجه بالشكر إلى زملائي أعضاء مجلس الإدارة على دعمهم ومشورتهم، وأتطلع إلى مساهمتهم المستمرة خلال العام المقبل.

وأخيراً، أود أن أعرب عن تقديري الصادق لعملائنا وشركائنا ومساهمينا على الولاء الثابت والثقة الراسخة والمستمرة في قدرتنا على التغلب على الظروف الصعبة الحالية التي تواجهها المجموعة. وأتوجه بشكر خاص إلى أعضاء طاقمنا عبر العالم على احترافهم وتفانيهم ودعمهم المخلص. ورغم الانتكاسات الأخيرة، أستطيع أن أطمئن الجميع أنه خلال العام المقبل فإن مجلس إدارة المجموعة وفريق الإدارة وجميع موظفينا سوف يكرسون جهودهم لتعافي فيم بنك، والإعداد للمرحلة التالية من نموها المربح.

الدكتور جون سي جريتش
رئيس مجلس إدارة مجموعة فيم بنك

déclaration du président aux actionnaires

En 2014, de graves difficultés ont touché certaines activités internationales du Groupe FIMBank, une combinaison de problèmes économiques, de conditions de marché défavorables et des défauts de paiement laissant leur empreinte. Par conséquent, FIMBank a connu des pertes importantes dans les différentes entités du Groupe, faisant de cette année l'une des plus difficiles de son histoire. Le Groupe a enregistré une perte après impôts de 45,23 millions de dollars US, par rapport à une perte de 4,22 millions de dollars US en 2013 .

Parmi les facteurs ayant contribué à cette année difficile pour FIMBank, on trouve les tensions géopolitiques prolongées en Europe de l'est, qui ont continué à accroître l'incertitude économique en Russie et ont eu un impact important sur nos opérations dans ce pays. En outre, les défauts de crédit dans un certain nombre de marchés, pour un total de 51 millions de dollars US et émanant notamment de l'Inde, de la Russie, mais également de la performance de FIMBank, ont pratiquement absorbé les résultats d'exploitation par ailleurs positifs du Groupe. Les états financiers de l'exercice 2014 affichent une croissance du bilan du Groupe. Par ailleurs, la liquidité du Groupe reste forte, tandis que le ratio de solvabilité mesuré conformément aux règles de Bâle III/CRD 4, s'élève à 13,8 % pour un ratio des fonds propres de catégorie 1 de 13,3 % nettement au-dessus des exigences réglementaires minimales.

Il n'y a aucun doute sur le fait que le rendement financier 2014 est décevant ; toutefois, c'est dans des périodes comme celles que nous vivons actuellement que nous avons recours à nos nombreux atouts et opportunités. Fin 2014 FIMBank a vécu un changement à la tête de son équipe de direction. Après douze ans de services loyaux et dévoués, Margrith Lütschg Emmenegger a pris sa retraite de Président et Simon Lay a été nommé Directeur général par intérim du Groupe. Simon se targue d'une solide expérience de direction et d'une parfaite connaissance du secteur, après avoir dirigé depuis 2003 London Forfaiting Company Ltd, filiale du Groupe FIMBank, et avoir transformé cette unité déficitaire en une unité contribuant de manière significative à la rentabilité du Groupe.

Simon s'est vu confier une mission d'adaptation stratégique de FIMBank aux exigences de l'avenir, en engageant le Groupe sur une voie qui lui permettra de répondre aux attentes des actionnaires en termes de performance. Nous sommes convaincus qu'il sera en mesure de mettre en œuvre une stratégie réussie de redressement, caractérisée par une période de consolidation où l'accent sera mis sur une amélioration rapide du rendement financier. Simon a déjà affirmé son engagement à déployer des ressources, de manière contrôlée, dans les secteurs commerciaux clés présentant un potentiel de profit. Il s'engage également à renforcer davantage l'approche du Groupe à la gouvernance, aux structures de risque et aux capacités de contrôle, tout en utilisant les ressources appropriées pour maximiser les recouvrements. Nous sommes ravis d'avoir un chef d'entreprise de son calibre à la tête du Groupe.

Nous sommes également encouragés par le soutien de nos actionnaires majoritaires, Burgan Bank et United Gulf Bank. Face à notre situation actuelle, nous avons le privilège de bénéficier de la présence de ces actionnaires, membres du Groupe KIPCO, l'un des plus importants du Moyen Orient. Nous apprécions notamment l'engagement actif de Burgan Bank, qui a aidé la direction de FIMBank à mettre en œuvre des mesures visant à améliorer la gestion des risques et à réduire les pertes de crédit. Il est rassurant de constater que nos actionnaires majoritaires croient dans le modèle commercial de FIMBank et qu'ils se sont engagés à soutenir le Groupe à surmonter les difficultés rencontrées en 2014.

Pour le moment, le Conseil d'administration de FIMBank ne recommandera pas de dividende en espèces. Toutefois, sous réserve d'une approbation réglementaire, le Conseil d'administration recommandera l'attribution d'une action ordinaire gratuite pour 10 anciennes par la capitalisation du Compte primes d'émission. De plus, conformément à l'objectif déclaré de consolidation de la présence internationale du Groupe, le Conseil d'administration a également approuvé une décision qui conduira à la cessation d'investissements tels que celui de FactorRus (Russie), qui ne fera plus partie de la stratégie d'investissement du Groupe.

L'année 2014 a été cruciale pour FIMBank. Elle a été également l'occasion pour le Groupe de faire le point, de réévaluer les priorités stratégiques et de redynamiser son activité, anticipant les opportunités à venir. Nous renforcerons également notre modèle commercial. FIMBank bénéficie d'une solide plateforme de commerce international qui nous place en position de force pour capturer une bonne part du marché mondial, tout en maintenant nos clients au centre de nos considérations stratégiques. Cela reste notre objectif principal.

Nos employés et les membres de la direction au siège et dans le monde entier ont dû faire face à une année difficile et compliquée. Néanmoins, leur dévouement et leur compétence restent l'un de nos atouts les plus importants. Leur engagement inébranlable à l'égard des clients détermine la proposition de valeur inégalée de FIMBank. Grâce à la qualité de leurs efforts individuels et collectifs, nous pouvons continuer à aspirer à être un acteur de référence dans le financement du commerce international. Je voudrais également remercier mes collègues administrateurs pour leur soutien et leurs conseils et je compte sur la poursuite de leur contribution l'année prochaine.

Enfin, je tiens à exprimer mes sincères remerciements à nos clients, partenaires et actionnaires pour la fidélité inébranlable et la confiance qu'ils continuent de démontrer en notre capacité à surmonter ces moments difficiles. Des remerciements spéciaux vont à l'ensemble de notre personnel pour leur soutien professionnel, dévoué et fidèle. Malgré les récentes difficultés, je tiens à vous rassurer que durant l'année à venir, le Conseil d'administration du Groupe, l'équipe de direction et tous nos employés se consacreront au rétablissement de FIMBank et se prépareront à la prochaine étape de sa croissance.

John C. Grech
Président

FIMBank group review 2014

Simon Lay, FIMBank Group Acting CEO

introduction

2014 was an annus horribilis for the FIMBank Group as it experienced its worst financial results since its foundation. A number of factors contributed to this situation, most notably geo-political uncertainties in important markets leading to economic tensions which made the climate for international trade weak and conditions for trade finance difficult. Significant impairment events across the Group, but particularly in the Russian and Indian factoring subsidiaries, created a 'perfect storm'. I accepted to take on the challenge of leading the FIMBank Group against this backdrop, mindful that the fundamentals are strong and the team is committed to work through this turnaround. Encouraged by the support of our ultimate parent shareholder, the KIPCO Group, we are confident of making it.

performance

The FIMBank Group registered a loss of USD45.2 million for the financial year ended 31 December, 2014 (2013 - USD4.2 million) resulting in Group losses per share of US cents 17.0 (2013 - losses per share of US cents 2.4). This negative result obscures a number of positive elements which merit pointing out.

First, 2014 reflects the first year of full, line-by-line consolidation for the subsidiaries in Russia and India where majority control was acquired in the first and second quarters, respectively. Q4 marked the acquisition of a majority interest in our Chilean factoring subsidiary. This 'consolidation effect' partly explains the growth in a number of income statement and balance sheet items from 2013 however it is worth highlighting that Operating Income before net impairment losses increased by 47% to USD49.2 million. This was buoyed by a strong improvement in the Net Interest Income line which grew from USD15.9 million in 2013 to USD28.4 million in 2014, in good part also reflecting better spreads and cheaper cost of funding. Net Fee Income declined slightly for FIMBank but was otherwise flat throughout the Group. We also saw new sources of income from our involvement in a fund which invests in trade finance assets and sustainable projects.

These positive trends were obliterated by significant impairments across the Group but particularly in the Indian and Russian subsidiaries, as well as in FIMBank and to a lesser extent in LFC. The figure of USD50.7 million showing as Net Impairment Losses is composed largely of India (USD35 million) and FIMBank (USD15 million). LFC and Russia losses are included in Net Trading Results and Discontinued Operations, respectively. India and Russia contributed further to the Group's negative performance through impairment of part of the goodwill recognised on their acquisition earlier in the year, a total of USD9 million. An impairment event was also recognised in our affiliate Egypt Factors, accounted for under the equity method by taking our 40% share of the result. Our joint venture in Brazil also registered a loss for the year, the company still seeking to achieve scale and profitability although its performance was not impacted by any impairments. When presented at FIMBank solo level in terms of consolidated accounting requirements, these effects appear more pronounced in view that the Bank is also required to impair its investment in the Indian and Russian subsidiaries and the loan facilities to the latter, which impairments are then eliminated upon consolidation. The Group's performance continued to be impacted by the effect which the consolidation of the new subsidiaries, as well as increases in FIMBank solo, had on operating expenses and consequently on the cost/income ratios. The proportion of impaired to gross facilities increased to 8.2% in 2014 (2013 – 2.9%) while the coverage of impaired facilities by impairment allowances remained at levels similar to prior years, 78%.

The integration of the three subsidiaries during the year under review is also reflected in the growth in consolidated assets/liabilities to USD1.41 billion, an increase of 15% over the USD1.23 billion at the end of 2013. These consolidation effects are directly mirrored in increases in amounts owed to/

'Speranza' the Humanitarian Shelter, CSR Project

Above: Mathew Kassar Art Exhibition
Below: Rene Rossignaud Book Launch

from banks and customers, with Loans and advances to banks and to customers increased by 27% and 32% respectively. The Group's trading assets, consisting of LFC's forfaiting portfolio, remained largely unchanged with activity during the year being normal and prudent. Throughout the year liquidity was managed comfortably above the minimum regulatory ratio of 30% and was efficiently employed in the business of the Bank and the Group also as interest rates continued to drop, even to negative levels. Meanwhile preparations started to build a liquidity profile in line with the requirements of the Liquidity Coverage Ratio (LCR) which becomes applicable under Basle III/CRD 4 in 2015. In July the Bank received USD48 million raised from the rights issue approved at the Annual General Meeting of 8 May 2014.

Against an otherwise negative performance which sharply depleted equity, the Group and the Bank are proud to be able to show strong capital ratios that are well above the regulatory minima. Measured in terms of Basle III criteria, Group CET 1 and T1 stood at 13.3% at year-end (Bank – 12.3%) while the Total Capital ratio stood at 13.8% (Bank – 13.0%). The health of these ratios should be seen against the minimum requirements for CET1, T1 and Total Capital of 4.5%, 6% and 8%, respectively. In a year characterised by the ECB's comprehensive assessment exercise in preparation for the Single Supervisory Mechanism becoming fully operational, we can confidently say that the FIMBank Group passed its 'stress-test' and continues to sit on strong capital ratios which support our future plans and growth. That said, we are mindful that a group like FIMBank is measured on capital adequacy metrics that reflect more specifically its particular risk profile and business model. For this reason, the Board of Directors has obtained adequate assurances of continued financial support from the shareholders, in particular the significant shareholders belonging to the ultimate parent group. The Board's mandate includes a rights issue in 2015 which, when completed, will further strengthen the Group's capital ratios.

Shortly after taking up my new role, Fitch Ratings announced the downgrading of FIMBank's long-term Issuer Default Rating ("IDR") to 'BB-' from 'BB', with a stable outlook, and Viability Rating ("VR") to 'BB-' from 'BB'. At the same time, Fitch affirmed FIMBank's short-term IDR at 'B'. According to Fitch the downgrade was done to reflect the Bank's high risk appetite which had resulted in a significant deterioration in asset quality and unstable and weak earnings, a recovery in which would be necessary for any future positive rating action. That assessment by Fitch had been carried out based on 4th quarter 2014 forecasts for the year which had not yet anticipated the scale of year-ending impairment losses and we are heartened to see that Fitch have maintained their rating and outlook now also with the benefit and inclusion of the audited year-end figures. This places more onus on the management to deliver the turnaround strategy which has already started being implemented.

corporate social responsibility

The difficulties experienced in 2014 did not distract us from our Corporate Social Responsibility (CSR) reflecting our commitment to clients, shareholders, employees and the communities where we are active. As a Malta-based bank albeit with an international footprint we recognise the fact that our conduct, whether social, environmental or ethical, has an impact on the Group's reputation and primarily on the community where we are headquartered. Our CSR projects are therefore primarily aimed at giving something back to the Maltese Islands and throughout the year under review we supported a number of initiatives that benefit the community in various ways. These included the exhibition by Maltese artist Matthew Kassar, a publication by local photographer Rene Rossignaud as well as the 'Two Cellos' concert during the Malta Arts Festival. FIMBank also continued assisting two of Malta's foremost heritage NGOs, Din l-Art Ħelwa and Flimkien għal Ambjent Aħjar. The collaboration with Malta's national broadcaster PBS was also stepped up with the series of daily short TV features focusing on the islands' heritage, history and folklore – an initiative which has been well received all around. Other NGOs which benefitted from FIMBank's CSR programme in 2014 included Hospice Malta, Dar tal-Providenza, Puttinu Cares, the National Fostering Association, the Malta Guide Dogs Foundation and Malta Red Cross which, together with students from the University of Malta's Faculty of Architecture, developed a prototype of a humanitarian shelter for the 'Speranza' project. Lastly, FIMBank also supported 'The Economist Summit' held in Malta in March.

people

During 2014 the FIMBank Group family increased as we welcomed the new subsidiaries into our fold and new resources to our existing operations. The investment in training and education of staff continued relentlessly. At head office level this took the form of talent promotion initiatives, leadership training and assistance with various educational programmes at professional institutions or universities, up to Masters degree level. Staff were also selectively identified to attend more specialised training according to their areas of activity, in Malta and overseas. At the subsidiaries and affiliates, training and educational initiatives were carried out at local and international levels as the case may be. FIMBank also became involved in the development of COFIT, the 'Certificate of Finance in International Trade', in conjunction with the International Factors Group and the University of Malta. The curriculum is designed to provide participants with a wide range of competencies in the study and practice of trade finance.

We are mindful that our people are the Group's most important resource and our future investment in them will seek to strike a better balance between developing the human capital and striving for efficiencies and optimisation of the resource.

John C. Grech during the Economist Summit

The Two Cellos performing during the Malta Arts Festival

KIPCO Group Head Office

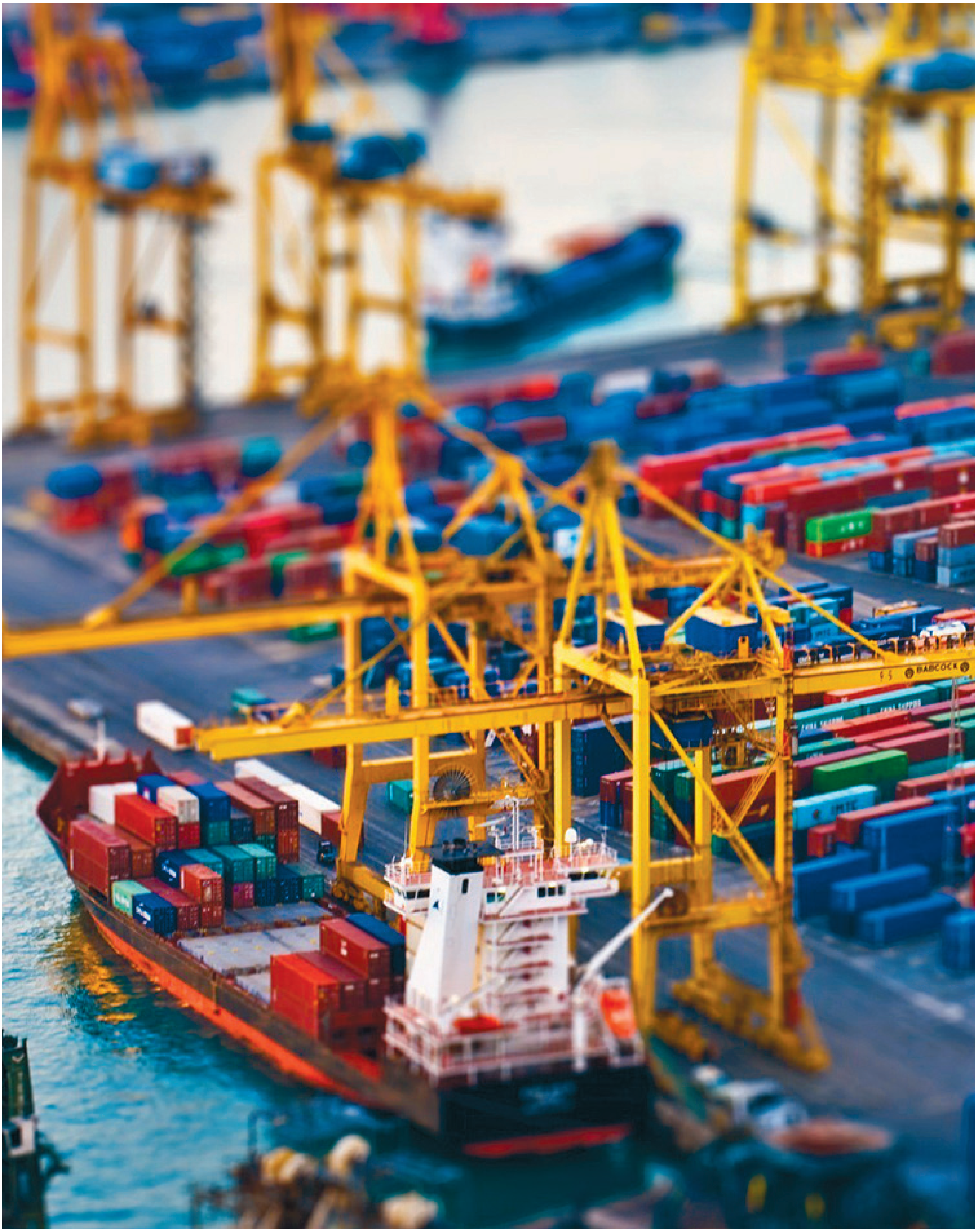
support

The year under review included a number of events which brought to the fore the support which FIMBank enjoys from its ultimate parent the KIPCO Group through its main shareholders, United Gulf Bank (UGB) and Burgan Bank. Most notably these were the Joint Voluntary Bid to the remaining shareholders of FIMBank, launched early in the year, and the Rights Issue in July, as a result of which the aggregate stake of KIPCO Group members in FIMBank increased to about 84%. Burgan Bank and UGB also extended lines to FIMBank which helped in great measure to grow its business and, selectively, that of its subsidiaries and affiliates. While these developments manifest very tangibly the financial support of the parent banks, other support was forthcoming through FIMBank's greater integration in the reporting and governance applicable to the KIPCO Group banks. The year under review also saw the start of a process applicable to all FIMBank Group entities in terms of which they are subject to a thorough review and examination of their systems, processes and controls in order to ascertain their readiness for greater financial integration and support of their business. These processes were carried out between May and December across a good cross-section of the Group and helped in the oversight at FIMBank head office and with instilling more discipline over subsidiary activities.

moving on ....

2015 started with the pains of absorbing the negative externalities of the most difficult year in the Group's history and of the restructuring that inevitably follows. Once this is out of the way and the platform for the future is firmly in place a period of consolidation for the Group starts which will continue to see a very selective approach to business and further strengthening of governance and risk structures, not least in the remaining subsidiaries and affiliates. This consolidation will also see a return to FIMBank's core activities, departing from non-core business and scaling down of the international factoring programme. My priority is to return the Group to sustainable profit levels in the shortest possible time and the green shoots from this strategy can already be seen. This will be greatly helped by the identification, and discontinuation, of non-profitable segments which engage resources without delivering adequate returns. Another area of focus is the recovery of impaired assets which tends to be a long process requiring various legal and other remedies to be pursued across different jurisdictions. We are dedicating resources and effort to this, centrally, at head office and also through our regional offices, however results will take time.

We have a robust and proven trade finance platform which places us in a strong position to capture a good share of a large global trade finance market. Our ambition remains that of maintaining our position as a leading provider of trade finance services. With the necessary strengthening of our business model and greater discipline and control over our Group activities, we are confident of achieving that and key to the process will be making the customer central to our business again. Our workforce is professional, engaged and committed, as are our shareholders and various partners. The task of re-building confidence and momentum is not easy and market conditions are not optimal either but all of us are working together and concentrating on delivering value service and good results going forward.



directors' report

For the year ended 31 December 2014

The Directors are pleased to present their report together with the audited financial statements of the Bank and the Group for the year ended 31 December 2014. This report is prepared in terms of the Companies Act, 1995 (Chapter 386, Laws of Malta, "The Companies Act") and complies with the disclosure requirements of the Sixth Schedule to the same Act.

results for the year

The Bank and the Group reported a loss after tax of USD50,238,133 and USD45,226,998 espectively for the year under review.

Further information about the results is provided in the "Income Statements" and the "Statements of Comprehensive Income" on pages 38 to 40 and in the "Review of Performance" below.

group structure and principal activities

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

The FIMBank Group of Companies (the "Group") comprises FIMBank p.l.c. (the "Bank"), and its wholly owned subsidiaries, London Forfaiting Company Limited ("LFC"), FIM Business Solutions Limited ("FBS"), FIM Property Investment Limited ("FPI"), FIM Holdings (Chile) S.p.A. ("FHC") and FIMFactors B.V. ("FIMFactors"). LFC is itself a parent of a number of subsidiaries as set out in Note 28 to the financial statements, FIMFactors is the parent of a wholly owned subsidiary Menafactors Limited ("Menafactors") and of other majority-owned subsidiaries while FHC is the parent of a majority-owned subsidiary. The Group is supervised on a consolidated basis by the Malta Financial Services Authority, whilst its subsidiaries and branches some of which are subject to authorisation and regulation according to the respective jurisdictions in which they operate.

a. The Bank is a public limited company registered under the laws of Malta, and listed on the Malta Stock Exchange. It is licensed as a credit institution under the Banking Act, 1994. The Bank is principally active in providing international trade finance and to act as an intermediary to other financial institutions for international settlements, forfaiting, factoring and loan syndications.

b. LFC (100%) is registered in the United Kingdom as a private limited liability company. It was founded in 1984 and provides international trade finance services (with particular focus on forfaiting business) through an international network of offices. Some of these offices have distinct corporate status in the various jurisdictions where they are providing the service. LFC's activities include the trading of bills of exchange, promissory notes, loans, deferred payment letters of credit and the provision of other financial facilities to companies and banks.

c. FBS (100%), registered in Malta, has as its primary purpose the provision of information technology and support services to the Group and its associated companies, to correspondent banks as well as to third party factoring services providers.

d. FPI (100%), registered in Malta, owns and manages FIMBank's head office in Malta. FPI is responsible for the day-to-day management of the building and leasing of space for commercial purposes.

e. FHC (100%), registered in Chile, serves as the corporate vehicle for First Factors S.A. (51%), registered also under the laws of Chile, to provide all types of factoring, financial leasing and other management services. The other shareholders are Inversiones El Mayorazgo Limitada, Marín y Compañía S.A., Asesoría e Inversiones CABS S.A., Compañía de Rentas Epulafquén Ltd., Compañía de Rentas Trigal Ltd. and Compañía General de Rentas Ltd.

f. The Egyptian Company for Factoring S.A.E. ("Egypt Factors" - 40%), a company incorporated in Egypt, where the other shareholders are Commercial International Bank (Egypt) holding 40% and International Finance Corporation ("IFC") holding 20% of the shares. Egypt Factors is active in providing factoring and forfaiting services to Egyptian companies.

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

   i. Menafactors (100%), incorporated in the United Arab Emirates and licensed and regulated by the Dubai Financial Services Authority to provide international factoring and forfaiting services in the Gulf and MENA region. Menafactors, in turn, holds 50% in Levant Factors S.A.L., a company registered in Lebanon.

ii. CIS Factors (80%), incorporated in the Netherlands and which serves as the holding vehicle for a factoring company, FactorRus, incorporated under the laws of the Russian Federation and which provides factoring services in Russia, the other shareholder being International Finance Corporation ("IFC") holding 20% of the shares .

iii. India Factoring and Finance Solutions (Private) Limited (79%), incorporated in Mumbai, India, to carry out the business of factoring, forfaiting and trade finance activities in India, the other shareholders being Banca IFIS (10%), India Factoring Employee Welfare Trust (10%) and Blend Financial Services Limited (1%). India Factoring is regulated by the Reserve Bank of India.

iv. Brasilfactors (50%), a company incorporated in São Paulo, Brasil, with its core business focused on factoring services and forfaiting targeting small and medium-sized companies. The other shareholders are Banco Industrial e Comercial S.A. ("Bicbanco") (50%).

changes to controlling shareholding

On 28 January 2014 it was announced that, as a result of the Joint Voluntary Bid launched by Burgan Bank S.A.K. ("Burgan") and United Gulf Bank ("UGB"), jointly the 'Offerors', the aggregate shareholding of the Offerors resulting from the Joint Voluntary Bid had increased to 80.14% of the issued share capital, made up of 19.53% held by Burgan and 60.61% held by UGB.

The necessary derogation was requested from the Listing Authority (MFSA) to maintain FIMBank's Listing Status as a result of the fact that the proportion of shares in the hands of the public had fallen below 25% of the total issued share capital. This derogation was received from the Listing Authority on 21 May 2014 and, subject to certain conditions being respected, it covered also the eventuality that the level of shares in the hands of the public decreases to 17% as a result of the rights issue approved at the Annual General Meeting held on 8 May 2014.

On 17 July 2014 the results of the rights issue were announced, including the intermediaries offer and the partial underwriting by Tunis International Bank S.A. ("TIB"), an entity controlled by Burgan. The aggregate shareholding of Burgan, UGB and TIB as a result of the rights issue came to 83.75% of the issued share capital, made up of 19.72% held by Burgan, 61.20% held by UGB and 2.83% held by TIB.

review of performance

A number of factors contributed to making 2014 one of the most difficult in the Group's existence. Prolonged geo-political tensions in Eastern Europe and instability in the Middle East, extending also to parts of North Africa, continued to increase economic uncertainty and heighten downside risk to global trade. Falling commodity prices, particularly in food, metals and oil, negatively impacted the exports and revenues of commodity exporters and ultimately caused a worsening in terms of trade. This made market conditions for trade finance difficult and the environment for international trade weak. During the year under review the Group sought to consolidate its control of the Indian and Russian joint ventures, acquired a majority interest in a Chilean factoring entity and opened a FIMBank branch in Athens, Greece. The Group's spectrum of international business and ventures continued to pose a formidable challenge and, despite seeking to maintain a selective and cautious approach to business at the same time as strengthening risk structures, it experienced significant and unprecedented impairment events across various of the Group entities.

directors' report - continued

income statement

For the year ended 31 December 2014, the Group registered a loss of USD45.23 million compared to a loss of USD4.22 million in 2013. Group losses per share stood at US cents 17.0 (2013: losses per share of US cents 2.4) while on the basis of continuing operations the losses per share amount to US cents 14.7 (2013: US cents 1.1). The results for the period under review are summarised in the table below which should be read in conjunction with the explanatory commentary that follows:

	2014*	2013
	USD	USD
Net interest income	28,370,349	15,941,655
Net fee and commission income	20,760,551	22,893,042
Net results from foreign currency operations	1,578,347	2,749,361
Other operating income	1,770,830	19,273
Net operating results	52,480,077	41,603,331
Net impairment losses	(50,724,723)	(6,546,151)
Net losses from trading assets and other financial instruments	(6,524,673)	(8,132,249)
Net fair value gain on previously held investment in associates	3,196,543	-
Share of loss of equity accounted investees	(3,175,580)	(662,309)
Net income	(4,748,356)	26,262,622
Operating expenses	(39,771,657)	(30,347,929)
Adjustments to goodwill	(8,910,609)	-
Loss before income tax	(53,430,622)	(4,085,307)
Taxation	14,501,833	2,184,987
Loss on continuing operations	(38,928,789)	(1,900,320)
Loss on discontinuing operations	(6,298,209)	(2,315,089)
Loss for the year	(45,226,998)	(4,215,409)

** 2014 figures reflect the first year of full, line-by-line consolidation for CIS Factors, India Factoring and FHC and the above summary figures and following commentary should be interpreted with this in mind.*

Net Operating Income increased at both Group and Bank level, helped by markedly improved net interest margins contrasted by slightly weaker net fee income. Net trading losses, mainly coming from downward market value adjustments in LFC's trading portfolio, decreased from 2013. Major impairment provisions in the India and Russia subsidiaries and in the Bank, including of its own exposures to these subsidiaries, totalled USD50.7 million and the scale of these events caused the positive operating result to be completely wiped out. The Group's performance continued to be adversely impacted by the effect which the consolidation of the new subsidiaries had on operating expenses while the share of results from the associated companies in Egypt and Brasil remained negative for the year contributing net losses of USD3.2 million. As a result of the acquisition of control in India and Russia the Group also recorded a one-time step-up fair value gain of USD3.2 million however goodwill originally recognised on these investments was partly impaired in the amount of USD9 million when tested for impairment at year-end.

financial position

At 31 December 2014, total Consolidated Assets stood at USD1.41 billion, an increase of 14% over the USD1.24 billion reported at end 2013. In good part this reflects consolidation effects arising from the acquisition of control in India, Russia and Chile, which are directly mirrored in increases in amounts owed to/from banks and customers as the main balance sheet headings. Loans and advances to banks and to customers increased by 27% and 32% respectively while the Group's trading assets, made up of LFC's forfaiting portfolio, remained largely unchanged.

The year under review saw liquidity become more actively employed in the business of the Bank and the Group also as interest rates continued to decrease even to negative levels. Other significant balance sheet movements reflected the switching of investments previously held in associates which now became fully consolidated on a line-by-line basis, also resulting in the classification of non-controlling equity interests.

Total Consolidated Liabilities as at 31 December 2014 stood at USD1.23 billion, an increase of 13% over end-2013. Total Equity attributable to the equity holders of the Bank as at Financial Reporting date stood at USD161 million, up from the USD149 million equity level at 31 December 2013. The increase in equity resources is due to the USD48 million raised from the rights issue and net favourable movements in currency translation and other reserves of USD4 million against which the Group registered the loss for the year (of which USD39 million attributable to the equity holders).

Group Commitments, consisting mainly of confirmed letters of credit, documentary credits, commitments to purchase forfaiting assets and factoring commitments stood at USD171 million while contingent liabilities, principally consisting of outstanding guarantee obligations, stood at USD21 million.

outlook for 2015

The sober start to 2015 following the most difficult year in the Group's history marks a period of consolidation for the Group which will continue to see a highly selective approach to business, all-round strengthening of governance and risk structures, but especially in the remaining subsidiaries and associated entities, and a scaling down in the international factoring growth strategy. In this the Board and Management are encouraged by the support of the shareholders, in particular the main shareholders Burgan Bank and United Gulf Bank, whose commitment will help the Group to overcome these difficulties and return to better times.

dividends and reserves

The Directors will not be recommending the payment of a dividend to the Annual General Meeting of shareholders (2013: Nil).

standard licence conditions and regulatory sanctions

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

approvals at the annual general meeting of shareholders

The Bank convened its Annual General Meeting on 8 May 2014. Along with the statutory Ordinary Resolutions, the Meeting approved the following resolutions presented as special business to the shareholders, namely the:

a. authority to issue bonus shares to those shareholders on the register of the Central Securities Depository of the Malta Stock Exchange as at the Record Date (8 April 2014) by means of a capitalisation of the share premium account.

b. authority to make two rights issues over a period of two years to raise in aggregate a minimum of USD 100,000,000 by the issuance of ordinary shares to its Members on such terms and conditions as may be determined by the Board of Directors.

c. authority to the Board of Directors of the Bank to restrict or withdraw statutory pre-emption rights of the equity securities holders for as long as the Board of Directors remains authorised to issue and allot equity securities.

d. amendments to recital C. and paragraph 2.3 of the Executive Share Options Scheme Rules applicable to the 2011-2015 Scheme as detailed in the Notice to Shareholders.

e. deletion of Article 6A of the Memorandum of Association and the amendments to Article 7, Article 100 and Article 148 of the Articles of Association of the Company as detailed in the Notice to Shareholders.

Unlike recent years, the Annual General Meeting was not presented with a resolution empowering the Board of Directors to buy back the Bank's own shares.

disclosure in terms of the sixth schedule to the Companies Act, 1995

Save as otherwise mentioned in this Report and in the Financial Statements, there is no further information that requires disclosure pursuant to the Sixth Schedule of the Companies Act.

shareholder register information pursuant to Listing Rule 5.64

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

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

b. except as provided for by Article 41 of the Articles of Association of the Bank, or where the consents of the supervisory authorities may be required, there are no restrictions on the transfer of securities, or limitations on the holding of securities, or the need to obtain the approval of the Bank or other holders of securities of the Bank for any such transfer or holding. Certain special rights reserved for IFC under clause 6A of the Memorandum of Association were removed by approval of the 2014 Annual General Meeting and the above clause was concurrently deleted.

c. shareholders holding 5% or more of the Share Capital as at 31 December 2014 are as follows:

	Number of Shares	Percentage Holding
United Gulf Bank B.S.C	166,101,419	61.20%
Burgan Bank S.A.K	53,524,391	19.72%

In addition to shareholders listed in the above table, at 31 December 2014, Tunis International Bank S.A. (a subsidiary of Burgan Bank S.A.K.) holds 7,692,307 shares (2.83%).

An explanation of the events through which the above percentage holdings moved during 2014 is in the section 'Changes to Controlling Shareholding' above.

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

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

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

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

h. articles 115 to 122 of the Articles of Association indicate the powers and duties of Directors. More specifically, at the 2014 Annual General Meeting, the Bank requested and obtained a renewal authorisation from the shareholders to i) generally authorise the Board of Directors (with full powers of delegation) to restrict or withdraw the statutory pre-emption rights of the Bank's equity securities holders for as long as the Board remains authorised to issue and allot equity securities in terms of Article 85 of the Companies Act; and ii) authorise the Board of Directors to issue equity securities up to the maximum value of the Authorised Share Capital limitedly for the purpose of raising equity capital through two rights issues over a period of two years.

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

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

events after the financial reporting date

On 1 January 2015, Simon J. Lay, already Managing Director of London Forfaiting Company Limited, took over as Acting CEO ad interim and replacing Margrith Lütschg-Emmenegger.

On 26 January 2015, Fitch Ratings announced the downgrading of the Bank's long-term Issuer Default Rating ("IDR") to 'BB-' from 'BB', with a stable outlook, and Viability Rating ("VR") to 'BB-' from 'BB'. At the same time, Fitch affirmed FIMBank's short-term IDR at 'B'. According to Fitch the long-term IDR and VR were downgraded to reflect the Bank's high risk appetite, which has resulted in a significant deterioration in asset quality, as well as unstable and weak earnings. The asset quality deterioration which has been addressed by Fitch is mainly attributable to severe impairments that have impacted the performance of several entities across the Group, in particular India and Russia. Fitch also clearly indicated that a positive rating action would primarily stem from a substantial recovery of asset quality and earnings, and/or evidence of improved risk controls.

On 16 February 2015, the Group injected USD14.4 million of new capital in India Factoring following a subscription call made by the subsidiary on all shareholders. The capital injection forms part of the plan to strengthen the subsidiary's capital ratios, also in line with Reserve Bank of India requirements, and to consolidate it for future growth.

going concern

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

directors

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

John C. Grech	(Chairman)	GC, RC, CC, EC
Masaud M.J. Hayat	(Vice Chairman)	RC
Majed Essa Al-Ajeel		AC, GC, RC
Eduardo Eguren Linsen		AC
Adrian Alejandro Gostuski		BRC
Rogers David LeBaron		AC, RC
Fakih Ahmed Mohamed		BRC, CC
Rabih Soukarieh		BRC, CC, EC
Osama Talat Al-Ghoussein	(Appointed on 5 August 2014)	AC, BRC
Hamad Musaed Bader M. Al-Sayer	(Resigned on 8 May 2014)	
Mohammed Ibrahim Husain Marafie	(Resigned on 11 February 2014)	
Fouad M. T. Alghanim	(Resigned on 3 March 2014)	

Denotes membership of:

- Audit Committee (AC)
- Governance Committee (GC)
- Board Risk Committee (BRC)
- Remuneration Committee (RC)
- Credit Committee (CC)
- Executive Committee (EC)

statement of responsibility

The Statement of Responsibility required of the Directors in terms of Listing Rule 5.55.2 and set out in the form required by Listing Rules 5.67 to 5.69 is on page 31.

independent auditors

KPMG have expressed their willingness to continue in office as auditors of the Bank. A resolution proposing their re-appointment will be submitted at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 10 March 2015 and signed on its behalf by:

John C. Grech
Chairman

Masaud M. J. Hayat
Vice Chairman

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

statement of compliance with the principles of good corporate governance

introduction

The Board of Directors (the "Board" or "Directors") of FIMBank p.l.c. (the "Bank") as of 31 December 2014 decided to have their governance arrangements revisited with the intention of having the Bank's corporate governance aligned with that of its parent.

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

part 1: compliance with the principles

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

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

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

principle 1: roles and responsibilities of the board

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

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

a. exercising prudent and effective controls and ensuring that such controls are appropriately reviewed for effectiveness and monitored for compliance on a regular basis;

b. determining the strategic aims and the organizational structure;

c. regularly reviewing management performance and ensuring that the Bank/Group has the appropriate mix of financial and human resources to run its business;

d. being conversant with relevant statutory and regulatory requirements;

e. ensuring that all Directors regularly attend meetings of the Board, agree business objectives, financial plans and general parameters within which the Board, the Board Committees and Management are to function;

f. ensuring that systems and controls are in place to mitigate significant business risks and that exposures are identified and properly managed;

g. setting appropriate business standards, codes of corporate governance and ethical behaviour for all Directors and employees, as well as monitoring their performance;

h. appointing the President/CEO who is entrusted with day-to-day management of the Group and its operations, together with members of Management.

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

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

The end of 2014 also marks the retirement of Ms Margrith Lütschg-Emmenegger as President of the Bank and the appointment of Mr Simon Lay, from 1st January 2015, as Acting CEO of the Bank ad interim. Following his appointment Mr Simon Lay automatically took over the duties of the President at the Bank in order to ensure continuity and stability within the Bank. The Bank is constantly striving to improve and implement the latter's Corporate Governance structure and further changes in addition to the ones reported in this Statement are likely to take place during 2015.

principle 2: roles and responsibilities of the chairman and of the chief executive officer

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

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

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

principle 3: board composition and appointment of directors

The Bank's Articles of Association (the "Articles") contain detailed provisions (in Clauses 93 to 114) as to the manner of appointment and retirement of Directors. Directors hold office from the close of the Annual General Meeting at which they are appointed until the day of the consecutive General Meeting, at which they become eligible for re-election. The Articles also provide that the Chairman and Vice-Chairman are to be appointed by the Directors from amongst their number and shall hold office for a period of one year, unless otherwise decided by a simple majority of the Board. Any member may nominate an individual in the manner prescribed by the Articles, provided that such nomination is seconded by a member or members who in the aggregate hold at least twenty thousand (20,000) shares.

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

	Year when first appointed
John C. Grech (Chairman)	2004
Hamad Musaed Bader M. Al-Sayer	2002 (ceased to be a Director on 8 May 2014)
Rogers David LeBaron	2006
Masaud M. J. Hayat	2013
Fakih Ahmed Mohamed	2013
Adrian Alejandro Gostuski	2013
Eduardo Eguren Linsen	2013
Majed Essa Al-Ajeel	2013
Rabih Soukarieh	2013
Osama Talat Al-Ghoussein	2014

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

In March 2012 the Board, after noting the contents of an Internal Memorandum on the subject prepared by the Company Secretary, considered and resolved that all non-executive directors meet the requisites for them to be deemed independent. This decision was based on the representations given by the individual directors, including those with a shareholding in the Bank or associated with entities having a shareholding in the Bank or have served on the Board for more than twelve consecutive years, which does not in any way impair these directors' ability to consider appropriately the issues which are brought before the Board. This notwithstanding, Mr Rogers David LeBaron is as at 31 December 2014 the only independent director in terms of the Listing Rules. In terms of Principle 3.4, each non-executive Director has confirmed in writing to the Board that he/she undertook:

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

A written declaration of independence was signed by the non-executive directors in March 2013 and March 2014 and another written declaration of independence will be signed by the non-executive directors in March 2015. Some of the directors have served on the board for more than 12 years. This notwithstanding, the Board considers such directors to bring a sufficiently balanced character and frame of mind to their duties and judgment that they are consequently deemed to be independent.

principles 4 and 5: duties and proceedings of directors

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

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

The Board held 7 meetings in 2014. Meetings include presentations by Management, whilst other information and documentation is made available for perusal by the Directors, at their request. Members of senior management attend Board meetings by invitation depending on the agenda content and relevance. The Board also might request that the meetings be attended by other employees or by professional advisors, as and when necessary. In all other circumstances, the Directors are expected to play a full and constructive role in the Group's affairs. As soon as possible after a meeting, draft minutes are circulated amongst the members for their information. Minutes are then read and approved at the following meeting. Since early 2011 an intranet facility has been introduced which allows Directors to access Board documents, including all past minutes of Board and committees meetings.

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

principle 6: information and professional development

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

The intranet facility introduced in 2011 makes it easier for documents, materials and presentations, including professional resources and access to sources of online information, to be made easily accessible to Directors. Training sessions have been held in 2014 in order to procure Directors with necessary knowledge on their duties and responsibilities.

Moreover, the Board ensures that the President/CEO maintains systems and procedures for the development and training of the management and employees generally, in order to retain the best quality staff, optimise on management and staff morale and to continue developing the succession plan for senior management.

principle 7: evaluation of the board's performance

Members of the Board of Directors are subject to comprehensive fit and proper tests by the supervisory authorities before they are formally cleared for appointment to the Board. During 2012 a formal evaluation procedure of the Board members was introduced, based on a self-assessment exercise which is requested from each Director and submitted on an annual basis. The self-assessment forms are then evaluated by a committee, which function has been entrusted to the Governance Committee, which then reports directly to the Board Chairman who is required to act on the results of the performance evaluation process. The outcome would be to ascertain the strengths and to address the weaknesses of the Board and to report to the Board itself and, where appropriate, to the Annual General Meeting. This exercise has been repeated in 2013 and 2014. The last self-assessment from Directors was requested in the last quarter of 2014, with the formal evaluation taking place, and expected to be concluded in March 2015.

principle 8: board committees

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

Accordingly, the Board has established the following committees:

- Executive Committee
- Audit Committee
- Board Risk Committee
- Asset-Liability Committee
- Nomination and Remuneration Committee – this committee was renamed this year to Nomination and Remuneration Committee to cater for the newly set-up nomination committee that will be in charge of nominating the directors. (refer to Remuneration Report on page 29)
- Credit Committee – set-up in 2013
- Governance Committee – set-up in 2013

executive committee

The Executive Committee acts as the delegated authority by the Board in overseeing the activities and management of the Group and approving limits beyond the powers of the other Committees. The Executive Committee's terms of reference are included in the Executive Committee Charter.

The members of the Executive Committee as at 31 December 2014 are the following:

John C. Grech
Rabih Soukarieh
Armin Eckermann
Marcel Cassar
Simon Lay
Ivan Fsadni
Michael Davis

The Executive Committee met on 4 occasions during 2014, however communication with and between Management and the Committee's members is regular and ongoing. The Company Secretary also attends these meetings.

audit committee

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

a. the monitoring of the financial reporting process, including the audit of the annual and consolidated accounts;

b. the monitoring of the effectiveness of the Group's internal control, internal audit, compliance and risk management systems;

c. the maintenance of communication on such matters between the Board, Management, the external Auditors the Internal Auditors and the Compliance function;

d. the monitoring and reviewing of the external Auditor's independence, and in particular, the provision of additional services to the Issuer;

e. the monitoring and reviewing of proposed transactions by the Group with related parties; and

f. the performance of the Group's Internal Audit and Compliance functions.

The Audit Committee also considers the arm's length nature of related party transactions, vets and approves them. Both the Audit Committee's and the Head of Internal Audit's terms of reference clearly stipulate their independence from other Board Committees and management, and such independence is also acknowledged by external regulatory verification. The Head of Internal Audit has direct access to the Audit Committee Chairman at all times, attends all meetings and acts as secretary to the Audit Committee. The Head of Compliance also has direct access to the Audit Committee Chairman and attends all meetings. In addition, the new composition of the members of the Audit Committee includes an individual who is also a member of the Board Risk Committee.

The members of the Audit Committee as at 31 December 2014 are the following:

Rogers David LeBaron (Chairman)
Eduardo Eguren Linsen (Vice Chairman)
Osama Talat Al-Ghoussein (appointed in 2014)
Majed Essa Al-Ajeel

The member of the Audit Committee who, as required by the Listing Rules, is designated as independent and competent in auditing and/or accounting is Mr Rogers David LeBaron. Mr LeBaron, was appointed as Audit Committee Chairman from 2 May 2013 and to date is the designated independent and competent member in auditing. Mr Rogers David LeBaron was a Director of Financial Institutions in the European Bank for Reconstruction and Development in London from 1996 until 2004 and subsequently held the position of Principal Financial Advisor, Global Financial Markets Department within the IFC.

The Audit Committee normally requests members of Management to attend its meetings.

The Audit Committee held 4 meetings during 2014. The External Auditors were invited to two of the Audit Committee meetings (March 2014 and August 2014). The External Auditors were only present for the Agenda Item which considered and discussed the 2013 Annual Report (March 2014) and 2014 Interim Report (August 2014).

board risk committee

The Board Risk Committee is responsible for overseeing the Group's risk management strategy, systems and policies, and for recommending country limits for approval by the Board of Directors. The Board Risk Committee is also responsible for the oversight of operational and legal risk matters.

The Board Risk Committee members as at 31 December 2014 are the following:

Adrian Alejandro Gostuski (Chairman)
Rabih Soukarieh (Vice Chairman)
Fakih Ahmed Mohamed
Osama Talat Al-Ghoussein (appointed in 2014)

During 2014, the Board Risk Committee met on 6 occasions.

asset-liability committee

The Asset-Liability Committee ("ALCO") is responsible for establishing appropriate asset and liability management policies, monitoring their application and reviewing financial information on the basis of which investment and funding decisions are taken.

The Asset-Liability Committee is mainly made up of members forming part of the management team and the members as at 31December 2014 are the following:

Simon Lay
Armin Eckermann
Marcel Cassar
Carmelo Occhipinti

In addition, Aly Siby, Executive Vice President, Head of Centre of Excellence & Group Coordination, Ivan Fsadni, Chief Risk Officer, Toufic Yafaoui, Head of Treasury and Ronald Mizzi, Head of Finance, are non-voting members of the ALCO and attend all meetings.

During 2014, the ALCO met on 4 occasions.

credit committee

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

a. review credit applications and approve credit limits and specific transactions, up to the legal lending limit of the Bank and within the guidelines specified in the Group's credit policy procedures;

b. recommend credit limits to the BRC or the Board for approval, as the case may be, when this is required according to the Bank's credit policy procedures; in particular, the CC will analyse and recommend country limits for approval by the Board;

c. inform and recommend about other risk (including but not limited to market, liquidity, operational and reputational risk) when this is deemed relevant for the credit decisions to be taken by the CC.

The Credit Committee members as at 31 December 2014 are the following:

John C. Grech (Chairman)
Rabih Soukarieh (Vice-Chairman)
Fakih Ahmed Mohamed
Armin Eckermann
Marcel Cassar
Simon Lay
Michael Davis

In addition, Ivan Fsadni, Chief Risk Officer, is a non-voting member of the CC.

During 2014, the CC met on 40 occasions.

governance committee

The Governance Committee was set-up in May 2013. The purpose of such Committee is to review the Bank's internal delegations, policies and procedures to ensure compliance with legislative and regulatory requirements and alignment to industry best practice.

The Governance Committee also serves as the Evaluation Committee, a Committee created to evaluate the performance of Directors.

The Governance Committee members as at 31 December 2014 are the following:

Majed Essa Al-Ajeel (Chairman)
John C. Grech (Vice-Chairman)

During 2014, the GC met on 2 occasions.

nomination and remuneration committee

As of 2015, the Board of the Bank have decided to set-up a Nomination Committee to be merged with the already existing Compensation Committee. During 2015, the Compensation Committee will amend its Charter to reconstitute the Committee into a Nomination and Remuneration Committee granting the power to this committee to lead the process for Board and Board committee appointments.

Whilst the duties of the Compensation Committee shall remain the same, the Nomination Committee which shall be formed by members from the board of directors and include three non-executive members including the committee's head, shall carry out the following tasks:

a. Present recommendations to the Board regarding nomination to the board's membership in accordance with approved policies, standards, and instructions on nomination regulations for the board of director's membership.

b. Perform an annual review of the needs required in regards to suitable skills for board membership and prepare a description of the skills and qualifications required for board membership. Perform an annual review of the board of director's structure and present recommendations on the changes which can be performed in accordance with the Bank's interest.

c. Perform an annual evaluation of the Board's overall performance and the performance of each member. This evaluation should include the knowledge and experience of the members and assess their authorities and their leadership skills.

In addition to the above, the new Nomination and Remuneration Committee shall provide information and summaries on the background of some important issues of the Bank and present the reports and information to the board members. It shall ensure that board members are continuously updated on the latest issues related to the banking profession. In this regard, the Board undertakes to have in place a system to encourage its members to attend seminars as well as other occasions that give them the opportunity to meet with local and global companies and institutions in order to develop their skills in the financial banking and business fields.

The Nomination and Remuneration Committee members as at 31 December 2014 are the following:

Masaud M.J. Hayat (Chairman)
Majed Essa Al-Ajeel
Rogers LeBaron
John C. Grech

changes to committee membership during 2014

Margrith Lütschg-Emmenegger was the Chairperson of the Executive Committee and the Asset-Liability Committee, member of the Credit Committee and Governance Committee until her retirement from the Bank on 31 December 2014 when she ceased to be a member.

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

The Chairman should arrange for all directors including the chairmen of all the Committees to be available to answers questions at the Annual General Meeting. All eligible shareholders are served with a notice to attend the Annual General Meeting, which is held during the first half of the year. The notice contains all the resolutions proposed for approval by the Annual General Meeting and, as necessary, notes accompanying such resolutions. Pursuant to the Companies Act, notices are delivered to shareholders at least 14 clear days before the date of the Annual General Meeting. Advance notification of the resolutions proposed for approval is also given by way of a Company Announcement as soon as these are decided and approved, normally at the same Board meeting that approves the Annual Financial Statements. The Board also considers the Annual Report to be an effective document which, in addition to the statutory disclosures, contains detailed information about the Group's performance. Moreover, the Board ensures that the Annual General Meeting serves as a medium at which information is communicated to shareholders in a transparent and accountable manner. Additionally, the Bank holds meetings from time to time with financial intermediaries and financial market practitioners to disseminate information about the Group's progress, activities and financial performance. These meetings are usually organised to follow the publication of the half yearly and annual financial results as well as in connection with other Group developments and events.

The Board complies with the provisions of the Bank's Memorandum and Articles of Association, as well as all legislation, rules and regulations that require it to maintain a fair and informed market in the Bank's equity securities. It discharges its obligations by having in place formal procedures for dealing with potentially price-sensitive information and ensuring the proper conduct of its officers and staff in that regard. Regular contact with shareholders and the general market is maintained through company announcements, which are issued in conformity with the obligations arising from the Listing Rules. During 2014 the Bank issued twenty-eight announcements. More specifically, in accordance with Listing Rules 5.86 et seq., two announcements were made regarding the Interim Directors' Statements, on 16 May 2014 and 17 November 2014 respectively.

The Board also complies with the provisions of the Bank's Articles of Association insofar as minority rights are concerned. In accordance with the Bank's Articles of Association minority shareholders may convene an extraordinary general meeting, in the same manner, as nearly as possible, as that in which meetings may be convened by the directors.

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

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

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

principle 11: conflicts of interest

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

The number of shares held in the Bank by Directors directly in their name as at 31 December 2014 is as follows:

John C. Grech * (Chairman)	880,473
Masaud M. J. Hayat * (Vice Chairman)	Nil
Majed Essa Al-Ajeel *	Nil
Eduardo Eguren Linsen*	Nil
Adrian Alejandro Gostuski *	Nil
Rogers David LeBaron	Nil
Fakih Ahmed Mohamed*	Nil
Rabih Soukarieh*	Nil
Osama Talat Al-Ghoussein	Nil

Aside from these direct interests in the shareholding of the Bank, the directors marked above with an * are considered to be associated with companies that hold a beneficial interest in the Bank's shareholding. No shareholder is entitled to any automatic right to nominate or appoint a director on the Board. Details of outstanding loans, guarantees or similar facilities made available to related parties or beneficial interests thereof, including directors, are disclosed in the Notes to the Financial Statements.

principle 12: corporate social responsibility

The Board of Directors encourages that sound principles of corporate social responsibility are adhered to in the ongoing management practices of the Group. As a result, from time to time the Bank and its subsidiaries are involved in supporting initiatives at both national and community level aimed at contributing to economic and societal development. They also assist and promote small-scale projects of a charitable and humanitarian nature. Details of corporate social responsibility initiatives undertaken by the Group in 2014 are explained in other parts of the Annual Report.

part 2: non-compliance with the principles

principle 4: succession policy for directors

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

principle 5: board meetings

The Board held 7 meetings during 2014, of which 5 were held with Directors being asked to attend in person while 2 were held via long-distance conferencing facilities. The five physical meetings were attended by all the directors with the exception of Mr Majed Essa Al-Ajeel who did not attend the meetings held on 8 May 2014 and 29 October 2014 respectively and Mr Masaud M.J. Hayat who did not attend the meeting held on 5 August 2014. The two meetings held by conference and which took place on 29 January 2014 and 22 May 2014 respectively, were not attended on 22 January 2014 by Mr Fouad M.T. Al-Ghanim, Mr Masaud M.J. Hayat, Mr Mohamed Marafie, Mr Majed Essa Al-Ajeel and Mr Rogers David LeBaron and on 22 May 2014 by Mr Eduardo Eguren Linsen, Mr Majed Essa Al-Ajeel and Mr Rogers David LeBaron.

principle 8: nomination committee

The manner in which the Directors are nominated for appointment follows the procedure set out in the Articles of Association, i.e. any nomination must be seconded by a member or members who in the aggregate hold at least 20,000 shares. This process is also rendered public with an announcement in the Malta press, usually in the first quarter of the financial year and in good time before the Annual General Meeting, which allows at least 10 business days for any nomination to be made to the Company Secretary.

The Bank has as of 2015 decided to set up a Nomination Committee which committee shall be merged with the Compensation Committee and designated as the Nomination and Remuneration Committee.

principle 8: nomination and remuneration committee

The existing Chairman of the Compensation Committee (to be reconstituted as Nomination and Remuneration Committee in 2015) is not an independent member in terms of the Listing Rules, as required in terms of Principle 8.A.1 of the Code of Principles of Good Corporate Governance. This notwithstanding, the Bank considers the non-compliance with this principle not to be of concern in view of the fact that Mr Masaud M.J. Hayat has signed a written declaration whereby he has declared that he undertakes to maintain in all circumstances his independence of analysis, decision and action, not to seek or accept any unreasonable advantages that could be considered as compromising his independence and to clearly express his opposition in the event that he finds that a decision of the Board may harm the Bank.

statement of compliance with the principles of good corporate governance - continued

internal control

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

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

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

Approved by the Board of Directors on 10 March 2015 and signed on its behalf by:

John C. Grech
Chairman

Masaud M. J. Hayat
Vice Chairman

remuneration report

For the year ended 31 December 2014

1. terms of reference and membership

The Compensation Committee (the "Committee", to be reconstituted as Nomination and Remuneration Committee in 2015) is responsible for reviewing and making decisions on the Board of Directors' remuneration and that of the senior executives.

Prior to the Annual General Meeting ("AGM") of 8 May 2014, the Committee was composed of Masaud M.J. Hayat (Chairman), Majed Essa Al-Ajeel and Rogers David LeBaron and John C. Grech. Margrith Lütschg-Emmenegger, then Group President, also attended the Commitee meetings.

2. meetings

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

Members	Attended
John C. Grech	2
Masaud M.J. Hayat	2
Rogers LeBaron	2
Majed Essa Al-Ajeel	2

The following matters were determined and/or discussed:

a. salary reviews, bonuses and share options for Group employees;
b. senior management promotions;
c. share option schemes of the Bank;
d. new senior positions relating to reorganisation and new Organisation Chart;
e. staff costs against budget;
f. staff training;
g. succession planning and performance managment;

3. remuneration statement

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

The Annual General Meeting of shareholders approves the maximum annual aggregate remuneration which the Directors may receive for the holding of their office. At the Annual General Meeting of the 8 May 2014 the shareholders approved the maximum aggregate emoluments of the Directors for the financial year ending 31 December 2014 at USD350,000. No Director, in his capacity as a Director of the Bank, is entitled to profit sharing, share options or pension benefits. The Board Committee fees for the financial year ending 31 December 2014 amounted to USD317,394.

4. code provision 8.A.5

For 2014, the total payments received by Directors were:

Fixed remuneration	USD317,394
Variable remuneration	-
Executive share options	NIL
Expenses relating to meetings	USD55,215

Apart from a fixed annual emolument, Directors are also remunerated depending upon which committee they sit on.

For Senior Executives, namely the President and the Executive Vice Presidents, the remuneration package ensures the right qualities and skills for the proper management of the Group as well as the proper execution of the strategy devised by the Board of Directors. There have been no significant changes in the Group's remuneration policy during the financial year under review and no significant changes are envisaged for year ending 2015.

The various remuneration components for Executives are:

a) fixed remuneration;
b) variable remuneration;
c) executive share options; and
d) others e.g. company car, subsidised home loans and other fringe benefits.

which are combined to ensure an appropriate and balanced remuneration package that reflects the employee's rank in the Bank and professional activity as well as external market practice.

For 2014, the total emoluments received by Senior Executives were:

Fixed remuneration	USD2,148,196
Variable remuneration	USD153,687
Executive share options	NIL
Expenses/fringe benefits	USD298,062

The Committee decisions are made within the guidelines set by the Board of Directors when reviewing the Group Budget.

directors' responsibility for the financial statements

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

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

The Directors are also responsible for safeguarding the assets of the Bank and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors, through oversight of management, are responsible to ensure that the Bank and the Group establish and maintain internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible, with oversight from the Directors, to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the Bank's business. This responsibility includes establishing and maintaining controls pertaining to the Bank's and Group's objective of preparing financial statements as required by the Companies Act, 1995 (Chapter 386, Laws of Malta) and managing risks that may give rise to material misstatements in those financial statements.

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

Signed on behalf of the Board of Directors by:

John C. Grech
Chairman

Masaud M. J. Hayat
Vice Chairman

statements of financial position

As at 31 December 2014

	Note	Group 2014 USD	Group 2013 USD	Bank 2014 USD	Bank 2013 USD
ASSETS					
Balances with the Central Bank of Malta, Treasury Bills and cash	19	7,824,096	69,707,225	7,804,628	69,680,966
Trading assets	20	262,856,375	272,831,977	-	-
Derivative assets held for risk management	21	2,549,893	828,234	2,570,036	883,480
Financial assets designated at fair value through profit or loss	22	18,000,000	17,700,000	18,000,000	17,700,000
Loans and advances to banks	23	430,655,699	337,975,471	423,146,523	328,578,318
Loans and advances to customers	24	549,441,138	417,469,537	635,248,176	593,801,221
Investments available-for-sale	25	30,104,393	26,476,204	30,103,691	26,475,502
Investments held-to-maturity	26	7,116,353	6,783,621	7,116,353	6,783,621
Investments in equity accounted investees	27	2,821,670	22,276,790	6,013,425	6,013,425
Investments in subsidiaries	28	-	-	61,278,380	79,234,301
Non-current assets held for sale	29	7,838,274	-	-	-
Property and equipment	30	38,399,474	39,006,893	2,065,906	2,070,762
Intangible assets and goodwill	31	9,164,624	1,342,722	1,070,658	715,513
Current tax assets		428,220	2,064,313	-	2,064,316
Deferred taxation	32	33,912,048	13,243,752	15,594,796	6,494,506
Other assets	33	4,480,300	4,992,409	2,297,271	3,984,761
Prepayments and accrued income	34	4,382,860	3,067,655	3,752,521	2,635,135
Total assets		1,409,975,417	1,235,766,803	1,216,062,364	1,147,115,827
LIABILITIES AND EQUITY					
Liabilities					
Derivative liabilities held for risk management	21	3,606,718	506,477	1,606,718	506,477
Amounts owed to banks	35	670,768,692	603,452,860	580,466,522	593,551,588
Amounts owed to customers	36	523,848,225	431,686,766	496,006,520	414,846,277
Debt securities in issue	37	10,599,196	35,498,006	-	-
Liabilities associated with non-current assets held for sale	29	249,502	-	-	-
Provisions	38	-	1,360,910	-	-
Current tax liabilities		-	-	1,456,521	-
Other liabilities		2,398,693	368,017	2,398,694	368,015
Accruals and deferred income	39	14,106,979	14,137,625	4,589,759	5,039,952
Total liabilities		1,225,578,005	1,087,010,661	1,086,524,734	1,014,312,309
Equity					
Share capital	40	135,698,296	89,599,085	135,698,296	89,599,085
Share premium	40	21,642,302	19,820,564	21,642,302	19,820,564
Reserve for general banking risks	40	415,293	80,893	415,293	80,893
Currency translation reserve	40	(1,016,084)	(6,397,892)	-	-
Fair value reserve	40	(789,342)	159,362	(789,342)	159,362
Other reserve	40	681,041	2,681,041	2,681,041	2,681,041
Retained earnings/(accumulated losses)	40	3,919,616	42,813,089	(30,109,960)	20,462,573
Total equity attributable to equity holders of the bank		160,551,122	148,756,142	129,537,630	132,803,518
Non-controlling interests	41	23,846,290	-	-	-
Total equity		184,397,412	148,756,142	129,537,630	132,803,518
Total liabilities and equity		1,409,975,417	1,235,766,803	1,216,062,364	1,147,115,827

statements of financial position

As at 31 December 2014

	Note	Group 2014 USD	Group 2013 USD	Bank 2014 USD	Bank 2013 USD
MEMORANDUM ITEMS					
Contingent liabilities	42	21,472,543	25,658,655	31,805,224	61,549,236
Commitments	43	171,073,506	269,423,193	157,125,360	237,393,657

The official middle rate of exchange issued by the European Central Bank between US Dollar and Euro as at 31 December 2014 was 1.2141.

The notes on pages 43 to 129 are an integral part of these financial statements.

The financial statements on pages 32 to129 were approved and authorised for issue by the Board of Directors on 10 March 2015 and were signed on its behalf by:

John C. Grech
Chairman

Masaud M. J. Hayat
Vice Chairman

statements of changes in equity

For the year ended 31 December 2014

Group

	Attributable to equity shareholders of the Bank									
	Share capital USD	Share premium USD	Reserve for general banking risks USD	Currency translation reserve USD	Fair value reserve USD	Other reserve USD	Retained earnings USD	Total USD	Non-controlling interests USD	Total equity USD
At 1 January 2014	**89,599,085**	**19,820,564**	**80,893**	**(6,397,892)**	**159,362**	**2,681,041**	**42,813,089**	**148,756,142**	**-**	**148,756,142**
Total comprehensive income										
Comprehensive income for the year										
Loss for the year	-	-	-	-	-	-	(38,559,073)	(38,559,073)	(6,667,925)	(45,226,998)
Other comprehensive income										
Change in fair value of available-for-sale assets	-	-	-	-	(948,704)	-	-	(948,704)	-	(948,704)
Currency translation reserve	-	-	-	5,381,808	-	-	-	5,381,808	(162,953)	5,218,855
Total comprehensive income	**-**	**-**	**-**	**5,381,808**	**(948,704)**	**-**	**(38,559,073)**	**(34,125,969)**	**(6,830,878)**	**(40,956,847)**
Transactions with owners of the Bank										
Contributions and distributions										
Issue of new shares, net of transaction costs	37,030,443	10,736,615	-	-	-	-	-	47,767,058	-	47,767,058
Bonus issue of shares	8,969,968	(8,969,968)	-	-	-	-	-	-	-	-
Exercise of share options	98,800	55,091	-	-	-	-	-	153,891	-	153,891
Changes in ownership interests										
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	-	21,881,268	21,881,268
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	8,795,900	8,795,900
Put options held by non-controlling interests	-	-	-	-	-	(2,000,000)	-	(2,000,000)	-	(2,000,000)
Total transactions with owners of the Bank	**46,099,211**	**1,821,738**	**-**	**-**	**-**	**(2,000,000)**	**-**	**45,920,949**	**30,677,168**	**76,598,117**
Transfer to reserve for general banking risks	-	-	334,400	-	-	-	(334,400)	-	-	-
As at 31 December 2014	**135,698,296**	**21,642,302**	**415,293**	**(1,016,084)**	**(789,342)**	**681,041**	**3,919,616**	**160,551,122**	**23,846,290**	**184,397,412**

statements of changes in equity

For the year ended 31 December 2014

Group

	Attributable to equity shareholders of the Bank									
	Share capital USD	Share premium USD	Reserve for general banking risks USD	Currency translation reserve USD	Fair value reserve USD	Other reserve USD	Retained earnings USD	Total USD	Non-controlling interests USD	Total equity USD
At 1 January 2013	**71,471,801**	**8,028,945**	**-**	**(3,832,562)**	**(97,470)**	**10,463,255**	**44,606,297**	**130,640,266**	**-**	**130,640,266**
Total comprehensive income										
Total comprehensive income for the year										
Loss for the year	-	-	-	-	-	-	(4,215,409)	(4,215,409)	-	(4,215,409)
Other comprehensive income										
Change in fair value of available-for-sale assets	-	-	-	-	256,832	-	-	256,832	-	256,832
Currency translation reserve	-	-	-	(2,565,330)	-	-	-	(2,565,330)	-	(2,565,330)
Total comprehensive income	**-**	**-**	**-**	**(2,565,330)**	**256,832**	**-**	**(4,215,409)**	**(6,523,907)**	**-**	**(6,523,907)**
Transactions with owners of the Bank										
Contributions and distributions										
Issue of new shares, net of transaction costs	18,127,284	11,791,619	-	-	-	-	-	29,918,903	-	29,918,903
Dividends to equity holders	-	-	-	-	-	-	(5,279,120)	(5,279,120)	-	(5,279,120)
Total transactions with owners of the Bank	**18,127,284**	**11,791,619**	**-**	**-**	**-**	**-**	**(5,279,120)**	**24,639,783**	**-**	**24,639,783**
Transfer to reserve for general banking risks	-	-	80,893	-	-	-	(80,893)	-	-	-
Transfer to retained earnings	-	-	-	-	-	(7,782,214)	7,782,214	-	-	-
As at 31 December 2013	**89,599,085**	**19,820,564**	**80,893**	**(6,397,892)**	**159,362**	**2,681,041**	**42,813,089**	**148,756,142**	**-**	**148,756,142**

statements of changes in equity

For the year ended 31 December 2014

Group

	Share capital	Share premium	Reserve for general banking risks	Fair value reserve	Other reserve	Retained earnings/ (accumulated losses	Total
	USD	USD	USD	USD	USD	USD	USD
At 1 January 2014	**89,599,085**	**19,820,564**	**80,893**	**159,362**	**2,681,041**	**20,462,573**	**132,803,518**
Total comprehensive income							
Total comprehensive income for the year							
Loss for the year	-	-	-	-	-	(50,238,133)	(50,238,133)
Other comprehensive income							
Change in fair value of available-for-sale assets	-	-	-	(948,704)	-	-	(948,704)
Total comprehensive income	-	-	-	**(948,704)**	-	**(50,238,133)**	**(51,186,837)**
Transactions with owners of the Bank							
Contributions and distributions							
Issue of new shares, net of transaction costs	37,030,443	10,736,615	-	-	-	-	47,767,058
Bonus issue of shares	8,969,968	(8,969,968)	-	-	-	-	-
Exercise of share options	98,800	55,091	-	-	-	-	153,891
Total transactions with owners of the Bank	**46,099,211**	**1,821,738**	-	-	-	-	**47,920,949**
Transfer to reserve for general banking risks	-	-	334,400	-	-	(334,400)	-
As at 31 December 2014	**135,698,296**	**21,642,302**	**415,293**	**(789,342)**	**2,681,041**	**(30,109,960)**	**129,537,630**

statements of changes in equity

For the year ended 31 December 2014

Bank

	Share capital USD	Share premium USD	Reserve for general banking risks USD	Fair value reserve USD	Other reserve USD	Retained earnings USD	Total USD
At 1 January 2013	**71,471,801**	**8,028,945**	**-**	**(97,470)**	**2,681,041**	**28,653,355**	**110,737,672**
Total comprehensive income							
Total comprehensive income for the year							
Loss for the year	-	-	-	-	-	(2,830,769)	(2,830,769)
Other comprehensive income							
Change in fair value of available-for-sale assets	-	-	-	256,832	-	-	256,832
Total comprehensive income	**-**	**-**	**-**	**256,832**	**-**	**(2,830,769)**	**(2,573,937)**
Transactions with owners of the Bank							
Contributions and distributions							
Issue of new shares, net of transaction costs	18,127,284	11,791,619	-	-	-	-	29,918,903
Dividends to equity holders	-	-	-	-	-	(5,279,120)	(5,279,120)
Total transactions with owners of the Bank	**18,127,284**	**11,791,619**	**-**	**-**	**-**	**(5,279,120)**	**24,639,783**
Transfer to reserve for general banking risks	-	-	80,893	-	-	(80,893)	-
As at 31 December 2013	**89,599,085**	**19,820,564**	**80,893**	**159,362**	**2,681,041**	**20,462,573**	**132,803,518**

The notes on pages 43 to 129 are an integral part of these financial statements.

income statements

For the year ended 31 December 2014

		Group		Bank	
	Note	2014 USD	2013 USD	2014 USD	2013 USD
Interest income	8	50,754,658	35,756,117	28,392,379	25,308,593
Interest expense	8	(22,384,309)	(19,814,462)	(13,742,561)	(18,318,032)
Net interest income	8	28,370,349	15,941,655	14,649,818	6,990,561
Fee and commission income	9	25,598,298	25,528,149	15,617,702	16,004,841
Fee and commission expense	9	(4,837,747)	(2,635,107)	(2,022,658)	(1,339,461)
Net fee and commission income	9	20,760,551	22,893,042	13,595,044	14,665,380
Net trading results	10	(6,524,673)	(8,132,249)	1,769,718	(765,622)
Net gain from other financial instruments carried at fair value	11	1,578,347	2,749,361	1,655,071	2,757,693
Net fair value gain on previously-held investments in associates	12	3,196,543	-	-	-
Dividend income	13	1,523,364	691	1,523,364	691
Other operating income	14	247,466	18,582	27,441	25,591
Operating income before net impairment		49,151,947	33,471,082	33,220,456	23,674,294
Net impairment loss on financial assets	15	(50,724,723)	(6,546,151)	(63,921,856)	(6,709,515)
Operating income		(1,572,776)	26,924,931	(30,701,400)	16,964,779
Administrative expenses	16	(37,695,755)	(27,462,659)	(25,114,822)	(20,552,916)
Depreciation and amortisation	30/31	(2,741,117)	(2,208,349)	(880,693)	(741,316)
Provisions	38	665,215	(676,921)	-	(676,921)
Adjustments to goodwill	31	(8,910,609)	-	-	-
Total operating expenses		(48,682,266)	(30,347,929)	(25,995,515)	(21,971,153)
Operating loss		(50,255,042)	(3,422,998)	(56,696,915)	(5,006,374)
Share of results of equity accounted investees (net of tax)	27	(3,175,580)	(662,309)	-	-
Loss before tax		(53,430,622)	(4,085,307)	(56,696,915)	(5,006,374)
Taxation	17	14,501,833	2,184,987	6,458,782	2,175,605
Loss from continuing operations		(38,928,789)	(1,900,320)	(50,238,133)	(2,830,769)
Loss on discontinued operations	29	(6,298,209)	(2,315,089)	-	-
Loss for the year		(45,226,998)	(4,215,409)	(50,238,133)	(2,830,769)

income statements

For the year ended 31 December 2014

		Group		Bank	
	Note	2014 USD	2013 USD	2014 USD	2013 USD
Attributable to:					
Equity holders of the bank		(38,559,073)	(4,215,409)	(50,238,133)	(2,830,769)
Non- controlling interests		(6,667,925)	-	-	-
Loss for the year		(45,226,998)	(4,215,409)	(50,238,133)	(2,830,769)
Earnings per share					
Basic earnings per share (US cents)	18	(17.00)	(2.39)	(22.15)	(1.61)
Diluted earnings per share (US cents)	18	(16.99)	(2.38)	(22.13)	(1.60)
Earnings per share – continuing operations					
Basic earnings per share (US cents)	18	(14.69)	(1.08)	(22.15)	(1.61)
Diluted earnings per share (US cents)	18	(14.68)	(1.08)	(22.13)	(1.60)

The Group results for the year ended 31 December 2013 have been restated for Discontinued Operations (see Note 29) and to take into effect the impact of the Bonus Issue of shares in May 2014 on Earnings per Share (see Note 18)

The notes on pages 43 to 129 are an integral part of these financial statements.

statements of profit or loss and other comprehensive income

For the year ended 31 December 2014

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Loss for the year	(45,226,998)	(4,215,409)	(50,238,133)	(2,830,769)
Other comprehensive income:				
Items that are, or may be, reclassified to profit or loss				
Foreign currency translation differences for foreign operations:				
- reclassified to profit or loss	5,066,657	-	-	-
- other	315,151	(2,565,330)	-	-
Fair value reserve (available-for-sale financial assets), net of deferred tax	(948,704)	256,832	(948,704)	256,832
Total comprehensive income for the year	(40,793,894)	(6,523,907)	(51,186,837)	(2,573,937)

The notes on pages 43 to 129 are an integral part of these financial statements.

statements of cash flows

For the year ended 31 December 2014

	Note	Group 2014 USD	Group 2013 USD	Bank 2014 USD	Bank 2013 USD
Cash flows from operating activities					
Interest and commission receipts		73,461,216	58,475,080	42,326,377	41,508,724
Exchange received		3,906,102	2,514,456	2,193,671	2,307,029
Interest and commission payments		(27,865,792)	(21,277,430)	(14,607,661)	(18,550,556)
Payments to employees and suppliers		(39,652,435)	(29,621,619)	(26,722,279)	(21,620,220)
Operating profit before changes in operating assets / liabilities		9,849,091	10,090,487	3,190,108	3,644,977
(Increase) / decrease in operating assets:					
- Trading assets and financial assets at fair value through profit or loss		1,574,838	4,120,251	-	37,345,323
- Investments held-to-maturity		-	(6,783,621)	-	(6,783,621)
- Loans and advances to customers and banks		17,654,242	(102,387,661)	8,326,125	(94,462,015)
- Other assets		8,056,099	(1,067,141)	1,687,493	(1,403,462)
Increase / (decrease) in operating liabilities:					
- Amounts owed to customers and banks		111,104,730	32,704,845	129,782,403	52,602,374
- Other liabilities		2,030,680	(2,451,357)	2,030,680	(2,451,357)
- Net advances from/(to) subsidiary companies		-	-	(40,756,388)	(37,003,304)
Net cash inflows/(outflows) from operating activities before income tax		150,269,680	(65,774,197)	104,260,421	(48,511,085)
Income tax (paid)/refunded		(495,224)	(648,990)	1,390,172	(648,293)
Net cash flows from/(used in) operating activities		149,774,456	(66,423,187)	105,650,593	(49,159,378)
Cash flows from investing activities					
- Payments to acquire property and equipment		(958,987)	(5,980,646)	(656,961)	(434,749)
- Payments to acquire intangible assets		(785,889)	(460,022)	(585,213)	(292,256)
- Proceeds on disposal of property and equipment		19,298	7,313	19,404	7,243
- Acquisition of subsidiaries	28	(24,388,450)	-	(21,065,318)	(1,000,000)
- Purchase of shares in equity accounted investees		(1,000,000)	-	-	-
- Net investment in discontinued operations		(13,886,982)	-	-	-
- Additional investment in investments available-for-sale		(5,237,791)	(25,988,335)	(5,237,791)	(25,988,335)
- Receipt of dividend		1,523,364	691	1,523,364	691
Net cash flows used in investing activities		(44,715,437)	(32,420,999)	(26,002,515)	(27,707,406)
Increase/(decrease) in cash and cash equivalents c/f		105,059,019	(98,844,186)	79,648,078	(76,866,784)

statements of cash flows

For the year ended 31 December 2014

	Note	Group 2014 USD	Group 2013 USD	Bank 2014 USD	Bank 2013 USD
Increase/(decrease) in cash and cash equivalents b/f		105,059,019	(98,844,186)	79,648,078	(76,866,784)
Cash flows from financing activities					
- Proceeds from the issue of share capital		47,920,950	29,918,903	47,920,950	29,918,903
- Net repayment of debt securities		(24,898,810)	(17,580,736)	-	(44,263,812)
- Repayment of subordinated debt		-	(42,224,862)	-	(42,224,862)
- Dividends paid		-	(5,279,120)	-	(5,279,120)
Net cash flows from/(used in) financing activities		23,022,140	(35,165,815)	47,920,950	(61,848,891)
Increase/(decrease) in cash and cash equivalents		128,081,159	(134,010,001)	127,569,028	(138,715,675)
Analysed as follows:					
- Effect of exchange rate changes on cash and cash equivalents		(2,636,760)	4,999,188	(2,636,760)	4,996,191
- Net increase in cash and cash equivalents		130,717,919	(139,009,189)	130,205,788	(143,711,866)
Increase/(decrease) in cash and cash equivalents		128,081,159	(134,010,001)	127,569,028	(138,715,675)
Cash and cash equivalents at beginning of year		(6,249,977)	127,760,024	(16,238,598)	122,477,077
Cash and cash equivalents at end of year	44	121,831,182	(6,249,977)	111,330,430	(16,238,598)

The notes on pages 43 to 129 are an integral part of these financial statements.

notes to the financial statements

For the year ended 31 December 2014

notes to the financial statements

For the year ended 31 December 2014

1 reporting entity

FIMBank p.l.c. (the "Bank") is a company domiciled in Malta. The address of the Bank's registered office is Mercury Tower, The Exchange Financial and Business Centre, Elia Zammit Street, St. Julian's STJ 3155, Malta. The financial statements of the Bank as at and for the year ended 31 December 2014 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2 basis of preparation

2.1 statement of compliance

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

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

The financial statements were authorised for issue by the Board of Directors on 10 March 2015.

2.2 basis of measurement

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

- trading assets;
- derivative financial instruments;
- financial instruments designated at fair value through profit or loss; and
- available-for-sale financial assets.

The financial statements are also prepared on the going concern basis, which takes into account the Directors' confirmation that they have adequate assurances of continued financial support from the shareholders, in particular the significant shareholders belonging to the ultimate parent group. This support underpins the statement made in the Directors' Report on page 17 that the Bank is capable of continuing to operate as a going concern for the foreseeable future.

2.3 functional and presentation currency

These financial statements are presented in United States Dollar (USD), which is the Bank's functional currency.

2.4 use of judgements and estimates

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

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

2 *basis of preparation - continued*

2.4.1 key sources of estimation uncertainties

allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.10.7.

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Risk Management function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these reflect future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3.10.6. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The fair value hierarchy that reflects the significance of the inputs used in measuring financial instruments is set out in Note 5.1.

2.4.2 critical accounting judgements in applying the Group's accounting policies

impairment losses on loans and advances

The Group reviews its loan portfolio to assess impairment on an ongoing basis as relevant generic data is observed concerning risks associated with groups of loans with similar risk characteristics. As a result, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before the decrease is actually identified with an individual loan in that portfolio. The evidence may include observable data indicating that there has been an adverse change in the relative economic situation of an asset group or in the credit status of borrowers in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

impairment of investments available-for-sale

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgement. If a decline in the fair value of an equity security is not significant or prolonged, then the Group considers if there are additional factors that indicate an impairment has occurred. This assessment is performed for all equity securities whose fair value is below cost, but for which the decline in fair value is not considered significant or prolonged.

2.4.3 assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2014 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

- Note 31 – impairment testing for CGUs containing goodwill: key assumptions underlying recoverable amounts;
- Note 32 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

2.5 changes in accounting policies

Except for the changes below, Group entities have consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

2.5.1 *offsetting financial assets and financial liabilities (amendments to IAS 32)*

As a result of the amendments to IAS 32, the Group has changed its accounting policy for offsetting financial assets and financial liabilities. The amendments clarify when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

The change did not have a material impact on the Group's financial statements.

2.5.2 *subsidiaries*

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. The adoption of IFRS 10 (2011) did not result in any change to the measurement of previously-held subsidiaries.

2.5.3 *joint arrangements*

As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its joint arrangements and has continued recognising such investments by applying the equity method and there has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

2.5.4 *disclosures of interests in other entities*

As a result of IFRS 12, the Group has expanded its disclosures about its interests in subsidiaries (see Note 28) and equity-accounted investees (see Note 27).

3 significant accounting policies

Except for the changes explained in Note 2.5, the Group has consistently applied the following accounting policies to all periods presented in these financial statements.

Certain comparative amounts in the statements of comprehensive income have been re-presented as a result of the classification of FactorRus as a discontinued operation (see Accounting Policy 3.1.5).

3.1 basis of consolidation

3.1.1 *business combinations*

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

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

3 *significant accounting policies - continued*

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

3.1.2 *subsidiaries*

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

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

3.1.3 *associates and jointly-controlled entities*

The Group's interest in equity accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities.

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

3.1.4 *non-controlling interests*

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

3.1.5 *discontinued operations*

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

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

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

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

3.1.6 *transactions eliminated on consolidation*

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

3 *significant accounting policies - continued*

3.2 foreign currency

3.2.1 *foreign currency transactions*

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

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

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

Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recognised directly in other comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

3.2.2 *foreign operations*

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

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

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

3.3 interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest method;
- interest on available-for-sale investment securities calculated on an effective interest basis;
- interest on trading assets and liabilities;
- interest on financial assets designated at fair value through profit or loss.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

3 *significant accounting policies - continued*

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net gain/(loss) from other financial instruments at fair value through profit or loss in the statement of comprehensive income.

3.4 fees and commissions

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

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

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

3.5 net trading income or expense

Net trading income or expense comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

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

Net gain or loss from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes and financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes and foreign exchange differences.

3.7 dividends

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

3.8 leases

3.8.1 *lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3.8.2 *leased assets - lessee*

Leases in terms of which the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases.

Leased assets held under operating lease are not recognised in the Group's statement of financial position.

3.8.3 *leased assets - lessor*

If the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances (see accounting policy 3.14).

3.9 income tax

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

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

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

3 *significant accounting policies - continued*

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

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

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

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

3.10 financial assets and liabilities

3.10.1 *recognition*

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

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

3.10.2 *classification*

financial assets

The Group classifies its financial assets into one of the following categories:
- loans and receivables;
- held-to-maturity;
- available-for-sale; and
- at fair value through profit or loss, and within this category as:
  - held for trading; or
  - designated at fair value through profit or loss.

financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

See accounting policies 3.11, 3.12, 3.13, 3.14 and 3.15.

3.10.3 *derecognition*

financial assets

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

The derecognition criteria are also applied to the transfer of part of an asset, rather than the asset as a whole, or to a group of similar financial assets in their entirety, when applicable. If transferring a part of an asset, such part must be a specifically identified cash flow, a fully proportionate share of the asset, or a fully proportionate share of a specifically identified cash flow.

3 *significant accounting policies - continued*

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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

financial liabilities

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

3.10.4 *offsetting*

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

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

3.10.5 *amortised cost measurement*

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

3.10.6 *fair value measurement*

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

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

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

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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

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

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

3.10.7 *identification and measurement of impairment*

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

3 significant accounting policies - continued

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances or held-to-maturity investment securities. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through other comprehensive income. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in other comprehensive income.

The Group writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Group determines that there is no realistic prospect of recovery (see Note 4.2).

3.10.8 *designated at fair value through profit or loss*

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

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; and
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Note 6 sets out the amount of each class of financial asset or financial liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

3.11 cash and cash equivalents

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

3.12 trading assets and liabilities

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

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

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

- If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in 'rare circumstances'.

3.13 derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. The Group did not designate any derivatives as hedging instruments in qualifying hedging relationships. As a result, all changes in fair value of derivatives are recognised immediately in profit or loss as a component of net gain or loss from other financial instruments at fair value through profit or loss.

3.14 loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Loans and advances also include finance lease receivables in which the Group is the lessor (see Accounting Policy 3.8.3).

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo" or "stock borrowing"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

3.15 investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either fair value through profit or loss, available-for-sale, or held to maturity.

3.15.1 *fair value through profit or loss*

The Group designates some investment securities at fair value, with fair value changes recognised immediately in profit or loss as described in accounting policy 3.10.8.

3.15.2 *available-for-sale*

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes, other than impairment losses (see 3.10.7) are recognised in other comprehensive income and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

3.15.3 *held-to-maturity*

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses (see Accounting Policy 3.10.7). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

3.16 investments in subsidiaries, associates and jointly-controlled entities

Investments in subsidiaries, associates and joint ventures are shown in the separate statement of financial position at cost less any impairment losses (see Accounting Policy 3.19).

3.17 property and equipment

3.17.1 *recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

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

3.17.2 *subsequent costs*

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

3.17.3 *depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Improvements to leasehold premises are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

• Freehold premises	50 years
• Computer system	7 years
• Computer equipment	5 years
• Others	4 – 14 years

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

3.18 intangible assets and goodwill

3.18.1 *goodwill*

Goodwill that arises upon the acquisition of subsidiaries is presented in intangible assets (see Accounting Policy 3.1). Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

3 *significant accounting policies - continued*

3.18.2 software

Software acquired by the Group is stated at cost less accumulated amortisation and any accumulated impairment losses.

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

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is seven years.

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

3.19 impairment of non-financial assets

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

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

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

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

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

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

3.20 deposits, debt securities issued and subordinated liabilities

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

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

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

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

3 *significant accounting policies - continued*

3.21 provisions

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

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

3.22 financial guarantees and loan commitments

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

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

3.23 employee benefits

3.23.1 *defined contribution plans*

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

3.23.2 *share-based payment transactions*

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

3.24 share capital

3.24.1 *ordinary shares*

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

3.24.2 *repurchase of share capital*

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

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

3 significant accounting policies - continued

3.25 earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3.26 segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by Executive Management (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to Executive Management include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated assets comprise mainly corporate assets.

3.27 new standards and interpretations not yet adopted

3.27.1 *IFRS as adopted by the EU*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements as they are not relevant to the Group. Those which may be relevant to the Group, once endorsed by the EU, are set out in accounting policy 3.27.2 below. The Group does not plan to early-adopt these standards.

3.27.2 *relevant standards and amendments issued by the IASB but not yet endorsed by the EU*

IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

4 financial risk review

4.1 introduction and overview

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

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

- credit risk
- liquidity risk
- market risk
- operational risk

4 *financial risk review - continued*

risk management framework

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

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

4.2 credit risk

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

Strict credit assessment and control procedures are in place in order to monitor such exposures. The Group also complies with regulatory requirements as defined by the European Union and the Malta Financial Services Authority ("MFSA") and a limit of 25% of Own Funds applies to any particular customer or group of connected customers. Overall responsibility for credit risk is entrusted to the Credit Committee who is responsible for overseeing the Group's credit policy and risk and for approving individual limits for banks and corporates within their delegated parameters of authority. Country limits are approved by the Board upon recommendation of the Board Risk Committee. The Credit Committee is also responsible for the oversight of operational, legal and reputational risk related to credit activity. Further information on the composition and function of the Credit Committee and Board Risk Committee is found in the "Statement of Compliance with the Principles of Good Corporate Governance".

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

All on- and off- balance sheet exposures are approved after a thorough review of the counterparties' credit worthiness. This is done by primarily evaluating the risk rating of the counterparty by reference to established Rating Agencies. In the absence of this and when it is deemed appropriate to do so, review is also done by means of other assessment criteria, including but not limited to, financial statement review.

4 *financial risk review - continued*

maximum exposure

Amounts that best represents the Bank and Group's maximum exposure to credit risk at the financial reporting date, without taking account of any collateral held or other credit enhancements are as follows:

Group	Loans and advances to banks 2014 USD	Loans and advances to banks 2013 USD	Loans and advances to customers 2014 USD	Loans and advances to customers 2013 USD
Individually impaired	10,185,558	46,952	52,657,000	11,023,500
Past due but not impaired	2,033,073	-	50,859,360	-
Neither past due nor impaired	418,437,068	337,928,519	445,924,778	406,446,037
Total carrying amount	430,655,699	337,975,471	549,441,138	417,469,537

Bank	Loans and advances to banks 2014 USD	Loans and advances to banks 2013 USD	Loans and advances to customers 2014 USD	Loans and advances to customers 2013 USD
Individually impaired	10,185,558	46,952	13,288,863	7,808,235
Past due but not impaired	2,033,073	-	38,860,343	-
Neither past due nor impaired	410,927,892	328,531,366	583,098,970	585,992,986
Total carrying amount	423,146,523	328,578,318	635,248,176	593,801,221

credit quality of neither past due nor impaired

The table below presents an analysis of financial assets, which are neither past due nor impaired, by rating agency designation at 31 December, based on Fitch ratings or their equivalent:

Group	Loans and advances to banks 2014 USD	Loans and advances to banks 2013 USD	Loans and advances to customers 2014 USD	Loans and advances to customers 2013 USD	Trading assets, financial assets designated at fair value through profit or loss and held-to-maturity 2014 USD	Trading assets, financial assets designated at fair value through profit or loss and held-to-maturity 2013 USD
AAA/AA	25,545,068	915,176	8,725,975	9,889,056	12,315,570	8,283,993
A/BBB	196,116,503	154,121,752	-	9,342,057	36,710,368	71,166,407
BB/Lower	78,805,351	58,345,705	24,389,152	-	90,603,274	91,770,321
Unrated	117,970,146	124,545,886	412,809,651	387,214,924	148,343,516	126,094,877
	418,437,068	337,928,519	445,924,778	406,446,037	287,972,728	297,315,598

Bank	Loans and advances to banks 2014 USD	Loans and advances to banks 2013 USD	Loans and advances to customers 2014 USD	Loans and advances to customers 2013 USD	Financial assets designated at fair value through profit or loss and held-to-maturity 2014 USD	Financial assets designated at fair value through profit or loss and held-to-maturity 2013 USD
AAA/AA	25,545,068	915,176	8,725,975	9,889,056	-	7,800,000
A/BBB	191,232,086	144,166,330	-	9,343,291	18,000,000	16,683,621
BB/Lower	78,804,965	58,345,705	24,389,152	-	-	-
Unrated	115,345,773	125,104,155	549,983,843	566,760,639	7,116,353	-
	410,927,892	328,531,366	583,098,970	585,992,986	25,116,353	24,483,621

4 *financial risk review - continued*

impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

past due but not impaired loans

Past due but not impaired loans are loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

renegotiated loans and forbearance

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

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of a customer. Forbearance refers only to those loan modification or renegotiations in response to actual or perceived financial difficulties of a customer.

A range of forbearance strategies is employed in order to improve the management of customer relationships, maximise collection opportunities and, if possible, avoid default, foreclosure or repossession. They include extended payment terms, a reduction in interest or principal repayments, approved external debt management plans, debt consolidations, the deferral of foreclosures, and other forms of loan modifications and re-ageing.

Loan forbearance is only granted in situations where the customer has showed a willingness to repay the borrowing and is expected to be able to meet the revised obligations.

A concession granted to a customer as a result of financial difficulties is objective evidence of impairment and impairment losses are measured accordingly. A renegotiated loan is presented as impaired when there has been a change in contractual cash flows as a result of a concession which the Group would otherwise not consider; and it is probable that without the concession, the borrower would be unable to meet contractual payment obligations in full. Renegotiated loans are not classified as impaired where the renegotiation has resulted from significant concern about a borrower's ability to meet their contractual payment terms but the renegotiated terms are based on current market rates and contractual cash flows are expected to be collected in full following the renegotiation.

Loans that have been identified as renegotiated retain this designation until maturity or derecognition. When a loan is restructured as part of a forbearance strategy and the restructuring results in a derecognition of the existing loan, the new loan is disclosed as renegotiated. A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms, or if the terms of an existing agreement are modified, such that the renegotiated loan is substantially a different financial instrument.

During the financial years ended 31 December 2014 and 2013 there have been no changes in the forbearance criteria applied to renegotiated facilities.

For the Group, the aggregate amount of renegotiated and forborne loans at reporting date amounted to USD54,486,179 (31 December 2013: USD9,926,511). For the Bank, the aggregate amount of renegotiated and forborne loans at reporting date amounted to USD25,341,245 (31 December 2013: USD7,319,971). For Bank and Group, all renegotiated and forborne loans at 31 December 2014 and 31 December 2013 are non-performing (individually impaired) with an extendible collateral value of USD8,064,334 (31 December 2013: USD6,103,097). Interest income recognised during 2014 in respect to renegotiated and forborne assets amounts to USD1,769,871 (2013: USD720,944)

Movement in forbearance activity during the year is as follows:

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
At 1 January	9,926,511	11,929,791	7,319,971	7,192,405
Additions	53,407,860	8,176,564	24,905,328	7,316,628
Recovered	(8,848,192)	(10,179,844)	(6,884,054)	(7,189,062)
At 31 December	**54,486,179**	9,926,511	**25,341,245**	7,319,971

4 *financial risk review - continued*

allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Efforts at recovering losses incurred in past financial periods are continuous. To this purpose, legal proceedings have been undertaken in the courts of competent jurisdiction.

write-off policy

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

collaterals

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

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2014 and 2013.

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

Group	Loans and advances to banks		Loans and advances to customers	
	2014 USD	2013 USD	2014 USD	2013 USD
Against neither past due nor impaired				
Cash or quasi cash	38,332,670	39,016,438	12,801,934	32,564,684
Property	-	-	1,323,673	28,927,392
Other	43,081,481	7,862,320	96,562,309	45,989,123
Against past but not impaired				
Cash or quasi cash	-	-	1,317,761	-
Property	-	-	-	-
Other	311,832	-	150,117	-
Against impaired				
Cash or quasi cash	3,702,559	46,951	1,675,689	181,669
Property	-	-	204,106	307,858
Other	-	-	3,638,504	6,102,000
	85,428,542	46,925,709	117,674,093	114,072,726

4 *financial risk review - continued*

Bank	Loans and advance to banks		Loans and advances to customers	
	2014 USD	2013 USD	2014 USD	2013 USD
Against neither past due nor impaired				
Cash or quasi cash	38,332,670	39,016,438	12,801,934	32,564,684
Property	-	-	1,323,673	28,927,392
Other	43,081,481	7,862,320	96,562,309	45,989,123
Against neither past due nor impaired				
Cash or quasi cash	-	-	1,317,761	-
Property	-	-	-	-
Other	311,832	-	150,117	-
Against impaired				
Cash or quasi cash	3,702,559	46,951	1,730,044	181,669
Property	-	-	204,106	307,858
Other	-	-	8,251,282	6,102,000
	85,428,542	46,925,709	122,341,226	114,072,726

offsetting financial assets and financial liabilities

With the exception of cash collaterals as disclosed in this note and in Note 36, the Group and Bank do not carry financial instruments which are subject to offsetting in the statement of financial position. Group entities have a legal enforceable right to offset such collaterals against the respective facilities for which the collateral is taken. At 31 December 2014 and 2013 all financial assets and respective collaterals are disclosed separately in the financial statements without any offsetting.

concentration of credit risk by sector

The following industry concentrations of loans and advances to banks and to customers are considered significant:

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Industrial raw materials	173,970,320	74,627,931	102,550,219	62,210,450
Shipping and transportation	17,658,543	30,038,431	16,995,336	28,455,288
Wholesale and retail trade	250,489,783	208,006,377	156,918,445	171,726,176
Financial intermediation	519,564,105	439,226,718	747,006,415	634,923,850
Other services	18,414,086	25,159,406	34,924,284	46,440,866
	980,096,837	777,058,863	1,058,394,699	943,756,630

concentration of credit risk by region

The Group monitors concentrations of credit risk by geographic location based on the exposure country of the borrower ("Country risk"). Country risk refers to risks associated with the economic, social and political environment of the obligor's exposure country. A component of country risk is transfer risk which arises when a borrower's obligation is not denominated in the respective local currency. The currency of the obligation may become unavailable to the borrower regardless of its particular condition.

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

The Board approves country limits after these are presented with reports covering the political and economic situations for each of the countries to which a limit is issued. Senior officials of the Bank pay regular visits to those countries in which it is already doing business and in those countries where it seeks to develop business, in order to provide a deeper understanding of the risks posed by any such countries.

4 financial risk review - continued

Group

	Loans and advances to to banks		Loans and advances to customers		Trading assets, financial assets designated at fair value through profit or loss and held-to-maturity		Investments available-for-sale	
	2014 USD	2013 USD	2014 USD	2013 USD	2014 USD	2013 USD	2014 USD	2013 USD
Europe	186,174,627	138,768,512	215,654,768	173,954,697	74,946,133	44,391,055	30,081,243	26,401,328
Sub-Sahara Africa (SSA)	133,652,495	126,356,972	350,532	11,668,164	96,244,299	99,240,824	-	-
Middle East and North Africa (MENA)	34,141,405	12,055,226	136,432,479	122,773,674	17,958,540	16,386,072	-	-
Commonwealth of Independent States (CIS)	37,490,072	38,290,474	9,756,714	25,659,887	21,305,564	67,138,503	23,150	74,876
Others	39,197,100	22,504,287	187,246,645	83,413,115	77,518,192	70,159,144	-	-
	430,655,699	337,975,471	549,441,138	417,469,537	287,972,728	297,315,598	30,104,393	26,476,204

Bank

	Loans and advances to to banks		Loans and advances to customers		Financial assets designated at fair value through profit or loss and held to maturity		Investments available-for-sale	
	2014 USD	2013 USD	2014 USD	2013 USD	2014 USD	2013 USD	2014 USD	2013 USD
Europe	189,000,938	139,152,558	412,705,708	365,024,102	10,200,000	9,900,000	30,081,243	26,401,328
Sub-Sahara Africa (SSA)	133,652,495	126,356,972	350,532	11,668,164	-	-	-	-
Middle East and North Africa (MENA)	32,371,984	10,561,679	116,656,062	107,827,589	14,916,353	14,583,621	-	-
Commonwealth of Independent States (CIS)	37,468,131	38,273,199	14,423,847	25,659,887	-	-	22,448	74,174
Others	30,652,975	14,233,910	91,112,027	83,621,479	-	-	-	-
	423,146,523	328,578,318	635,248,176	593,801,221	25,116,353	24,483,621	30,103,691	26,475,502

settlement risk

The Group faces settlement risk due to the fact that few financial transactions are settled simultaneously or on a same day basis. Consequently, the Group could suffer a loss if the counter-party fails to deliver on settlement date.

The Group controls the deals performed on a recorded line by the dealer and further ensures that the receipt of the deal and the confirmation received from the counter-party are reconciled and matched. This ensures that any settlement risk is identified immediately and that real-time action is taken to rectify any problematic situation.

4.3 liquidity risk

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

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

4 *financial risk review - continued*

management of liquidity risk

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

The Group's Assets-Liabilities Committee ("ALCO") (a Board Committee) is responsible for establishing appropriate asset and liability management policies, monitoring their application and reviewing financial information on the basis of which investment and funding decisions are taken. The daily application of the asset and liability management policies rests with the Treasury Unit of the Group.

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

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

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

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

exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from Banks and Customers. For this purpose net liquid assets are computed by reference to Banking Rule 5, "Liquidity Requirements of Credit Institutions Authorised under the Banking Act 1994" issued by the Malta Financial Services Authority. Details of the reported Group liquidity ratio at the reporting date and during the reporting period were as follows:

	2014	2013
At 31 December	38.5%	37.7%
Average for the year	40.5%	51.7%
Maximum for the year	61.8%	67.9%
Minimum for the year	30.3%	36.0%

4 *financial risk review - continued*

residual contractual maturities of financial assets and liabilities

Group – 31 December 2014

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Balances with the Central Bank of Malta, Treasury Bills and cash	7,824,096	7,824,096	7,824,096	-	-	-	-	-
Trading assets	262,856,375	262,856,375	262,856,375					
Derivative assets held for risk management	2,549,893	2,549,893	1,778,982	29,716	190,568	274,376	276,251	-
Financial assets designated at fair value through profit or loss	18,000,000	19,788,772	-	-	131,027	262,055	524,109	18,871,581
Investments held-to-maturity	7,116,353	7,830,008	-	-	-	-	7,830,008	-
Loans and advances to banks	430,655,699	435,429,326	363,707,463	3,595,192	21,210,964	6,129,785	3,171,651	37,614,271
Loans and advances to customers	549,441,138	562,735,070	166,561,360	203,397,331	43,789,558	30,938,874	26,043,096	92,004,851
Derivative liabilities held for risk management	3,606,718	3,606,718	2,877,082	28,119	153,668	271,598	276,251	-
Amounts owed to banks	670,768,692	688,049,860	275,143,611	117,859,303	103,361,548	167,909,294	7,511,251	16,264,853
Amounts owed to customers	523,848,225	533,710,642	380,687,173	33,596,025	22,168,767	37,394,490	17,784,549	42,079,638
Debt securities in issue	10,599,196	10,608,496	9,608,970	999,526	-	-	-	-

Group – 31 December 2013

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Balances with the Central Bank of Malta, Treasury Bills and cash	69,707,225	69,910,222	69,910,222	-	-	-	-	-
Trading assets	272,831,977	272,831,977	272,831,977	-	-	-	-	-
Derivative assets held for risk management	828,234	828,234	463,854	124,318	113,684	126,378	-	-
Financial assets designated at fair value through profit or loss	17,700,000	20,324,684	-	-	129,557	259,114	518,227	19,417,786
Loans and advances to banks	337,975,471	346,740,900	239,194,082	26,406,441	17,380,006	17,941,275	6,398,530	39,420,566
Loans and advances to customers	417,469,537	465,515,150	55,499,058	228,673,304	40,759,475	20,330,832	6,022,239	114,230,242
Derivative liabilities held for risk management	506,477	506,477	216,880	55,024	110,007	124,566	-	-
Amounts owed to banks	603,452,860	609,003,653	312,720,925	76,606,658	87,729,994	121,780,926	2,399,480	7,765,670
Amounts owed to customers	431,686,766	439,397,997	286,750,729	40,349,470	39,190,062	39,077,469	25,974,847	8,055,420
Debt securities in issue	35,498,006	35,893,004	4,499,173	16,401,010	6,818,278	8,174,543	-	-

4 *financial risk review - continued*

Bank - 31 December 2014

	Carrying amount	Gross nominal inflow /(outflow)	Less than 1 month	Between 1& 3 months	Between 3 & 6 months	Between 6 months & 1 year	Between 1& 2 years	More than 2 years
	USD	USD	USD	USD	USD	USD	USD	USD
Balances with the Central Bank of Malta, Treasury Bills and cash	7,804,628	7,804,628	7,804,628	-	-	-	-	-
Derivative assets held for risk management	2,570,036	2,570,036	1,799,124	29,716	190,568	274,377	276,251	-
Financial assets designated at fair value through profit or loss	18,000,000	19,788,772	-	-	131,027	262,055	524,109	18,871,581
Investments held-to-maturity	7,116,353	7,830,008	-	-	-	-	7,830,008	-
Loans and advances to banks	423,146,523	427,920,149	356,130,096	3,593,898	21,203,873	6,127,745	3,105,811	37,758,726
Loans and advances to customers	635,248,176	377,797,101	65,834,156	173,671,758	13,576,237	6,498,566	26,085,537	92,130,847
Derivative liabilities held for risk management	1,606,718	1,606,718	877,082	28,119	153,668	271,598	276,251	-
Amounts owed to banks	580,466,522	588,301,017	248,972,755	63,964,419	103,361,548	162,777,723	7,313,408	1,911,164
Amounts owed to customers	496,006,520	505,830,008	366,268,042	23,092,656	20,523,294	36,081,829	17,784,549	42,079,638

Bank - 31 December 2013

	Carrying amount	Gross nominal inflow /(outflow)	Less than 1 month	Between 1& 3 months	Between 3 & 6 months	Between 6 months & 1 year	Between 1& 2 years	More than 2 years
	USD	USD	USD	USD	USD	USD	USD	USD
Balances with the Central Bank of Malta, Treasury Bills and cash	69,680,966	69,883,964	69,883,964	-	-	-	-	-
Derivative assets held for risk management	883,480	883,480	519,100	124,318	113,684	126,378	-	-
Financial assets designated at fair value through profit or loss	17,700,000	20,324,684	-	-	129,557	259,114	518,227	19,417,786
Investments held-to-maturity	6,783,621	6,783,621	-	-	-	-	-	6,783,621
Loans and advances to banks	328,578,318	337,343,749	229,172,633	26,826,916	17,492,887	17,931,024	6,395,987	39,524,302
Loans and advances to customers	593,801,221	641,846,834	62,852,009	369,726,232	29,499,627	54,320,525	6,033,077	119,415,364
Derivative liabilities held for risk management	506,477	506,477	216,880	55,024	110,007	124,566	-	-
Amounts owed to banks	593,551,588	599,045,711	312,720,925	77,047,855	87,854,005	119,023,446	2,399,480	-
Amounts owed to customers	414,846,277	422,519,642	275,814,057	36,400,096	37,253,452	39,021,770	25,974,847	8,055,420

The above table shows the undiscounted cash flows on the Group's and Bank's financial assets and liabilities on the basis of their earliest possible contractual maturity. The expected cash flows on these instruments vary significantly from this analysis.

As at 31 December 2014, the Group and Bank had outstanding guarantees incurred on behalf of third parties amounting to USD21,472,543 and USD31,805,224 (2013: USD25,658,655 and USD61,549,236) respectively which are calleable upon the request of the third party.

4.4 market risk

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

foreign exchange risk

Foreign exchange risk is attached to those monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the Group. Transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement. Currency risk is mitigated by a closely monitored currency position policy and is managed through matching within the foreign currency portfolio. Mismatches, which are allowed temporarily and for small amounts, are continuously monitored and regularised immediately. The Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies spot or forward when considered appropriate.

Group - 31 December 2014

All amounts are expressed in USD

	USD	EUR	GBP	Other currencies	Total
Balances with the Central Bank of Malta, Treasury Bills and cash	4,625	7,811,137	3,262	5,071	7,824,095
Trading assets	217,001,593	42,812,595	3,042,187	-	262,856,375
Derivative assets held for risk management	18,485	605,032	183,307	1,743,069	2,549,893
Financial assets designated at fair value through profit or loss	18,000,000	-	-	-	18,000,000
Investments held-to-maturity	7,116,353	-	-	-	7,116,353
Loans and advances to banks	115,385,234	297,095,406	6,094,927	12,080,132	430,655,699
Loans and advances to customers	360,007,485	77,655,709	5,213,335	106,564,609	549,441,138
Other assets	45,077,631	9,913,180	170,171	28,806,783	83,967,765
Derivative liabilities held for risk management	(2,018,657)	(651,878)	(182,005)	(754,178)	(3,606,718)
Amounts owed to banks	(403,418,277)	(183,546,149)	(1,518,661)	(82,285,605)	(670,768,692)
Amounts owed to customers	(239,162,607)	(264,823,676)	(13,208,345)	(6,653,597)	(523,848,225)
Debt securities in issue	(8,845,270)	(1,753,926)	-	-	(10,599,196)
Other liabilities	(7,969,608)	(5,400,313)	(601,627)	(2,783,626)	(16,755,174)
Net on balance sheet financial position	101,196,987	(20,282,883)	(803,449)	56,722,666	136,833,321
Notional amount of derivative instruments held for risk management	-	14,937,629	(777,399)	-	-

4 financial risk review - continued

Group - 31 December 2013

All amounts are expressed in USD	USD	EUR	GBP	Other currencies	Total
Balances with the Central Bank of Malta, Treasury Bills and cash	6,529	69,690,852	4,666	5,178	69,707,225
Trading assets	224,985,570	40,819,702	7,026,705	-	272,831,977
Derivative assets held for risk management	18,485	564,367	182,337	63,045	828,234
Financial assets designated at fair value through profit or loss	17,700,000	-	-	-	17,700,000
Investments held-to-maturity	6,783,621	-	-	-	6,783,621
Loans and advances to banks	123,659,202	200,755,184	6,004,225	7,556,860	337,975,471
Loans and advances to customers	334,452,477	77,839,861	4,767,743	409,456	417,469,537
Other assets	18,337,100	2,792,305	42,042	406,198	21,577,645
Derivative liabilities held for risk management	(18,657)	(284,993)	(182,534)	(20,293)	(506,477)
Amounts owed to banks	(385,074,232)	(218,031,774)	(311,625)	(35,229)	(603,452,860)
Amounts owed to customers	(220,012,740)	(190,767,144)	(18,340,267)	(2,566,615)	(431,686,766)
Debt securities in issue	(21,924,732)	(13,573,274)	-	-	(35,498,006)
Other liabilities	(10,736,667)	(4,446,965)	(196,994)	(485,926)	(15,866,552)
Net on balance sheet financial position	88,175,959	(34,641,880)	(1,003,703)	5,332,675	57,863,051
Notional amount of derivative instruments held for risk management	-	28,190,423	(13,828)	(4,595,058)	-

Bank - 31 December 2014

All amounts are expressed in USD	USD	EUR	GBP	Other currencies	Total
Balances with the Central Bank of Malta, Treasury Bills and cash	-	7,804,628	-	-	7,804,628
Derivative assets held for risk management	38,628	605,032	183,307	1,743,069	2,570,036
Financial assets designated at fair value through profit or loss	18,000,000	-	-	-	18,000,000
Investments held-to-maturity	7,116,353	-	-	-	7,116,353
Loans and advances to banks	112,435,133	297,072,589	6,012,873	7,625,928	423,146,523
Loans and advances to customers	518,314,103	108,333,921	8,600,152	-	635,248,176
Other assets	42,677,536	8,841,425	128,178	101,140	51,748,279
Derivative liabilities held for risk management	(18,657)	(651,878)	(182,005)	(754,178)	(1,606,718)
Amounts owed to banks	(399,785,382)	(178,686,472)	(1,518,661)	(476,007)	(580,466,522)
Amounts owed to customers	(219,124,367)	(257,888,441)	(13,208,345)	(5,785,367)	(496,006,520)
Other liabilities	(4,185,194)	(4,184,827)	(65,562)	(9,391)	(8,444,974)
Net on balance sheet financial position	75,468,153	(18,754,023)	(50,062)	2,445,192	59,109,260
Notional amount of derivative instruments held for risk management	-	14,937,629	(777,399)	(1,249,012)	-

4 financial risk review - continued

Bank - 31 December 2013

All amounts are expressed in USD

	USD	EUR	GBP	Other currencies	Total
Balances with the Central Bank of Malta, Treasury Bills and cash	-	69,680,966	-	-	69,680,966
Derivative assets held for risk management	73,731	564,367	182,337	63,045	883,480
Financial assets designated at fair value through profit or loss	17,700,000	-	-	-	17,700,000
Investments held-to-maturity	6,783,621	-	-	-	6,783,621
Loans and advances to banks	114,645,006	201,170,528	6,004,034	6,758,750	328,578,318
Loans and advances to customers	478,957,671	102,458,904	11,975,189	409,457	593,801,221
Other assets	10,681,537	2,502,754	19,377	176,918	13,380,586
Derivative liabilities held for risk management	(18,657)	(284,993)	(182,534)	(20,293)	(506,477)
Amounts owed to banks	(377,365,232)	(215,715,491)	(435,636)	(35,229)	(593,551,588)
Amounts owed to customers	(203,172,251)	(190,767,144)	(18,340,267)	(2,566,615)	(414,846,277)
Other liabilities	(2,412,475)	(2,728,806)	(196,994)	(8,095)	(5,346,370)
Net on balance sheet financial position	45,872,951	(33,118,915)	(974,494)	4,777,938	16,557,480
Notional amount of derivative instruments held for risk management	-	28,190,423	(13,828)	(4,595,058)	-

The following exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
USD	2014	2013	2014	2013
1 EUR	1.3268	1.3276	1.2149	1.3787
1 GBP	1.6469	1.5638	1.5552	1.6480

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

	Group		Bank	
	Equity USD	Profit or loss USD	Equity USD	Profit or loss USD
31 December 2014				
EUR	(374,168)	(374,168)	(266,799)	(266,799)
GBP	(110,659)	(110,659)	(57,922)	(57,922)
Other currencies	3,970,587	485,036	83,384	83,384
31 December 2013				
EUR	(451,602)	(451,602)	(344,994)	(344,994)
GBP	(71,227)	(71,227)	(69,183)	(69,183)
Other currencies	51,633	51,633	12,802	12,802

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

4 *financial risk review - continued*

interest rate risk

Interest rate risk refers to the exposure of the Bank's and Group's financial instruments to movements in interest rates. The risk impacts the earnings of the Group as a result of changes in the economic value of its assets, liabilities and off-balance sheet instruments. The Group's operations are subject to interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or at different amounts.

Accordingly, interest rate risk is managed through the matching of the interest resetting dates on assets and liabilities.

Group - 31 December 2014

	Less than 1 month	Between 1& 3 months	Between 3 & 6 months	Between 6 months & 1 year	More than 1 year	Non-interest bearing	Total
	USD	USD	USD	USD	USD	USD	USD
Assets							
Balances with the Central Bank of Malta, Treasury Bills and cash	7,794,252	-	-	-	-	29,844	7,824,096
Trading assets	65,312,155	96,609,793	43,758,359	28,825,154	28,350,914	-	262,856,375
Derivative assets held for risk management	-	-	-	-	-	2,549,893	2,549,893
Financial assets designated at fair value through profit or loss	7,800,000	10,200,000	-	-	-	-	18,000,000
Investments held-to-maturity	-	-	-	-	7,116,353	-	7,116,353
Loans and advances to banks	366,074,568	2,497,355	49,487,766	5,520,635	1,871,651	5,203,724	430,655,699
Loans and advances to customers	392,999,232	30,356,288	16,257,971	-	76,744,203	33,083,444	549,441,138
Other assets	-	-	-	-	-	131,531,863	131,531,863
Total assets	839,980,207	139,663,436	109,504,096	34,345,789	114,083,121	172,398,768	1,409,975,417
Liabilities & equity							
Derivative liabilities held for risk management	-	-	-	-	-	3,606,718	3,606,718
Amounts owed to banks	235,656,251	241,965,977	97,440,191	43,490,255	1,876,004	50,340,014	670,768,692
Amounts owed to customers	392,732,400	24,929,192	18,627,149	33,767,993	24,533,280	29,258,211	523,848,225
Debt securities in issue	9,604,173	995,023	-	-	-	-	10,599,196
Other liabilities	-	-	-	-	-	16,755,174	16,755,174
Equity	-	-	-	-	-	184,397,412	184,397,412
Total liabilities and equity	637,992,824	267,890,192	116,067,340	77,258,248	26,409,284	284,357,529	1,409,975,417

	Less than 3 Months	Between 3 & 6 months	Between 6 months & 1 year	More than 1 year	Non-interest bearing	Total
	USD	USD	USD	USD	USD	USD
Assets	979,643,643	109,504,096	34,345,789	114,083,121	172,398,768	1,409,975,417
Liabilities	(905,883,016)	(116,067,340)	(77,258,248)	(26,409,284)	(284,357,529)	(1,409,975,417)
Interest sensitivity gap	73,760,627	(6,563,244)	(42,912,459)	87,673,837	(111,958,761)	-
Cumulative gap	73,760,627	67,197,383	24,284,924	111,958,761	-	-
change in interest rate for the period						
100bps increase	553,205	(32,816)	(35,760)			
100bps decrease	(553,205)	32,816	35,760			

4 financial risk review - continued

Group - 31 December 2013

	Less than 1 month USD	Between1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets							
Balances with the Central Bank of Malta, Treasury Bills and cash	21,597,736	13,773,646	34,296,064	-	-	39,779	69,707,225
Trading assets	81,896,627	101,918,790	30,161,127	21,981,441	36,873,992	-	272,831,977
Derivative assets held for risk management	-	-	-	-	-	828,234	828,234
Financial assets designated at fair value through profit or loss	7,800,000	9,900,000	-	-	-	-	17,700,000
Investments held-to-maturity	-	-	-	-	6,783,621	-	6,783,621
Loans and advances to banks	238,635,379	21,673,004	43,821,620	16,556,615	4,263,897	13,024,956	337,975,471
Loans and advances to customers	299,928,884	24,408,499	30,027,749	2,726,300	48,231,968	12,146,137	417,469,537
Other assets	-	-	-	-	-	112,470,738	112,470,738
Total assets	649,858,626	171,673,939	138,306,560	41,264,356	96,153,478	138,509,844	1,235,766,803
Liabilities & equity							
Derivative liabilities held for risk management	-	-	-	-	-	506,477	506,477
Amounts owed to banks	301,206,982	181,396,922	77,136,360	6,578,540	2,225,821	34,908,235	603,452,860
Amounts owed to customers	284,734,482	32,432,576	34,726,201	36,907,482	29,818,326	13,067,699	431,686,766
Debt securities in issue	12,477,162	16,202,566	6,818,278	-	-	-	35,498,006
Other liabilities	-	-	-	-	-	15,866,552	15,866,552
Equity	-	-	-	-	-	148,756,142	148,756,142
Total liabilities and equity	598,418,626	230,032,064	118,680,839	43,486,022	32,044,147	213,105,105	1,235,766,803

	Less than 3 Months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets	821,532,565	138,306,560	41,264,356	96,153,478	138,509,844	1,235,766,803
Liabilities	(828,450,690)	(118,680,839)	(43,486,022)	(32,044,147)	(213,105,105)	(1,235,766,803)
Interest sensitivity gap	(6,918,125)	19,625,721	(2,221,666)	64,109,331	(74,595,261)	-
Cumulative gap	(6,918,125)	12,707,596	10,485,930	74,595,261	-	-
change in interest rate for the period						
100bps increase	(51,886)	98,129	(1,851)			
100bps decrease	51,886	(98,129)	1,851			

4 *financial risk review - continued*

Bank - 31 December 2014

	Less than 1 month USD	Between1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets							
Balances with the Central Bank of Malta, Treasury Bills and cash	7,794,252	-	-	-	-	10,376	7,804,628
Derivative assets held for risk management	-	-	-	-	-	2,570,036	2,570,036
Financial assets designated at fair value through profit or loss	7,800,000	10,200,000	-	-	-	-	18,000,000
Investments held-to-maturity	-	-	-	-	7,116,353	-	7,116,353
Loans and advances to banks	355,593,286	2,497,356	49,487,766	5,520,635	1,871,651	8,175,829	423,146,523
Loans and advances to customers	489,464,870	30,356,288	9,346,048	-	76,744,203	29,336,767	635,248,176
Other assets	-	-	-	-	-	122,176,648	122,176,648
Total assets	860,652,408	43,053,644	58,833,814	5,520,635	85,732,207	162,269,656	1,216,062,364
Liabilities & equity							
Derivative liabilities held for risk management	-	-	-	-	-	1,606,718	1,606,718
Amounts owed to banks	206,535,782	177,939,071	97,440,191	43,490,255	1,749,101	53,312,122	580,466,522
Amounts owed to customers	373,794,263	16,025,624	18,627,149	33,767,993	24,533,280	29,258,211	496,006,520
Other liabilities	-	-	-	-	-	8,444,974	8,444,974
Equity	-	-	-	-	-	129,537,630	129,537,630
Total liabilities and equity	580,330,045	193,964,695	116,067,340	77,258,248	26,282,381	222,159,655	1,216,062,364

	Less than 3 Months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total l USD
Assets	903,706,052	58,833,814	5,520,635	85,732,207	162,269,656	1,216,062,364
Liabilities	(774,294,740)	(116,067,340)	(77,258,248)	(26,282,381)	(222,159,655)	(1,216,062,364)
Interest sensitivity gap	129,411,312	(57,233,526)	(71,737,613)	59,449,826	(59,889,999)	-
Cumulative gap	129,411,312	72,177,786	440,173	59,889,999	-	-
change in interest rate for the period						
100bps increase	970,585	(286,168)	(59,781)			
100bps decrease	(970,585)	286,168	59,781			

4 financial risk review - continued

Bank - 31 December 2013

	Less than 1 month	Between1 & 3 months	Between 3 & 6 months	Between 6 months & 1 year	More than 1 year	Non- interest bearing	Total
	USD	USD	USD	USD	USD	USD	USD
Assets							
Balances with the Central Bank of Malta, Treasury Bills and cash	21,597,736	13,773,646	34,296,064	-	-	13,520	69,680,966
Derivative assets held for risk management	-	-	-	-	-	883,480	883,480
Financial assets designated at fair value through profit or loss	7,800,000	9,900,000	-	-	-	-	17,700,000
Investments held-to-maturity	-	-	-	-	6,783,621	-	6,783,621
Loans and advances to banks	228,673,016	21,673,004	43,821,620	16,556,615	4,263,897	13,590,166	328,578,318
Loans and advances to customers	512,570,783	-	18,058,833	2,382,062	48,231,968	12,557,575	593,801,221
Other assets	-	-	-	-	-	129,688,221	129,688,221
Total assets	770,641,535	45,346,650	96,176,517	18,938,677	59,279,486	156,732,962	1,147,115,827
Liabilities & equity							
Derivative liabilities held for risk management	-	-	-	-	-	506,477	506,477
Amounts owed to banks	301,206,982	170,930,443	77,136,360	6,578,540	2,225,821	35,473,442	593,551,588
Amounts owed to customers	267,893,993	32,432,576	34,726,201	36,907,482	29,818,326	13,067,699	414,846,277
Other liabilities	-	-	-	-	-	5,407,967	5,407,967
Equity	-	-	-	-	-	132,803,518	132,803,518
Total liabilities and equity	569,100,975	203,363,019	111,862,561	43,486,022	32,044,147	187,259,103	1,147,115,827

	Less than 3 Months	Between 3 and 6 months	Between 6 months & 1 year	More than 1 year	Non-interest bearing	Total
	USD	USD	USD	USD	USD	USD
Assets	815,988,185	96,176,517	18,938,677	59,279,486	156,732,962	1,147,115,827
Liabilities	(772,463,994)	(111,862,561)	(43,486,022)	(32,044,147)	(187,259,103)	(1,147,115,827)
Interest sensitivity gap	43,524,191	(15,686,044)	(24,547,345)	27,235,339	(30,526,141)	-
Cumulative gap	43,524,191	27,838,147	3,290,802	30,526,141	-	-
change in interest rate for the period						
100bps increase	326,431	(78,430)	(20,456)			
100bps decrease	(326,431)	78,430	20,456			

cash flow sensitivity analysis for repricing instruments

An increase of 100 basis points at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Bank	
	Equity	Profit or loss	Equity	Profit or loss
	USD	USD	USD	USD
31 December 2014				
Repricing instruments	484,628	484,628	624,636	624,636
31 December 2013				
Repricing instruments	44,391	44,391	227,545	227,545

A decrease of 100 basis points at the reporting date would have equal but opposite effect on the above instruments to the amounts shown above, on the basis that all other variables remain constant.

other price risk

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Non-derivative financial assets at fair value				
Credit linked notes	18,000,000	17,700,000	18,000,000	17,700,000
	18,000,000	17,700,000	18,000,000	17,700,000

In the case of forfaiting assets, price risk is considered to be a less relevant variable. Notwithstanding this, the Group endeavours to mitigate any price risk by building a diversified forfaiting portfolio with an ultimately different geographical exposure.

cash flow sensitivity analysis for market risk

An increase in the price of bonds and credit linked notes at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
10% increase in price for Credit Linked Notes	1,800,000	1,770,000	1,800,000	1,770,000

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

4.5 operational risk

Operational risk arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud or unforeseen catastrophes will result in unexpected losses.

Operational risk events can be broadly categorised as (a) losses arising from internal and external frauds, as well as human errors and omissions; (b) losses arising from a defective transaction or a claim being made; (c) losses arising from loss of key personnel; (d) losses arising from breaches of fiduciary duty by employees, misuse of confidential customer information, money laundering activities and other improper conducts by employees; (e) losses arising from technological failures, telecommunication problems and utility outages; and (f) losses arising from insurance arrangements not adequately addressing the risk these are intended to cover. Such breakdowns can lead to financial losses through error, fraud or failure to perform in a timely manner or cause the interests of the Group to be compromised in some other way. Other aspects of operational risk include major failure of information technology systems or events such as major fires or other disasters.

The Group has invested heavily in information technology, disaster recovery and contingency systems to assist its management to control this risk.

4.6 capital management

regulatory capital

FIMBank p.l.c. is a credit institution registered and authorised to conduct banking and other financial services by the Malta Financial Services Authority ("MFSA"). Under local regulations, the MFSA regulates the Group on both "solo" and "consolidated" basis, with the Banking Act (1994) and Banking Rules forming the basis of the Group's capital requirements.

On 1 January 2014 the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulations (CRR) came into effect, constituting the European implementation of the Basel capital and liquidity agreement of 2010. The Group has made the necessary changes in order to ensure that it is compliant with the Pillar I capital requirements set by the CRR. As a result, the Group's regulatory capital requirements were based on CRD III in 2013 and on CRD IV in 2014.

Pillar 2 (Supervisory Review and Evaluation Process) involves both banks and regulators taking a view on whether a bank should hold additional capital against risks not covered in Pillar 1. Part of the Pillar 2 process is the Internal Capital Adequacy Assessment Process ("ICAAP") which is the bank's self assessment of risks not captured by Pillar 1.

Schedule V to this Annual Report and Financial Statements includes additional regulatory disclosures (Pillar 3) in terms of Banking Rule BR/07 "Publication of annual report and audited financial statements of credit institutions authorised under the Banking Act, 1994".

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

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

4 *financial risk review - continued*

capital adequacy

The 2014 capital ratios, based on CRD IV (Basel III), are as follows:

	Group USD	Bank USD
OWN FUNDS		
Tier 1		
Paid up capital instruments	135,698,296	135,698,296
Share premium	21,642,302	21,642,302
Retained earnings/(accumulated losses)	3,919,616	(30,109,960)
Other reserves	(709,092)	2,306,992
Deductions:		
- Goodwill accounted for as intangible asset	(7,589,245)	-
- Other intangible assets	(1,575,379)	(1,070,658)
- Deferred tax liabilities associated to other intangible assets	150,783	-
- Deferred tax asset that rely on future profitability and arise from temporary differences	(19,039,340)	(2,945,673)
- Instruments of financial sector entities where the institution has a significant investment	-	(31,844)
- Market value of assets pledged in favour of Depositor Compensation Scheme	(1,302,366)	(1,302,366)
- Other transitional adjustments	35,805,873	1,399,230
Common Equity Tier 1	167,001,448	125,586,319
Total Tier 1	167,001,448	125,586,319
Tier 2		
General credit risk adjustments	6,347,657	5,850,886
Other transitional adjustments	-	914,541
Total Tier 2	6,347,657	6,765,427
Total own funds	173,349,105	132,351,746

RISK-WEIGHTED ASSETS	Group		Bank	
	Exposure Amount USD	Risk weighted Amount USD	Exposure Amount USD	Risk weighted Amount USD
Central governments or central banks	18,778,278	2,040,521	18,778,278	2,040,521
Public sector entities	17,442,048	10,285,210	17,442,048	10,285,210
Institutions	500,619,793	148,067,056	480,683,436	143,694,877
Corporates	649,608,238	521,541,352	739,160,717	622,817,118
Retail	7,334,708	4,774,335	7,340,601	4,778,753
Secured by mortgages on immovable property	660,309	330,154	660,309	330,154
Exposures in default	29,051,781	34,836,442	24,805,273	27,224,799
Collective investments undertakings (CIU)	30,063,377	30,063,377	30,063,377	30,063,377
Equity	41,013	41,013	61,318,695	61,318,695
Other items	87,311,304	93,087,856	23,384,939	39,906,847
	1,340,910,849	845,067,316	1,403,637,672	942,460,351
Market risk, including foreign exchange risk		343,466,920		34,886,672
Operational risk		69,400,793		43,359,708
Total risk-weighted assets		1,257,935,029		1,020,706,731

CAPITAL ADEQUACY RATIO	Group	Bank
Tier 1 ratio	13.3%	12.3%
Total capital ratio	13.8%	13.0%

The total capital ratios of the Group and the Bank at 31 December 2013, based on CRD III (Basel II), stood at 12.8% and 13.4% respectively.

5 fair values of financial instruments

The Group's accounting policy on fair value measurements is discussed in accounting policy 3.10.6.

5.1 valuation of financial instruments

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

• Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

• Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

• Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

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

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

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

5 fair values of financial instruments - continued

5.2 financial instruments measured at fair value – fair value hierarchy

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

Group - 31 December 2014

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Trading assets	20	-	-	262,856,375	262,856,375
Derivative assets held for risk management	21	-	2,549,893	-	2,549,893
Financial assets designated at fair value through profit or loss	22	-	-	18,000,000	18,000,000
Investments available-for-sale	25	-	24,072,000	6,032,393	30,104,393
		-	**26,621,893**	**286,888,768**	**313,510,661**
Derivative liabilities held for risk management	21	-	3,606,718	-	3,606,718
		-	**3,606,718**	-	**3,606,718**

Group - 31 December 2013

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Trading assets	20	-	-	272,831,977	272,831,977
Derivative assets held for risk management	21	-	828,234	-	828,234
Financial assets designated at fair value through profit or loss	22	-	-	17,700,000	17,700,000
Investments available-for-sale	25	51,726	24,325,921	2,098,557	26,476,204
		51,726	**25,154,155**	**292,630,534**	**317,836,415**
Derivative liabilities held for risk management	21	-	506,477	-	506,477
		-	506,477	-	506,477

Bank - 31 December 2014

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Derivative assets held for risk management	21	-	2,570,036	-	2,570,036
Financial assets designated at fair value through profit or loss	22	-	-	18,000,000	18,000,000
Investments available-for-sale	25	-	24,072,000	6,031,691	30,103,691
		-	26,642,036	24,031,691	50,673,727
Derivative liabilities held for risk management	21	-	1,606,718	-	1,606,718
		-	1,606,718	-	1,606,718

5 fair values of financial instruments - continued

Bank - 31 December 2013

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Derivative assets held for risk management	21	-	883,480	-	883,480
Financial assets designated at fair value through profit or loss	22	-	-	17,700,000	17,700,000
Investments available-for-sale	25	51,726	24,325,920	2,097,856	26,475,502
		51,726	**25,209,400**	**19,797,856**	**45,058,982**
Derivative liabilities held for risk management	21	-	506,477	-	506,477
		-	**506,477**	**-**	**506,477**

5.3 level 3 fair value measurements

5.3.1 *reconciliation*

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

Group - 2014	Trading assets USD	Financial assets designated at fair value through profit or loss USD	Investments available-for-sale USD	Total USD
Balance at 1 January 2014	272,831,977	17,700,000	2,098,557	292,630,534
Total gains and losses in profit or loss	(10,634,714)	300,000	-	(10,334,714)
Total gains and losses in other comprehensive income	-	-	(1,355,577)	(1,355,577)
Purchases	352,892,501	-	5,289,413	358,181,914
Settlements	(352,233,389)	-	-	(352,233,389)
Balance at 31 December 2014	262,856,375	18,000,000	6,032,393	286,888,768

Total gains or losses for the year in the above table are presented in the statement of profit or loss and other comprehensive income as follows:

	Trading assets USD	Financial assets designated at fair value through profit or loss USD	Investments available -for sale USD	Total USD
Total gains and losses in profit or loss				
- Net trading results	(10,634,714)	-	-	(10,634,714)
- Net gain from other financial instruments carried at fair value	-	300,000	-	300,000
Total gains and losses in other comprehensive income				
- Net change in fair value of available-for-sale financial assets	-	-	(1,355,577)	(1,355,577)

5 fair values of financial instruments - continued

Group - 2013

	Trading assets USD	Financial assets designated at fair value through profit or loss USD	Investments available-for-sale USD	Total USD
Balance at 1 January 2013	245,061,077	42,402,000	41,016	287,504,093
Total gains and losses in profit or loss	(5,507,341)	(612,000)	-	(6,119,341)
Total gains and losses in other comprehensive income	-	-	69,207	69,207
Purchases	395,499,333		1,988,334	397,487,667
Settlements	(362,221,092)	(24,090,000)	-	(386,311,092)
Balance at 31 December 2013	272,831,977	17,700,000	2,098,557	292,630,534

Total gains or losses for the year in the above table are presented in the statement of profit or loss and other comprehensive income as follows:

	Trading assets USD	Financial assets designated at fair value through profit or loss USD	Investments available-for-sale USD	Total USD
Total gains and losses in profit or loss				
- Net trading results	(5,507,341)	-	-	(5,507,341)
- Net gain from other financial instruments carried at fair value	-	(612,000)	-	(612,000)
Total gains and losses in other comprehensive income				
- Net change in fair value of available-for-sale financial assets	-	-	69,207	69,207

5 *fair values of financial instruments - continued*

Bank - 2014

	Financial assets designated at fair value through profit or loss USD	Investments available-for-sale USD	Total USD
Balance at 1 January 2014	17,700,000	2,097,856	19,797,856
Total gains and losses in profit or loss	300,000	-	300,000
Total gains and losses in other comprehensive income	-	(1,355,578)	(1,355,578)
Purchases	-	5,289,413	5,289,413
Balance at 31 December 2014	18,000,000	6,031,691	24,031,691

Total gains or losses for the year in the above table are presented in the statement of profit or loss and other comprehensive income as follows:

	Financial assets designated at fair value through profit or loss USD	Investments available-for-sale USD	Total USD
Total gains and losses in profit or loss			
- Net gain from other financial instruments carried at fair value	300,000	-	300,000
Total gains and losses in other comprehensive income			
- Net change in fair value of available-for-sale financial assets	-	(1,355,578)	(1,355,578)

5 fair values of financial instruments - continued

Bank - 2013	Financial assets designated at fair value through profit or loss USD	Investments available-for-sale USD	Total USD
Balance at 1 January 2013	42,402,000	40,314	42,442,314
Total gains and losses in profit or loss	(612,000)	-	(612,000)
Total gains and losses in other comprehensive income	-	69,207	69,207
Purchases	-	1,988,335	1,988,335
Settlements	(24,090,000)	-	(24,090,000)
Balance at 31 December 2013	**17,700,000**	**2,097,856**	**19,797,856**

Total gains or losses for the year in the above table are presented in the statement of profit or loss and other comprehensive income as follows:

	Financial assets designated at fair value through profit or loss USD	Investments available-for-sale USD	Total USD
Total gains and losses in profit or loss			
- Net gain from other financial instruments carried at fair value	(612,000)	-	(612,000)
Total gains and losses in other comprehensive income			
- Net change in fair value of available-for-sale financial assets	-	69,207	69,207

5.3.2 unobservable inputs used in measuring fair value

The below sets out information about significant unobservable inputs used at 31 December 2014 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

trading assets

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

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

The Group uses the LIBOR yield curve as of each reporting date plus an adequate credit margin spread to discount the trading assets held. At 31 December 2014, the interest rates used range between 0.17% and 8.40% (2013: between 1.28% and 10.96%).

The effect of an estimated general increase of one percentage point in interest rate on trading assets at 31 December 2014 would reduce the Group's profit before tax by approximately USD858,055 (2013: USD668,031).

financial assets designated at fair value through profit or loss

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

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

All credit linked notes have a floating-interest rate characteristic and the impact of interest rates on the value of the instrument is therefore limited to the interest repricing period which generally occurs on a quarterly or half-yearly basis. The effect on profit or loss is disclosed in Note 4.4 to these financial statements.

investments available-for-sale

Available-for-sale investments mainly represent holdings in an unlisted sub-fund of a collective investment scheme whose underlying investments would be classified as Level 3 assets. The sub-fund, independently run by a licensed investment manager, invests in sustainable energy plants with returns generated throughout the life of each plant.

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

The effect of a ten percentage point increase in the net asset value of the sub-fund at 31 December 2014 would increase the Bank and Group equity by approximately USD599,138 (2013: USD205,754).

5 fair values of financial instruments - continued

5.4 financial instruments not measured at fair value

The following table sets out the fair value of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

Group - 31 December 2014

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	USD	USD	USD	USD	USD
ASSETS					
Balances with the Central Bank of Malta, Treasury Bills and cash	-	7,824,096	-	7,824,096	7,824,096
Loans and advances to banks	-	430,655,699	-	430,655,699	430,655,699
Loans and advances to customers	-	549,441,138	-	549,441,138	549,441,138
Investments held-to-maturity	-	7,116,353	-	7,116,353	7,116,353
LIABILITIES					
Amounts owed to banks	-	670,768,692	-	670,768,692	670,768,692
Amounts owed to customers	-	523,848,225	-	523,848,225	523,848,225
Debt securities in issue	-	10,599,196	-	10,599,196	10,599,196

Group - 31 December 2013

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	USD	USD	USD	USD	USD
ASSETS					
Balances with the Central Bank of Malta, Treasury Bills and cash	-	69,707,225	-	69,707,225	69,707,225
Loans and advances to banks	-	337,975,471	-	337,975,471	337,975,471
Loans and advances to customers	-	417,469,537	-	417,469,537	417,469,537
Investments held-to-maturity	-	6,783,621	-	6,783,621	6,783,621
LIABILITIES					
Amounts owed to banks	-	603,452,860	-	603,452,860	603,452,860
Amounts owed to customers	-	431,686,766	-	431,686,766	431,686,766
Debt securities in issue	-	35,498,006	-	35,498,006	35,498,006

5 *fair values of financial instruments - continued*

Bank - 31 December 2014

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	USD	USD	USD	USD	USD
ASSETS					
Balances with the Central Bank of Malta, Treasury Bills and cash	-	7,804,628	-	7,804,628	7,804,628
Loans and advances to banks	-	423,146,523	-	423,146,523	423,146,523
Loans and advances to customers	-	635,248,176	-	635,248,176	635,248,176
Investments held-to-maturity	-	7,116,353	-	7,116,353	7,116,353
LIABILITIES					
Amounts owed to banks	-	580,466,522	-	580,466,522	580,466,522
Amounts owed to customers	-	496,006,520	-	496,006,520	496,006,520

Bank - 31 December 2013

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	USD	USD	USD	USD	USD
ASSETS					
Balances with the Central Bank of Malta, Treasury Bills and cash	-	69,680,966	-	69,680,966	69,680,966
Loans and advances to banks	-	328,578,318	-	328,578,318	328,578,318
Loans and advances to customers	-	593,801,221	-	593,801,221	593,801,221
Investments held-to-maturity	-	6,783,621	-	6,783,621	6,783,621
LIABILITIES					
Amounts owed to banks	-	593,551,588	-	593,551,588	593,551,588
Amounts owed to customers	-	414,846,277	-	414,846,277	414,846,277

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, and primary origination or secondary market spreads.

The fair value of amounts owed to banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

6 classification of financial assets and liabilities

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

Group - 31 December 2014

	Trading USD	Designated at fair value USD	Loans and receivables USD	Available-for-sale USD	Liabilities at amortised cost USD	Total carrying amount USD	Fair value USD
Balances with the Central Bank of Malta, Treasury Bills and cash	-	-	7,824,096	-	-	7,824,096	7,824,096
Trading assets	262,856,375	-	-	-	-	262,856,375	262,856,375
Derivative assets held for risk management	-	2,549,893	-	-	-	2,549,893	2,549,893
Financial assets designated at fair value through profit or loss	-	18,000,000	-	-	-	18,000,000	18,000,000
Loans and advances to banks	-	-	430,655,699	-	-	430,655,699	430,655,699
Loans and advances to customers	-	-	549,441,138	-	-	549,441,138	549,441,138
Investments available-for-sale	-	-	-	30,104,393	-	30,104,393	30,104,393
Investments held-to-maturity	-	-	7,116,353	-	-	7,116,353	7,116,353
Derivative liabilities held for risk management	-	3,606,718	-	-	-	3,606,718	3,606,718
Amounts owed to banks	-	-	-	-	670,768,692	670,768,692	670,768,692
Amounts owed to customers	-	-	-	-	523,848,225	523,848,225	523,848,225
Debt securities in issue	-	-	-	-	10,599,196	10,599,196	10,599,196

Group - 31 December 2013

	USD Trading	USD Designated at fair value	USD Loans and receivables	USD Available-for-sale	USD Liabilities at amortised cost	USD Total carrying amount	USD Fair value
Balances with the Central Bank of Malta, Treasury Bills and cash	-	-	69,707,225	-	-	69,707,225	69,707,225
Trading assets	272,831,977	-	-	-	-	272,831,977	272,831,977
Derivative assets held for risk management	-	828,234	-	-	-	828,234	828,234
Financial assets designated at fair value through profit or loss	-	17,700,000	-	-	-	17,700,000	17,700,000
Loans and advances to banks	-	-	337,975,471	-	-	337,975,471	337,975,471
Loans and advances to customers	-	-	417,469,537	-	-	417,469,537	417,469,537
Investments available-for-sale	-	-	-	26,476,204	-	26,476,204	26,476,204
Investments held-to-maturity	-	-	6,783,621	-	-	6,783,621	6,783,621
Derivative liabilities held for risk management	-	506,477	-	-	-	506,477	506,477
Amounts owed to banks	-	-	-	-	603,452,860	603,452,860	603,452,860
Amounts owed to customers	-	-	-	-	431,686,766	431,686,766	431,686,766
Debt securities in issue	-	-	-	-	35,498,006	35,498,006	35,498,006

6 *classification of financial assets and liabilities - continued*

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

Bank - 31 December 2014	Designated at fair value USD	Loans and receivables USD	Available-for-sale USD	Liabilities at amortised cost USD	Total carrying amount USD	Fair value USD
Balances with the Central Bank of Malta, Treasury Bills and cash	-	7,804,628	-	-	7,804,628	7,804,628
Derivative assets held for risk management	2,570,036	-	-	-	2,570,036	2,570,036
Financial assets designated at fair value through profit or loss	18,000,000	-	-	-	18,000,000	18,000,000
Loans and advances to banks	-	423,146,523	-	-	423,146,523	423,146,523
Loans and advances to customers	-	635,248,176	-	-	635,248,176	635,248,176
Investments available-for-sale	-	-	30,103,691	-	30,103,691	30,103,691
Investments held-to-maturity	-	7,116,353	-	-	7,116,353	7,116,353
Derivative liabilities held for risk management	1,606,718	-	-	-	1,606,718	1,606,718
Amounts owed to banks	-	-	-	580,466,522	580,466,522	580,466,522
Amounts owed to customers	-	-	-	496,006,520	496,006,520	496,006,520

Bank - 31 December 2013	Designated at fair value USD	Loans and receivables USD	Available-for-sale USD	Liabilities at amortised cost USD	Total carrying amount USD	Fair value USD
Balances with the Central Bank of Malta, Treasury Bills and cash	-	69,680,966	-	-	69,680,966	69,680,966
Derivative assets held for risk management	883,480	-	-	-	883,480	883,480
Financial assets designated at fair value through profit or loss	17,700,000	-	-	-	17,700,000	17,700,000
Loans and advances to banks	-	328,578,318	-	-	328,578,318	328,578,318
Loans and advances to customers	-	593,801,221	-	-	593,801,221	593,801,221
Investments available-for-sale	-	-	26,475,502	-	26,475,502	26,475,502
Investments held-to-maturity	-	6,783,621	-	-	6,783,621	6,783,621
Derivative liabilities held for risk management	506,477	-	-	-	506,477	506,477
Amounts owed to banks	-	-	-	593,551,588	593,551,588	593,551,588
Amounts owed to customers	-	-	-	414,846,277	414,846,277	414,846,277

Financial assets not measured at fair value comprise loans and advances and balances with Central Bank. Loans and advances are reported net of impairment allowances to reflect the estimated recoverable amounts as at the financial reporting date. In the case of loans and advances which are repriceable in the short term, the carrying value approximates to fair value. 80% (2013: 85%) of the Group's and 83% (2013: 89%) of the Bank's loans and advances to customers are repriceable within six months. 97% (2013: 90%) of the Group's and 96% (2013: 90%) of the Bank's loans and advances to banks are repriceable within six months.

Financial liabilities measured at amortised cost comprise debt securities in issue and amounts owed to banks and customers. 85% (2013: 88%) of the Group's and 83% (2013: 88%) of the Bank's amounts owed to banks and customers are repriceable within 6 months. The Group's debt securities in issue are subject to fixed and variable interest rates. Interest rates on debt securities are further disclosed in Note 37 to these financial statements.

7 operating segments

The Group has 4 significant reportable segments, Trade Finance, Forfaiting, Factoring and IT Solutions which are represented by different Group entities.

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

The financial position and performance of items not falling within any of the reportable segments is grouped under "Other", and this includes items of non-core activities mainly related to the letting of property to third parties. In the table below, interest income is disclosed gross of interest expense since it represents the revenue measure used by Executive Management in assessing the performance of each segment. Net interest income is disclosed in Note 8, including further analysis of its components.

information about operating segments

Group – 2014
USD

	Trade Finance	Forfaiting	Factoring	IT Solutions	Other	Total
External revenue:						
Interest income	20,360,157	12,955,762	17,438,739	-	-	50,754,658
Fee and commission income	13,909,345	6,160,278	4,713,132	684,949	130,594	25,598,298
Trading income	1,477,225	(8,108,381)	135,423	(1,059)	(27,881)	(6,524,673)
	35,746,727	11,007,659	22,287,294	683,890	102,713	69,828,283
Intersegment revenue:						
Interest receivable	5,967,653	-	-	-	-	5,967,653
Fee and commission income	-	51,144	-	273,961	-	325,105
	5,967,653	51,144	-	273,961	-	6,292,758
Reportable segment (loss)/profit before income tax	(57,005,677)	1,004,203	(34,645,080)	(167,506)	(1,202,335)	(92,016,395)
Reportable segment assets	1,129,959,719	270,773,330	291,216,006	868,812	77,074,409	1,769,892,276
Reportable segment liabilities	1,066,997,552	203,798,701	171,732,888	22,487	35,759,462	1,478,311,090

Group – 2013
USD

	Trade Finance	Forfaiting	Factoring	IT Solutions	Other	Total
External revenue:						
Interest income	19,255,074	11,244,650	5,251,632	-	4,761	35,756,117
Fee and commission income	15,126,310	7,229,149	2,482,629	690,061	-	25,528,149
Trading income	(753,799)	(7,567,368)	188,755	6,656	(6,493)	(8,132,249)
	33,627,585	10,906,431	7,923,016	696,717	(1,732)	53,152,017
Intersegment revenue:						
Interest receivable	4,990,962	-	-	-	3,982	4,994,944
Fee and commission income	-	139,079	-	283,644	-	422,723
	4,990,962	139,079	-	283,644	3,982	5,417,667
Reportable segment (loss)/profit before income tax	(5,219,366)	1,269,918	1,584,844	62,525	(1,120,919)	(3,422,998)
Reportable segment assets	1,120,176,502	280,830,726	88,787,741	1,554,538	62,793,040	1,554,142,547
Reportable segment liabilities	1,012,977,180	214,860,300	49,709,329	540,707	33,392,793	1,311,480,309

7 *operating segments - continued*

reconciliations of reportable segment revenues, profit or loss and assets and liabilities

Group

REVENUES	2014 USD	2013 USD
Total revenue for reportable segments	76,018,328	58,567,434
Other revenue	102,713	2,250
	76,121,041	58,569,684
Elimination of intersegment revenue	(6,292,758)	(5,417,667)
Consolidated revenue	69,828,283	53,152,017
PROFIT OR LOSS		
Total loss for reportable segments	(90,814,060)	(2,302,079)
Other profit or loss	(1,202,335)	(1,120,919)
	(92,016,395)	(3,422,998)
Share of loss of equity accounted investee	(3,175,580)	(662,309)
Net fair value gains on previously-held investments in associates	3,196,543	-
Adjustment to goodwill	(8,910,609)	-
Effect of other consolidation adjustments on segment results	47,475,420	-
Consolidated profit before tax	(53,430,621)	(4,085,307)
ASSETS		
Total assets for reportable segments	1,692,817,867	1,491,349,507
Other assets	77,074,409	62,793,040
	1,769,892,276	1,554,142,547
Elimination of intersegment assets	(368,959,469)	(315,365,966)
Effect of other consolidation adjustments on segment results	9,997,280	(2,782,206)
Unallocated amounts	(954,670)	(227,572)
Consolidated assets	1,409,975,417	1,235,766,803
LIABILITIES		
Total liabilities for reportable segments	1,442,551,628	1,278,087,516
Other liabilities	35,759,462	33,392,793
	1,478,311,090	1,311,480,309
Elimination of intersegment liabilities	(251,641,746)	(224,218,256)
Unallocated amounts	(1,091,339)	(251,392)
Consolidated liabilities	1,225,578,005	1,087,010,661

7 *operating segments - continued*

geographical areas

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers and assets are based on the geographical location of the assets:

Group

	Malta		Other Countries		Total	
	2014 USD	2013 USD	2014 USD	2013 USD	2014 USD	2013 USD
External revenues	4,843,098	3,321,707	64,985,185	49,830,310	69,828,283	53,152,017
Non-current assets	34,531,142	34,972,826	13,032,956	5,376,789	47,564,098	40,349,615

Non-current assets include property and equipment and intangible assets and goodwill.

8 net interest income

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Interest income				
On loans and advances to banks	3,909,673	2,876,761	3,881,841	2,870,136
On loans and advances to customers	29,983,740	16,820,397	14,752,484	12,618,229
On loans and advances to subsidiary companies	-	-	5,967,653	4,999,295
On balances with Central Bank of Malta and Treasury Bills	503,851	700,978	503,852	700,978
	34,397,264	20,398,136	25,105,830	21,188,638
On forfaiting assets	12,950,953	11,238,026	-	-
On financial instruments carried at fair value	518,858	1,136,673	518,858	1,136,673
On held-to-maturity financial instruments	553,979	91,807	553,979	91,807
On other trade finance activities	2,333,604	2,891,475	2,213,712	2,891,475
	50,754,658	35,756,117	28,392,379	25,308,593
Interest expense				
On amounts owed to banks	15,673,617	5,800,817	7,969,552	5,258,747
On amounts owed to customers	5,942,596	8,427,802	5,683,275	7,923,926
On debt securities in issue	678,362	2,472,937	-	2,022,453
On derivative instruments	89,734	-	89,734	-
On subordinated debt	-	3,112,906	-	3,112,906
	22,384,309	19,814,462	13,742,561	18,318,032
Net interest income	28,370,349	15,941,655	14,649,818	6,990,561

Included in Group and Bank is interest income and interest expense payable to the parent company and to an entity holding a significant shareholding in the Group (see Note 46).

During the financial year ended 31 December 2013, the Group and the Bank amortised issue costs amounting to USD794,486 in relation to the 7% Subordinated Bonds 2012-2019 and USD310,176 in relation to the 4.25% Bonds 2013. These amounts were charged to "interest expense on debt securities in issue". Both bonds were redeemed during 2013.

9 net fee and commission income

	Group 2014 USD	Group 2013 USD	Bank 2014 USD	Bank 2013 USD
Fee and commission income				
Credit related fees and commission	2,389,764	3,090,276	2,389,764	3,090,276
On letters of credit	7,969,776	8,386,828	7,969,776	8,386,828
On factoring	4,652,621	2,322,629	1,756,563	886,864
On forfaiting activities	6,160,278	7,229,149	-	-
On IT Solutions	684,949	690,060	-	-
Other fees	3,740,910	3,809,207	3,501,599	3,640,873
	25,598,298	25,528,149	15,617,702	16,004,841
Fee and commission expense				
Credit related fees	206,359	112,004	206,359	112,004
Correspondent banking fees	397,639	407,277	337,421	357,982
On forfaiting activities	624,030	465,171	-	-
Other fees	3,609,719	1,650,655	1,478,878	869,475
	4,837,747	2,635,107	2,022,658	1,339,461
Net fee and commission income	20,760,551	22,893,042	13,595,044	14,665,380

10 net trading results

	Group 2014 USD	Group 2013 USD	Bank 2014 USD	Bank 2013 USD
Net trading income from assets held for trading	(8,115,335)	(7,523,138)	-	-
Foreign exchange rate fluctuations	1,590,662	(609,111)	1,769,718	(765,622)
	(6,524,673)	(8,132,249)	1,769,718	(765,622)

11 net gain from other financial instruments carried at fair value

	Group 2014 USD	Group 2013 USD	Bank 2014 USD	Bank 2013 USD
Net income on derivatives held for risk management purposes	1,428,405	3,359,849	1,505,129	3,368,181
Investment securities designated at fair value through profit or loss	149,942	(610,488)	149,942	(610,488)
	1,578,347	2,749,361	1,655,071	2,757,693

12 net fair value gains on previously-held investments in associates

	Group 2014 USD	Group 2013 USD	Bank 2014 USD	Bank 2013 USD
Fair value gain on previously held 49% investment in India Factoring	3,607,534	-	-	-
Fair value loss on previously held 40% investment in CIS Factors	(410,991)	-	-	-
	3,196,543	-	-	-

12 net fair value gains on previously-held investments in associates- continued

During the year ended 31 December 2014, the Group acquired a controlling interest in India Factoring and CIS Factors which were previously recognised as “Associates” and measured using the “Equity Method”. Upon making further investment in these two entities the Group re-measured its previously held non-controlling interest to fair value.

In the condensed interim financial statements for the six months ending 30 June 2014 the Group had recognised a USD8,242,601 fair value gain on the previously held 49% investment in India Factoring. As disclosed in the same interim statements, this fair value gain was based on provisional accounting subject to retrospective revision following finalisation of the Group’s assessment in relation to the fair value of the acquisition accounting of the subsidiary. The Group has subsequently finalised its assessment in relation to the fair value accounting upon the acquisition of the subsidiary and as a result adjusted the gain to USD3,607,534.

13 dividend income

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Dividend from an available-for-sale Investment	1,523,364	691	1,523,364	691
	1,523,364	691	1,523,364	691

14 other operating income

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Rental income from leased property	220,130	-	-	-
(Loss)/profit on disposal of equipment	8,108	(1,425)	8,214	5,583
Support fees receivable	19,228	20,007	19,227	20,008
	247,466	18,582	27,441	25,591

15 net impairment loss on financial assets

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Loans and advances to banks				
- specific impairment allowances	(16,043)	(191,746)	(16,043)	(191,746)
- collective impairment allowances	808,071	(420,478)	808,071	(420,478)
	792,028	(612,224)	792,028	(612,224)
Loans and advances to customers				
- specific impairment allowances	(48,596,742)	(3,806,005)	(24,918,136)	(4,618,182)
- collective impairment allowances	685,159	(1,346,399)	(584,302)	(1,312,820)
- write-offs	(3,661,514)	(799,414)	(191,406)	(184,180)
- recoveries	56,346	17,891	1,199	17,891
	(51,516,751)	(5,933,927)	(25,692,645)	(6,097,291)
Investments in subsidiaries				
- specific impairment allowances	-	-	(39,021,239)	-
	-	-	(39,021,239)	-
Net impairment loss	(50,724,723)	(6,546,151)	(63,921,856)	(6,709,515)

16 administrative expenses

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

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Personnel expenses	22,959,423	17,127,363	13,666,815	11,473,594
Operating lease rentals	1,253,590	916,421	1,252,986	1,230,601
Other administrative expenses	13,482,742	9,418,875	9,764,349	7,417,231
Recharge of services rendered by subsidiaries	-	-	430,672	431,490
	37,695,755	27,462,659	25,114,822	20,552,916

Included in Operating Lease Rentals for the Bank is an amount of USD898,789 (2013: USD855,351) payable to a subsidiary company.

Included in other administrative expenses of the Group for the financial year ended 31 December 2014 are fees charged by auditors as follows:

	Audit services	Other assurance services	Tax advisory services	Other non-audit services
	USD	USD	USD	USD
By the auditors of the parent	79,609	44,590	33,829	67,980
Other auditors	156,502	92,448	30,731	586

16.2 personnel expenses incurred during the year

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Directors' emoluments	317,394	306,526	303,960	306,526
Staff costs				
- wages, salaries and allowances	21,648,848	16,024,463	12,870,795	10,736,834
- defined contribution costs	993,181	796,374	492,060	430,234
	22,959,423	17,127,363	13,666,815	11,473,594

16.3 average number of employees

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

	Group		Bank	
	2014 No. of employees	2013 No. of employees	2014 No. of employees	2013 No. of employees
Executive and senior managerial	37	34	17	15
Other managerial, supervisory and clerical	277	180	155	145
Other staff	15	13	3	4
	329	227	175	164

For the financial year ended 31 December 2014, the Group average number of employees includes the effects of consolidation of India Factoring and First Factors.

16 *administrative expenses - continued*

16.4 executive share option schemes

FIMBank

The Bank has in place Executive Share Option Schemes that are approved by the shareholders by extraordinary resolutions at different General Meetings. The rules for these Schemes regulate the award of Share Options based on the Bank's performance for the year in respect of which the grant is made. Under the Executive Share Option Scheme rules, the Bank awards share options to executives for targeted performance based on the results of the preceding year at the exercise price established at grant date. When the options are exercised, equity is increased by the amount of the proceeds received based on the market price determined on grant date. As at 31 December 2014, there were two schemes under which awarded options are still unexercised.

Movements in the number of share options awarded to executives are as follows:

	Group and Bank	
	2014 No. of share options	2013 No. of share options
As at 1 January	3,055,936	3,655,600
Additional share options as a result of capital restructuring	270,817	-
Exercised	(197,600)	-
Forfeited due to termination of employment	(222,248)	(34,320)
Forfeited due to expiry of exercise period	(562,849)	(565,344)
As at 31 December	2,344,056	3,055,936

details of share options granted

	Total	exercise period 2011 scheme 01/01/14 to 31/12/18	2008 scheme 01/01/11 to 31/12/15	2007 scheme 01/01/10 to 31/12/14
Exercise price per USD0.50 share	USD	USD0.6753	USD1.4468	USD1.1717
Number of share options unexercised at 1 January 2014	3,055,936	2,014,480	477,360	564,096
Additional share options as a result of capital restructuring	270,817	174,408	43,368	53,041
Exercised share options	(197,600)	(197,600)	-	-
Forfeited due to termination of employment	(222,248)	(107,120)	(60,840)	(54,288)
Forfeited due to expiry of exercise period	(562,849)	-	-	(562,849)
Number of share options unexercised at 31 December 2014	2,344,056	1,884,168	459,888	-

16 *administrative expenses - continued*

	Total	2011 scheme 01/01/14 to 31/12/18	2008 scheme 01/01/11 to 31/12/15	2007 scheme 01/01/10 to 31/12/14	2006 scheme 01/01/09 to 31/12/13
Exercise price per USD0.50 share	USD	USD0.7788	USD1.6275	USD1.3248	USD1.4270
Number of share options unexercised at 1 January 2013	3,655,600	2,048,800	477,360	564,096	565,344
Forfeited due to termination of employment	(34,320)	(34,320)	-	-	-
Forfeited due to expiry of exercise period	(565,344)	-	-	-	
(565,344)					
Number of share options unexercised at 31 December 2013	3,055,936	2,014,480	477,360	564,096	-

During the year, the Board authorised the award of 2,000,000 options at an exercise price of USD0.65. This award, which represents the "Maximum Award per Year" out of a "Cumulative Award Limit" of 10,000,000 options as laid down in the Executive Share Option Scheme Rules (2011 – 2015), is subject to the attainment of a Performance Target and in the case of granting of award, the options can be exercised between 1 January 2016 and 1 January 2020.

In accordance with the applicable Scheme Rules, the Board determined that for the year ended 31 December 2014, no share options will be allocated to qualifying executives.

As a result of two separate Capital Restructuring events during 2014, namely the Bonus and Rights issue of shares, the exercise price and the number of outstanding options in each of the share option schemes has been adjusted to reflect the effect of dilution to qualifying executives.

The share option schemes approved in 2006 and 2007 expired during the financial years ended 31 December 2013 and 31 December 2014 respectively and all unexercised options as at the expiry date were forfeited in accordance with the applicable scheme rules.

India Factoring

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

Options granted under ESOP would vest in not more than five years from the date of the grant of such options. Vesting of options would be subject to the continued employment with the Company and respective employee's performance.

At 31 December 2014, the company had 2,156,040 outstanding share options, at an exercise price of INR10/option. The remaining contractual life of the shares ranging between 3 to 6 years.

The Company has adopted the intrinsic value method to account for the plan. No expense arising from stock option plan as per the intrinsic value method was recognized for the year.

17 taxation

17.1 taxation, which is based on the taxable profit for the year comprises:

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Current tax - current year	(2,131,310)	(898)	(2,130,668)	(201)
Deferred tax - origination and reversal of temporary differences	16,633,143	2,185,885	8,589,450	2,175,806
Taxation in income statement	14,501,833	2,184,987	6,458,782	2,175,605

17.2 Taxation for the year and the result of the accounting profit multiplied by the tax rate applicable in Malta, are reconciled as follows:

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Profit before tax	(53,430,621)	(4,085,307)	(56,696,915)	(5,006,374)
Tax expense using the domestic income tax rate of 35%	18,700,717	1,429,857	19,843,920	1,752,231
Tax effect of:				
Non deductible expenses	(3,482,144)	(417,075)	(243,949)	(183,081)
Non taxable income	1,651,968	-	533,178	-
Unrecognised temporary differences	(1,373,347)		(13,657,433)	
Temporary differences previously not recognised	411,790	740,757	-	606,586
Effect of tax rates in foreign jurisdictions	(16,934)	(131)	(16,934)	(131)
Investment tax credit	27,277	33,096	-	-
Share of loss from equity accounted investees	(1,111,453)	(231,809)	-	-
Different tax rates	(306,041)	630,292	-	-
Taxation	14,501,833	2,184,987	6,458,782	2,175,605

18 earnings per share

18.1 basic earnings per share

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

18 earnings per share - continued

profit attributable to ordinary shareholders (basic):

Group

	Continuing operations		Discontinued operations		Total	
	2014	2013	2014	2013	2014	2013
	USD	USD	USD	USD	USD	USD
Loss attributable to equity holders of the Bank	(33,327,791)	(1,900,320)	(5,231,282)	(2,315,089)	(38,559,073)	(4,215,409)

Bank

	Continuing operations		Discontinued operations		Total	
	2014	2013	2014	2013	2014	2013
	USD	USD	USD	USD	USD	USD
Loss attributable to equity holders of the Bank	(50,238,133)	(2,830,769)	-	-	(50,238,133)	(2,830,769)

weighted average number of ordinary shares (basic):

	Group and Bank	
	2014 No. of shares	2013 No. of shares
Weighted average number of ordinary shares at 31 December (basic)	226,802,784	176,329,490

The weighted average number of ordinary shares at 31 December 2013 has been restated to take into effect the impact of the Bonus Issue of shares in May 2014.

18.2 diluted earnings per share

The calculation of diluted earnings per share has been based on the results attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding after adjusting for the effects of all dilutive potential ordinary shares.

profit attributable to ordinary shareholders (diluted):

Group

	Continuing operations		Discontinued operations		Total	
	2014	2013	2014	2013	2014	2013
	USD	USD	USD	USD	USD	USD
Loss attributable to equity holders of the Bank	(33,327,791)	(1,900,320)	(5,231,282)	(2,315,089)	(38,559,073)	(4,215,409)

Bank

	Continuing operations		Discontinued operations		Total	
	2014	2013	2014	2013	2014	2013
	USD	USD	USD	USD	USD	USD
Loss attributable to equity holders of the Bank	(50,238,133)	(2,830,769)	-	-	(50,238,133)	(2,830,769)

weighted average number of ordinary shares (diluted):

	2014 No. of shares	2013 No. of shares
Weighted average number of ordinary shares at 31 December (basic)	226,802,784	176,329,490
Effect of share options in issue	169,372	432,632
Diluted weighted average number of ordinary shares at 31 December	226,972,156	176,762,122

The weighted average number of ordinary shares at 31 December 2013 has been restated to take into effect the impact of the Bonus Issue of shares in May 2014.

19 balances with the central bank of malta, treasury bills and cash

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Balances with the Central Bank of Malta	7,794,252	7,827,151	7,794,252	7,827,151
Treasury bills	-	61,840,295	-	61,840,295
Cash	29,844	39,779	10,376	13,520
	7,824,096	69,707,225	7,804,628	69,680,966

Balances with the Central Bank of Malta include a reserve deposit in terms of Regulation (EC) No: 1745/2003 of the European Central Bank.

20 trading assets

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

At 31 December 2014, trading assets included assets with a carrying amount of USD20,984,783 (2013: Nil) pledged in favour of third parties under reverse-repo contracts.

21 derivatives held for risk management

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Derivative assets held for risk management				
- interest rate	-	-	20,143	55,246
- foreign exchange	2,549,893	828,234	2,549,893	828,234
	2,549,893	828,234	2,570,036	883,480
Derivative liabilities held for risk management				
- equity	2,000,000	-	-	-
- foreign exchange	1,606,718	506,477	1,606,718	506,477
	3,606,718	506,477	1,606,718	506,477

22 financial assets designated at fair value through profit or loss

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Designated at fair value through profit or loss				
- unlisted debt securities	18,000,000	17,700,000	18,000,000	17,700,000
	18,000,000	17,700,000	18,000,000	17,700,000

22 *financial assets designated at fair value through profit or loss - continued*

22.1 Unlisted debt securities consist of credit linked notes, whereby the Group is funding the risk of default with respect to specified borrowers. The notes have an embedded instrument linked to the credit risk of a reference basket. In view that the embedded derivative modifies significantly the cash flows of the underlying host contract, the credit linked note is measured at fair value with changes in fair value recognised in the income statement. As a result, the embedded credit derivative is not required to be separated from the host contract represented by the debt instrument. The financial asset was therefore not bifurcated but accounted for as one contract.

These financial assets are not exchange traded and therefore management estimated the fair value at the amount that the Group would receive or pay to terminate the contract at the financial reporting date taking into account current market conditions and the current credit worthiness of the counter parties by reference to dealer price quotations.

Changes in fair value of unlisted debt securities designated at fair value through profit or loss is presented within "net gain from other financial instruments carried at fair value".

22.2 Financial assets designated at fair value through profit or loss include assets amounting to USD18,000,000 (2013: USD17,700,000) pledged in favour of third parties under reverse-repo contracts.

23 loans and advances to banks

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Repayable on call and at short notice	312,183,162	180,190,620	301,701,880	170,228,259
Term loans and advances	123,119,035	163,333,180	126,091,141	163,898,388
Total loans and advances	435,302,197	343,523,800	427,793,021	334,126,647
Specific impairment	(2,925,047)	(3,018,806)	(2,925,047)	(3,018,806)
Collective impairment	(1,721,451)	(2,529,523)	(1,721,451)	(2,529,523)
Net loans and advances	430,655,699	337,975,471	423,146,523	328,578,318

Loans and advances to banks include blocked funds amounting to USD113,126 (2013: USD113,096) pursuant to US Sanctions. The balances also include pledged funds amounting to USD6,017,272 (2013: USD7,678,295), of which an amount of USD781,420 (2013: USD873,420) represents pledged funds in favour of the Depositor Compensation Scheme Reserve.

The aggregate amount of impaired loans to banks amounted to USD15,470,251 (2013: USD5,178,378), gross of collaterals. Specific impairment is exclusive of USD2,331,679 (2013: USD2,083,820) in respect of suspended interest not recognised in interest receivable.

24 loans and advances to customers

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Repayable on call and at short notice	146,994,951	191,431,180	153,312,630	191,605,854
Term loans and advances	473,065,564	242,103,883	252,136,683	187,475,638
	620,060,515	433,535,063	405,449,313	379,081,492
Amounts owed by subsidiary companies	-	-	270,745,007	230,548,492
Total loans and advances	620,060,515	433,535,063	676,194,320	609,629,984
Specific impairment	(65,993,172)	(12,312,031)	(36,816,709)	(12,283,630)
Collective impairment	(4,626,205)	(3,753,495)	(4,129,435)	(3,545,133)
Net loans and advances	549,441,138	417,469,537	635,248,176	593,801,221

24 *loans and advances to customers - continued*

Loans and advances to customers include pledged funds amounting to USD68,566 (2013: USD115,225). At 31 December 2014, no assets included in loans and advances to customers were pledged in favour of third parties (31 December 2013: nominal value of USD8,665,235, pledged under repo agreements).

For the Group, the aggregate amount of impaired loans and advances to customers amounted to USD102,601,599 (2013: USD35,125,380), gross of collaterals. Specific impairment is exclusive of USD19,063,833 (2013: USD11,408,115) in respect of suspended interest not recognised in interest receivable.

For the Bank, the aggregate amount of impaired loans and advances to customers amounted to USD62,860,949 (2013: USD31,325,310), gross of collaterals. Specific impairment is exclusive of USD12,746,154 (2013: USD11,233,442) in respect of suspended interest not recognised in interest receivable.

Amounts owed by subsidiaries include facilities that are priced on an arm's length basis, unsecured and repayable on demand. Pricing of facilities is dependent on the currency of funding and market conditions.

25 investments available-for-sale

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Shares in sub-funds of a local unlisted collective investment scheme	30,063,377	26,383,462	30,063,377	26,383,462
Foreign unlisted equities	41,016	92,742	40,314	92,040
	30,104,393	26,476,204	30,103,691	26,475,502

Whilst there is no active market for these investments, fair value for the collective investment schemes is determined by reference to funds' net asset values and fair value for the equities is determined by reference to broker prices. Fair value movement is recognised, net of deferred tax, in fair value reserve.

At reporting date, the Group and Bank held an investment of USD24,072,000 (2013: USD24,325,920) in a sub-fund of a local unlisted collective investment scheme, categorised as a Professional Investor Fund, which is independently run by an investment manager licensed and regulated by the Financial Conduct Authority in London. The Group is a seed investor in the fund, being the subscriber of all seed shares currently in issue (or 97% of total shares, as an additional 3% of the units consist of Founders' Shares). Such investor shares entitle the Group to a preferential fee structure as applicable to all other holders of the same class of shares. Presently, the sub-fund is seeking additional investment capital from third-parties which would dilute the Group's unit holding percentage in the sub-fund. In addition to this, the Group is represented on the sub-fund's Advisory Board by 1 out of 3 members. The Advisory Board acts solely in an advising capacity and the Investment Manager may, in its own discretion, ignore, accept or reject any recommendations of the Advisory Board.

The Group also has a Sub-Fund Service Agreement ("SFSA") with the Investment Manager whereby the Group assists in the risk analysis, credit analysis, recovery and enforcement actions, portfolio monitoring, report production, assisting in the valuation, assisting with regulators engagements, provision of information as requested, assisting in preparing marketing material and preparation of material for the assistance in the evaluation of transactions by the Advisory Board. Remuneration to the Group in respect of the SFSA is a direct function of the fees generated by the fund (both from Seed and Investor shares).

The Group, through its various entities, offers/sells trade finance transactions to the sub-fund that are in line with its investment objectives. The offer to the sub-fund is subject to discussions and analysis within the Advisory Board, and the ultimate decision to participate or otherwise rests with the independent Investment Manager. All such transactions are offered/sold to the fund on an arm's length basis.

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

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

26 investments held-to-maturity

	Group 2014 USD	Group 2013 USD	Bank 2014 USD	Bank 2013 USD
Foreign unlisted subordinated bonds	7,116,353	6,783,621	7,116,353	6,783,621
	7,116,353	6,783,621	7,116,353	6,783,621

The held-to-maturity instruments carried by the Group and Bank were issued by the parent company of the Group (see Note 49). The instruments have a weighted average effective interest rate of 8.4% and mature in 2016.

27 investments in equity accounted investees

27.1 the Group's investment in associates is analysed as follows:

Name of Company	Country of incorporation	Nature of business	Class of shares	Equity interest 2014 %	Equity interest 2013 %	Group 2014 USD	Group 2013 USD
BRASILFACTORS S.A. ("BRASILFACTORS")	Brazil	Factoring	Ordinary Shares	50	40	2,238,484	2,052,787
CIS Factors Holdings B.V. ("CIS Factors")	The Netherlands	Holding Company	Ordinary Shares	80	40	-	316,721
India Factoring and Finance Solutions Private Limited ("India Factoring")	India	Factoring	Ordinary Shares	79	49	-	16,676,063
Levant Factors S.A.L. ("Levant Factors")	Lebanon	Factoring	Ordinary Shares	50	50	-	-
The Egyptian Company for Factoring S.A.E. ("Egypt Factors")	Egypt	Factoring	Ordinary Shares	40	40	583,186	3,231,219
						2,821,670	22,276,790
At 1 January						22,276,790	27,810,254
Investment in BRASILFACTORS						1,000,000	-
Net share of losses						(3,175,580)	(2,977,398)
Reclassification resulting from the acquisition of controlling interest in India Factoring and CIS Factors						(17,126,243)	-
Currency translation difference						(153,297)	(2,556,066)
At 31 December						2,821,670	22,276,790

27 investments in equity accounted investees - continued

27.2 the Bank's investment in associate entities is analysed as follows:

Name of Company	Country of incorporation	Nature of business	Class of shares	Equity interest		Bank	
				2014	2013	2014	2013
				%	%	USD	USD
The Egyptian Company for Factoring S.A.E. ("Egypt Factors")	Egypt	Factoring	Ordinary Shares	40	40	6,013,425	6,013,425
						6,013,425	6,013,425
At 1 January and 31 December						6,013,425	6,013,425

27.3 impairment assessment

At each reporting date the Bank carries out an impairment assessment to calculate the recoverable amount of its investment in associates (at cost) and determine the possibility of an impairment loss. The recoverable amounts of the investment in associates have been calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing use of each entity. No impairment losses were recognised during the financial year ended 31 December 2014 (2013: Nil) as the recoverable amounts of these investments were determined to be higher than the carrying amount.

In determining the recoverable amounts, the Bank used four years of cash flows in the discounted cash flow model. A long-term growth rate into perpetuity was estimated by management based on the long-term compound annual profit before taxes, depreciation and amortisation. Budgeted profit before taxes, depreciation and amortisation was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Cash flows were discounted at a pre-tax measure based on the rate of 10-year government bonds adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific investment.

The key assumptions described above may change with economic, political and market conditions as well as a result of developments that are more entity-specific. In particular, the Bank monitors controls over asset-quality of the associate and enquires on any events that may lead to potential impairments. Based on representations by the entity's management and information currently available, the Bank estimates that possible changes in these assumptions are not of such significance that would hinder the operations of the entity in the market and would not cause the recoverable amount of the entity to decline below the carrying amount.

27.4 BRASILFACTORS S.A. ("BRASILFACTORS")

In September 2011, the Group, through its wholly owned subsidiary FIMFactors B.V., incorporated BRASILFACTORS S.A. ("BRASILFACTORS"), a factoring company incorporated in São Paolo, Brazil. BRASILFACTORS' core business focuses on factoring services and forfaiting, with small and medium-sized companies being its target market.

On incorporation, the Group had a 40% holding in the company, with the other shareholders being Banco Industrial e Comercial S.A. ("BICBANCO") and the International Finance Corporation ("IFC"), each holding 40% and 20% respectively. During 2014, IFC exercised its Put Option on the other shareholders, with the Group acquiring 10% of BRASILFACTORS and bringing the investment in the entity by both the Group and BICBANCO to 50% each. The Group is not deemed to have a controlling interest in the company and continues to measure its investment using the Equity Method.

27.5 CIS Factors Holdings B.V. ("CIS Factors")

In February 2014, the Group, through its fully owned subsidiary FIMFactors B.V., acquired a further 40% shareholding in CIS Factors. As a result of this transaction, the Group acquired control over the entity and changed the classification of this investment from "Investments in equity accounted investees" to "Investments in subsidiaries" (see Note 28). In December 2014, the Group resolved to wind down its activities related to FactorRus, through CIS Factors, and the assets, liabilities and results of the entity are being presented in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" (see Note 29).

27 investments in equity accounted investees - continued

27.6 India Factoring and Finance Solutions Private Limited ("India Factoring")

In March 2014, the Group, through its fully owned subsidiary FIMFactors B.V., acquired a further 30% shareholding in India Factoring). As a result of this transaction, the Group now has control over the entity and has changed the classification of this investment from "Investments in equity accounted investees" to "Investments in subsidiaries" (see Note 28). Likewise, the measurement has changed from using the "equity" method to a "line-by-line" consolidation from the date the Group acquired control.

27.7 Levant Factors S.A.L. ("Levant Factors")

In April 2011 the Group, through its wholly owned subsidiary Menafactors, increased its interest in Levant Factors S.A.L., a factoring company incorporated in Beirut, Lebanon, to 50%. The Group is not deemed to have a controlling interest in the company and measures its investment using the Equity Method. The other major shareholder (49.25%) in Levant Factors is The Lebanese Credit Insurer S.A.L, a joint venture between ATRADIUS Re and a group of local and regional insurance companies and investors.

The Group's carrying amount of its investment in Levant Factors is nil.

27.8 The Egyptian Company for Factoring S.A.E. ("Egypt Factors")

In November 2006, the Bank incorporated Egypt Factors, a company which provides factoring services in Egypt. The Bank has a 40% investment in Egypt Factors with the other shareholders being Commercial International Bank ("CIB") and International Finance Corporation ("IFC") (holding 40% and 20% equity respectively).

On the same day of incorporating Egypt Factors, the Bank entered into a Put Option Agreement (the "Put Option Agreement") with CIB and IFC. The Put Option Agreement gives the right to IFC, by sending a notice of exercise to CIB and/or FIMBank, at any time during the exercise period, to sell to CIB and/or FIMBank, jointly and severally, all or part of IFC's shareholding in Egypt Factors at the exercise price.

The "Exercise Period" is defined as the period commencing on the fifth anniversary from the receipt of the licence by Egypt Factors from the local regulators (i.e. 26 April 2007) and terminating on the tenth anniversary of such date, unless an event of default (as defined in the Put Option Agreement) has occurred before such fifth anniversary, in which case the exercise period commences on the date of that event of default.

The "Exercise Price" has been fixed at the higher of:
(a) The coefficient multiplied by the number of shares subject to the put option; and
(b) The investment costs per share (i.e. the total investment by IFC from time to time in Egypt Factors until the date of notice of exercise divided by the total number of shares subject to the put option).

In the opinion of the Directors, the fair value of the put option at the financial reporting date (and on initial recognition) is close to zero.

27.9 Summary of financial information for equity accounted investees not adjusted for the percentage ownership of the Group:

	Total assets	Total liabilities	Total revenue	Total expenses	(Loss)/profit for the year
	USD	USD	USD	USD	USD
31 December 2014					
BRASILFACTORS	20,595,469	16,637,857	2,106,657	(2,788,660)	(682,003)
Egypt Factors	47,949,644	46,525,601	6,082,479	(12,702,563)	(6,620,084)
Levant Factors	693,598	1,835,820	470,912	(820,008)	(349,096)
31 December 2013					
BRASILFACTORS	12,530,639	7,398,675	837,433	(2,233,172)	(1,395,739)
CIS Factors	16,984,597	17,292,974	1,626,782	(7,227,074)	(5,600,292)
India Factoring[1]	134,642,179	104,028,199	16,177,006	(15,393,491)	783,515
Egypt Factors	73,437,368	65,392,881	6,840,211	(6,634,261)	205,950
Levant Factors	7,701,029	8,498,307	1,032,627	(3,121,081)	(2,088,454)

[1] Revenue, expenses and results for the year are for the period 1 April to 31 December.

28 investments in subsidiaries

28.1 capital subscribed

During the financial year ended 31 December 2014, the Bank acquired a controlling interest in three entities: First Factors S.A through a newly incorporated fully-owned subsidiary FIM Holdings (Chile) S.p.A., India Factoring and CIS Factors through FIMFactors B.V. Both CIS Factors and India Factoring were previously recognised and measured as Investment in Equity Accounted Investees (see Note 27).

	Bank	
	2014 USD	2013 USD
At 1 January	79,234,301	78,234,301
Additional investment in FIMFactors B.V.	19,606,298	-
Investment in FIM Holdings (Chile) S.p.A.	1,455,271	-
Additional investment in FIM Property Investment Limited	3,749	1,000,000
Impairment of investments	(39,021,239)	-
At 31 December	61,278,380	79,234,301

28.2 investments in subsidiaries

Name of Company	Country of incorporation	Nature of business	Equity interest		Bank	
			2014 %	2013 %	2014 USD	2013 USD
FIMFactors B.V.	Netherlands	Holding company	100	100	21,445,925	40,860,866
FIM Business Solutions Limited	Malta	IT services provider	100	100	5,000	5,000
FIM Holdings (Chile) S.p.A.	Chile	Holding company	100	-	1,455,271	-
FIM Property Investment Limited	Malta	Property management	100	100	1,005,749	1,002,000
London Forfaiting Company Limited	UK	Forfaiting	100	100	37,366,435	37,366,435
					61,278,380	79,234,301

28 investments in subsidiaries - continued

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

Name of Company	Country of incorporation	Nature of business	Equity interest 2014 %	Equity interest 2013 %
CIS Factors Holdings B.V.	Netherlands	Holding company	80	40
India Factoring and Finance Solutions Private Limited ("India Factoring")	India	Factoring	79	49
Menafactors Limited	United Arab Emirates	Factoring Company	100	100

CIS Factors Holdings B.V. has a 100% equity interest in FactorRus LLC, a factoring company incorporated under the laws of the Russian Federation. The assets, liabilities and results of the entity are being presented in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" (see Note 29).

The Bank, indirectly through FIM Holdings Chile S.p.A., controls the following subsidiary:

Name of Company	Country of incorporation	Nature of business	Equity interest 2014 %	Equity interest 2013 %
First Factors S.A.	Chile	Factoring and leasing	51	-

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

Name of Company	Country of incorporation	Nature of business	Equity interest 2014 %	Equity interest 2013 %
London Forfaiting International Limited	UK	Holding company	100	100
London Forfaiting Americas Inc. *	United States of America	Marketing	100	100
London Forfaiting do Brasil Ltda. *	Brazil	Marketing	100	100

* A wholly-owned subsidiary of London Forfaiting International Limited

28.3 CIS Factors Holdings B.V.

On 18 February 2014, the Group through its wholly owned subsidiary FIMFactors B.V. acquired 40% of the shares and voting interests in CIS Factors from Transcapital Bank, Russia. As a result the Group's equity interest in CIS Factors increased from 40% to 80%, obtaining control of CIS Factors.

This transaction enables the Group to control FactorRus LLC, a 100% owned subsidiary and the sole asset of CIS Factors. FactorRus is a factoring company incorporated and operating in Russia with its functional and reporting currency being the Russian Rouble (RUB). The financial year-end of FactorRus is 31 December.

This acquisition formed part of FIMBank's Group strategy to further the ongoing consolidations in entities in which it has a significant but not a controlling interest.

Since acquisition up to 31 December 2014, FactorRus contributed a loss of USD7.54 million to the Group's results. If the acquisition had occurred on 1 January 2014, management estimates that consolidated losses would have increased by USD0.65 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

The share of results in FactorRus for the period 1 January to 18 February 2014 is being accounted for in the Income Statement as "Share of loss of equity accounted investees".

Subsequently during the year, the Group, taking into consideration both entity-specific as well as economic and market conditions in Russia, resolved to wind down its activities related to FactorRus, through CIS Factors, and at reporting date the assets, liabilities and results of the entity are being presented in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" (see Note 29).

28 *investments in subsidiaries - continued*

consideration transferred

The Group transferred a total cash consideration for the equivalent of RUB20,419,213 (USD577,540) on acquisition date. There was no other form of consideration transferred to the seller.

acquisition-related costs

The Group incurred acquisition-related costs of USD12,154 mainly relating to external legal fees and related transfer expenses. These costs have been included in 'administrative expenses' in the income statements.

identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Russian roubles	US Dollars (at acquisition date)
Loans and advances to customers	225,123,000	6,367,411
Loans and advances to banks	110,149,000	3,115,470
Deferred taxation	75,634,000	2,139,243
Property and equipment	1,609,000	45,509
Intangible assets	593,000	16,772
Other assets	120,090,000	3,396,643
Amounts owed to banks	(566,140,000)	(16,012,784)
Accruals and deferred income	(30,900,899)	(874,006)
Total identifiable net liabilities acquired	(63,842,899)	(1,805,742)

fair values

No intangible assets, other than Goodwill as disclosed below, or contingent liabilities have been identified upon the acquisition of the entity.

goodwill

Goodwill arising from the acquisition has been originally recognised as follows:

	Russian roubles	US Dollars (at acquisition date)
Total consideration transferred	20,419,213	577,540
NCI, based on their proportionate interest in the recognised amounts of the asset and liabilities of FactorRus	(12,768,580)	(361,148)
Fair value of existing interest in FactorRus	20,419,213	577,540
Fair value of identifiable net liabilities	63,842,899	1,805,742
Goodwill (see Note 31)	91,912,745	2,599,674

The re-measurement to fair value of the Group's existing 40% interest in CIS Factors resulted in a loss of USD410,911 (this loss is explained by the fair value of the existing interest of USD577,540 less the USD988,531 of translation reserve reclassified to profit or loss – on acquisition date the carrying amount of equity accounted investment was Nil) – see Note 12. This amount has been presented within "Net fair value gains on previously held investments in associates" in the income statements.

As disclosed in Note 31, the Goodwill arising on this acquisition is being impaired in full and the carrying amount at reported date is Nil.

put option

Upon incorporation of CIS Factors, FIMFactors together with Transcapitalbank (together the "Sponsors") entered into a Put Option Agreement granting an option to IFC for the latter to sell to both Sponsors, on one or more occasions, all or a part of the shares owned by IFC in CIS Factors, subject to such terms and conditions as are specified in the Put Option Agreement. The exercise of the option by IFC creates a corresponding joint and several obligations on the Sponsors to purchase such shares in CIS Factors.

The "Put Period" is defined as the period beginning on the fifth anniversary of the date on which IFC first subscribes for shares in CIS Factors under the Subscription Agreement, and ending on the date on which IFC shall have delivered to the Sponsors and CIS Factors a notice stating that all of the requirements set out below have been met:

a. a Listing has occurred on a Relevant Market;
b. at least twenty five percent (25%) of the issued and outstanding ordinary shares of CIS Factors are held by Persons other than Affiliates (including IFC) and are tradable without restriction on such Relevant Market;
c. the average trading volume of the ordinary shares of CIS Factors (excluding direct or indirect trading by the Sponsors, CIS Factors or their respective Affiliates) on such Relevant Market, during any period of six consecutive months is not less than two times the total number of the ordinary shares of CIS Factors owned by IFC at that date;
d. the average price per share of the ordinary shares of CIS Factors traded on such Relevant Market during any period of six consecutive months is not lower than the price per share as of the date of the Listing;
e. IFC has received a certificate executed by the Sponsors and CIS Factors certifying that the conditions stated in sub-sections (c) and (d) have been met; and
f. all shares of CIS Factors and all Share Equivalents held by IFC are immediately convertible, exercisable or exchangeable into ordinary shares of the CIS Factors and can be traded without restriction on such Relevant Market;

The "Put Price" is defined, in relation to any given exercise of the Put Option, the higher of:

a. the Investment Cost of those Put Shares; and
b. the aggregate of the Book Value Put Price Per Share multiplied by the number of Put Shares, provided that in the event that the Put Price would be less than zero, the Put Price shall be zero.

Upon the acquisition of the shares held by Transcapitalbank, the Group has recognised the present value of the option in Other Reserves.

28.4 First Factors S.A

On 1 October 2014, the Group through its wholly owned subsidiary FIM Holdings (Chile) S.p.A. acquired 51% of the shares and voting interests in First Factors S.A. ("First Factors"). First Factors is a factoring and leasing company incorporated and operating in Chile with its functional and reporting currency being the Chilean Peso (CLP). The financial year-end of First Factors is 31 December.

This acquisition forms part of the FIMBank Group's strategy to develop further its international network of ventures, diversifying the geographical and product offering.

Since acquisition up to 31 December 2014, First Factors contributed a profit of USD0.3 million to the Group's results. If the acquisition had occurred on 1 January 2014, management estimates that consolidated losses would have increased by USD0.5 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

consideration transferred

The Group transferred a total cash consideration for the equivalent of CLP3,464,917,968 (USD5,792,240) on acquisition date. There was no other form of consideration transferred to the seller.

acquisition-related costs

The Group incurred acquisition-related costs of USD264,713 mainly relating to external legal fees and related transfer expenses. These costs have been included in the income statements as 'administrative expenses'.

28 *investments in subsidiaries - continued*

identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Chilean Pesos	US Dollars (at acquisition date)
Loans and advances to customers	18,030,111,860	30,140,608
Loans and advances to banks	5,850,410,861	9,780,025
Deferred taxation	429,085,693	717,295
Property and equipment	260,605,918	435,650
Intangible assets	6,661,645	11,136
Other assets	506,286,935	846,351
Amounts owed to banks	(1,941,256,329)	(3,245,163)
Amounts owed to customers	(2,851,177,868)	(4,766,262)
Accruals and deferred income	(596,099,778)	(996,489)
Non-controlling interest	(13,380,125,180)	(22,367,311)
Total identifiable net assets acquired	6,314,503,757	10,555,840

fair values measured on a provisional basis

This business combination has been accounted for on a provisional basis. No intangible assets, other than Goodwill as disclosed below, or contingent liabilities have been identified upon the acquisition of the entity.

If new information obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional assets/liabilities that existed at the acquisition date, then the accounting for the acquisition will be revised retrospectively.

goodwill

Goodwill arising from the acquisition has been originally recognised as follows:

	Chilean Pesos	US Dollars (at acquisition date)
Total consideration transferred	3,464,917,968	5,792,240
NCI, based on their proportionate interest in the recognised amounts of the asset and liabilities of First Factors	3,094,106,841	5,172,359
Fair value of identifiable net assets	(6,314,503,757)	(10,555,840)
Goodwill (see Note 31)	244,521,052	408,759

put and call options

A Put and Call Options Agreement has been entered into between FIMBank, FIM Holdings (Chile) S.p.A., First Factors S.A. and the other shareholders in First Factors S.A. (hereinafter also referred to as the "Company"). This agreement sets out the terms of the Call Option to be written by the other Shareholders in favour of FIMBank and the terms of the Put Option to be written by FIMBank in favour of the other shareholders of the Company.

In accordance with the Put and Call Options Agreement the other shareholders and the Company have agreed to grant to FIMBank, for good and valuable consideration, the option and right, but not the obligation to increase its shareholding interest in the Company to 65% of all outstanding shares, through the subscription of newly issued shares (the "Subscription Option"). The Subscription Option shall be exercisable on the third anniversary of the Completion Date, as defined in the Shareholders Agreement, with FIMBank to deliver to the Company an irrevocable written notice of exercise of the Subscription Option no less than three months before expiry. The Aggregate Exercise Price to be paid by FIMBank to the Company for the subscription of the Issued Shares shall be 14% of the net asset book value of the Company reported in the most recently audited financial statements at the date of exercising the option.

Should FIMBank exercise the Subscription Option, FIMBank shall grant to each other Shareholder, for good and valuable consideration, the option and right, but not the obligation to sell to FIMBank no less than all of its shares in the Company (the "Put Option"). The Put Option may be exercised by each of the other Shareholders on the exercise date of the Subscription Option in respect of its respective shareholding interest. The exercise price to be paid by FIMBank to the selling shareholder(s) shall be equal to the net asset book value of the Company in accordance with the most recently audited financial statements at the exercise date of the Put Option, multiplied by the percentage of all the shareholding interest to be transferred.

In addition, the parties have agreed to grant to each other the right but not the obligation to buy all the shares of the Company held by the other parties in the event that either of the parties, as the case may be, fails to take the necessary actions to support any proposal presented by any of them, as applicable, to increase the share capital of the Company (the "Call Option Two"). Call Option Two is valid for an automatically renewable term of ten years.

Any premium paid for the call option and the fair value of the put option (to the extent that this is material) will be considered on the final determination of the accounting for the business combination.

28.5 India Factoring and Finance Solutions Private Limited

On 31 March 2014, the Group through its wholly owned subsidiary FIMFactors B.V. acquired 30% of the shares and voting interests in India Factoring from Punjab National Bank, India. As a result, the Group's equity interest in India Factoring increased from 49% to 79%, obtaining control of India Factoring.

India Factoring is a factoring company incorporated and operating in India, with its functional and reporting currency being the Indian Rupee (INR). The financial year-end of India Factoring is 31 March.

This acquisition forms part of FIMBank's Group strategy to further the ongoing consolidations in entities in which it has a significant but not a controlling interest with a view to achieve better synergy and control over India Factoring.

Since acquisition up to 31 December 2014, India Factoring contributed to a loss of USD27.3 million to the Group's results. If the acquisition had occurred on 1 January 2014, management estimates that consolidated loss for the period would have increased by USD0.02 million. In determining these amounts, management has assumed that the fair value adjust ments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

The share of results in India Factoring for the period 1 January to 31 March 2014 is being accounted for in the Income Statement as "Share of loss of equity accounted investees".

28 *investments in subsidiaries - continued*

consideration transferred

The Group transferred a total cash consideration of INR1,078,300,000 (USD18,028,757) on acquisition date. There was no other form of consideration transferred to the seller.

acquisition-related costs

The Group incurred acquisition-related costs of USD7,558 mainly relating to external legal fees and due diligence costs. These costs have been included in 'administrative expenses' in the income statements.

identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Indian Rupees	US Dollars (at acquisition date)
Loans and advances to customers	7,652,621,000	127,948,855
Loans and advances to banks	81,000	1,354
Deferred taxation	197,158,000	3,296,405
Property and equipment	6,051,000	101,170
Intangible assets	3,625,000	60,609
Other assets[2]	287,740,497	4,810,910
Amounts owed to banks	(5,926,763,000)	(99,093,178)
Accruals and deferred income	(133,256,000)	(2,227,989)
Total identifiable net assets acquired	2,087,257,497	34,898,136

fair values

No intangible assets, other than Goodwill as disclosed below, or contingent liabilities have been identified upon the acquisition of the entity.

goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Indian Rupees	US Dollars (at acquisition date)
Total consideration transferred	1,078,300,000	18,028,758
NCI, based on their proportionate interest in the recognised amounts of the asset and liabilities of India Factoring	438,324,074	7,328,608
Fair value of existing interest in India Factoring	1,484,000,000	24,811,905
Fair value of identifiable net assets	(2,087,257,497)	(34,898,136)
Goodwill (see Note 31)	913,366,577	15,271,135

Goodwill is attributable mainly to: a) growth potential also through synergies between the different Group entities and across the business segments of Trade Finance, Forfaiting and Factoring and b) the strong technical expertise, talent and market knowledge of the work force. None of the goodwill recognised is expected to be deductible for tax purposes.

The remeasurement to fair value of the Group's existing 49% interest in India Factoring resulted in a gain of USD3,607,534 (this gain is explained by the fair value of the existing interest of USD24,811,905 less the USD17,126,244 carrying amount of equity-accounted investee at the date of acquisition less USD4,078,127 of translation reserve reclassified to profit or loss). During the six months ended 31 December 2014, the Group finalised its assessment in relation to the fair value accounting upon the acquisition of India Factoring. As a result of this, the USD8,242,601 fair value gain on previously

[2] Other assets include an amount of INR200,000,000 (USD3,343,922 on acquisition date) due from non-controlling interests and representing the balance due from the latter to India Factoring for the subscription of share capital.

held 49% investment recognised in 30 June 2014 has been adjusted to USD3,607,534. This amount is included in "Net fair value gains on previously held investments in associates" in the consolidated income statements (see Note 12).

As disclosed in Note 31 the Goodwill arising on this acquisition is being impaired by USD7.3 million, resulting in a carrying amount at reporting date of USD7.2 million after taking into effect the impact of currency translation.

28.6 impairment assessment

At each reporting date the Bank carries out an impairment assessment to calculate the recoverable amounts of its investment in subsidiaries (at cost) and determine the possibility of an impairment loss. The recoverable amounts of the investment in subsidiaries have been calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing use of each entity. Except for the following subsidiaries, no impairment losses were recognised during the financial year ended 31 December 2014 (2013: Nil) as the recoverable amounts of these investments were determined to be higher that the carrying amount.

India Factoring

The recoverable amount of this investment was based on its value in use, determined by discounting the future cash flows based on free cash flows to equity. The recoverable amount of the investment was determined to be lower than its carrying amount of USD38,400,465 and an impairment loss of USD33,976,525 is being recognised in "Net impairment loss on financial assets" in the Bank's Income Statement.

The key assumptions used in the calculation of value in use were as follows:

	31 Dec 14
Pre-tax discount rate	19.01%
Terminal value exit multiple	1.75x
Budgeted portfolio growth rates (average during projection period)	34.0%

The discount rate used is based on the rate (7.9%) of 10-year government bonds issued by the government in India and in the same currency as the cash flows, adjusted for a risk premium (6.3%) to reflect both the increased risk of investing in equities generally and the systemic risk (2%) of the specific entity.

Cash flows of five years were included in the discounted cash flow model. An exit-multiple was determined by reference to price-to-book of comparable companies, further adjusted for size and margins, illiquidity and control premium.

Budgeted profits were based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past years and the estimated growth for over the projection period.

One of the principal assumptions underlying that model is the annual capital injections that are required for regulatory purposes in order to attain the projected levels of operation. In support of this assumption, the directors confirm that by virtue of resolutions approved at the Annual General Meeting of 8 May 2014, the Bank has the necessary authorities in place to raise further equity capital up to USD100 million, of which USD48 million were raised in a Rights Issue during the year under review. Such authorities remain valid at least until 2016, unless renewed earlier.

The key assumptions described above may change as economic, political and market conditions change. Following the impairment loss recognised in the Bank's financial statements, the recoverable amount was equal to the carrying amount. Any adverse movement in a key assumption would lead to further impairment.

28 *investments in subsidiaries - continued*

CIS Factoring

As further disclosed in Note 29, after taking into consideration both entity-specific as well as economic and market conditions in Russia, the Group resolved to wind down its activities related to FactorRus, through CIS Factors, and at reporting date the assets, liabilities and results of the entity are being presented in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". As a result of this, the recoverable amount of the investment is being deemed to be Nil and an impairment loss of USD5,044,714 is being recognised in "Net impairment loss on financial assets" in the Bank's Income Statement.

29 discontinued operations

During the year under review, the Group, taking into consideration both entity-specific as well as economic and market conditions in Russia, resolved to wind down its activities related to FactorRus, through CIS Factors Holdings B.V. At reporting date the assets, liabilities and results of the entity are being presented in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Actions have already been initiated and further developments are expected during 2015.

Impairment losses of USD5,044,714, representing write-downs of the carrying amount (at cost) of the investment to its estimated recoverable amount of Nil are being recognised in "Net impairment loss on financial assets" in the Bank's Income Statement. In addition, impairment to Goodwill of USD1,653,256 originally recognised on the acquisition of the company in February 2014 is also recognised in "Adjustments to goodwill" in the Group's Income Statement.

The comparative consolidated income statement has been restated to show the discontinued operation separately from continuing operations.

results of discontinued operation

During the financial year ended 31 December 2013, the Group held 40% equity stake in CIS Factors and accounted for the investment using the equity method, with profits or losses disclosed in "Share of results of equity accounted investees (net of tax)".

The following information summarises the results of CIS Factors:

	2014 USD
Net interest income	1,767,329
Net fee income	243,051
Net trading income	(1,369,355)
Operating income before net impairment	641,025
Net impairment loss on financial assets	(5,292,346)
Operating income	(4,651,321)
Operating expenses	(2,485,082)
Operating loss	(7,136,403)
Taxation	838,194
Loss for the year	(6,298,209)

Earnings per share on discontinued operations are being disclosed in Note 18.

29 discontinued operations - continued

non-current assets held for sale

	Group 2014 USD
Loans and advances to banks	5,073,667
Loans and advances to customers	803,546
Deferred tax asset	1,684,535
Other assets	276,526
At 31 December	7,838,274

liabilities associated with non-current assets held for sale

	Group 2014 USD
Other liabilities	249,502
At 31 December	249,502

30 property and equipment

Group

	Freehold land	Freehold premises	Computer system	Improvement to premises	Computer equipment	Others	Total
	USD	USD	USD	USD	USD	USD	USD
Cost							
At 1 January 2013	6,921,589	25,961,029	1,955,011	716,092	1,964,768	2,647,674	40,166,163
Acquisitions during the year	-	4,714,023	-	47,658	277,930	941,035	5,980,646
Disposals during the year	-	-	-	(85,419)	(125,892)	(412,975)	(624,286)
At 31 December 2013	6,921,589	30,675,052	1,955,011	678,331	2,116,806	3,175,734	45,522,523
At 1 January 2014	6,921,589	30,675,052	1,955,011	678,331	2,116,806	3,175,734	45,522,523
Acquisitions through business combinations	-	201,320	-	462,223	502,431	534,824	1,700,798
Other additions	8,651	285,282	-	103,564	476,547	277,382	1,151,426
Disposals during the year	-	-	-	(1,581)	(66,052)	(63,109)	(130,742)
Effect of movement in exchange rates	-	(3,041)	-	(6,981)	(16,086)	(14,105)	(40,213)
At 31 December 2014	6,930,240	31,158,613	1,955,011	1,235,556	3,013,646	3,910,726	48,203,792
Depreciation							
At 1 January 2013	-	407,601	1,396,019	269,330	1,585,264	1,717,482	5,375,696
Charge for the year	-	994,988	163,602	66,706	168,733	361,454	1,755,483
Disposals during the year	-	-	-	(84,110)	(125,312)	(406,127)	(615,549)
At 31 December 2013	-	1,402,589	1,559,621	251,926	1,628,685	1,672,809	6,515,630
At 1 January 2014	-	1,402,589	1,559,621	251,926	1,628,685	1,672,809	6,515,630
Accumulation depreciation through business combinations	-	25,165	-	326,113	420,049	392,650	1,163,977
Charge for the year	-	1,268,079	153,335	54,864	299,085	502,143	2,277,506
Disposals during the year	-	-	-	(1,581)	(66,052)	(51,919)	(119,552)
Effect of movement in exchange rates	-	(381)	-	15,489	(13,939)	(34,412)	(33,243)
At 31 December 2014	-	2,695,452	1,712,956	646,811	2,267,828	2,481,271	9,804,318
Carrying amounts							
At 1 January 2013	6,921,589	25,553,428	558,992	446,762	379,504	930,192	34,790,467
At 31 December 2013	6,921,589	29,272,463	395,390	426,405	488,121	1,502,925	39,006,893
At 31 December 2014	6,930,240	28,463,161	242,055	588,745	745,818	1,429,455	38,399,474

Property and equipment include assets amounting to USD32,606,029 hypothecated in favour of third party banks up to USD6,605,000 (2013: USD7,709,000).

30 *Property and equipment - continued*

Bank

	Freehold premises	Computer system	Improvment to leasehold premises	Computer equipment	Others	Total
	USD	USD	USD	USD	USD	USD
Cost						
At 1 January 2013	221,708	1,955,011	472,843	1,422,468	1,733,348	5,805,378
Acquisitions during the year	-	-	47,658	165,013	222,078	434,749
Disposals during the year	-	-	(5,317)	(2,402)	(52,395)	(60,114)
At 31 December 2013	221,708	1,955,011	515,184	1,585,079	1,903,031	6,180,013
At 1 January 2014	221,708	1,955,011	515,184	1,585,079	1,903,031	6,180,013
Acquisitions during the year	-	-	65,689	413,190	178,081	656,960
Disposals during the year	-	-	-	-	(53,156)	(53,156)
At 31 December 2014	221,708	1,955,011	580,873	1,998,269	2,027,956	6,783,817
Accumulated depreciation						
At 1 January 2013	46,190	1,396,019	78,555	1,098,000	1,006,369	3,625,133
Charge for the year	4,434	163,602	35,020	131,054	208,462	542,572
Disposals during the year	-	-	(4,440)	(2,402)	(51,612)	(58,454)
At 31 December 2013	50,624	1,559,621	109,135	1,226,652	1,163,219	4,109,251
At 1 January 2014	50,624	1,559,621	109,135	1,226,652	1,163,219	4,109,251
Charge for the year	4,434	153,335	38,723	206,565	247,569	650,626
Disposals during the year	-	-	-	-	(41,966)	(41,966)
At 31 December 2014	55,058	1,712,956	147,858	1,433,217	1,368,822	4,717,911
Carrying amounts						
At 1 January 2013	175,518	558,992	394,288	324,468	726,979	2,180,245
At 31 December 2013	171,084	395,390	406,049	358,427	739,812	2,070,762
At 31 December 2014	166,650	242,055	433,015	565,052	659,134	2,065,906

31 # intangible assets and goodwill

reconciliation of carrying amount

Group

	Goodwill USD	Software licences USD	Total USD
Cost			
At 1 January 2013	-	3,598,581	3,598,581
Additions	-	460,022	460,022
Disposals	-	(65,335)	(65,335)
At 31 December 2013	-	3,993,268	3,993,268
At 1 January 2014	-	3,993,268	3,993,268
Acquisitions through business combinations	18,279,569	239,523	18,519,092
Other acquisitions	-	639,390	639,390
Disposals	-	(4,737)	(4,737)
Effects of movement in exchange rates	(1,779,715)	(9,328)	(1,789,043)
At 31 December 2014	16,499,854	4,858,116	21,357,970
Accumulated amortisation and impairment losses			
At 1 January 2013	-	2,263,022	2,263,022
Charge for the year	-	452,866	452,866
Disposals	-	(65,342)	(65,342)
At 31 December 2013	-	2,650,546	2,650,546
At 1 January 2014	-	2,650,546	2,650,546
Accumulated amortisation through business combinations	-	167,779	167,779
Charge for the year	-	463,608	463,608
Disposals during the year	-	(4,737)	(4,737)
Impairment loss	8,910,609	-	8,910,609
Effects of movement in exchange rates	-	5,541	5,541
At 31 December 2014	8,910,609	3,282,737	12,193,346
Carrying amounts			
At 1 January 2013	-	1,335,559	1,335,559
At 31 December 2013	-	1,342,722	1,342,722
At 31 December 2014	7,589,245	1,575,379	9,164,624

During the financial year ended 31 December 2014 no software research and development was either capitalised or expensed (2013: Nil).

31 intangible assets and goodwill - continued

Bank

Cost

	Software licences USD
At 1 January 2013	1,547,248
Additions during the year	292,256
At 31 December 2013	1,839,504
At 1 January 2014	1,839,504
Additions during the year	585,211
At 31 December 2014	2,424,715
Accumulated amortisation	
At 1 January 2013	925,247
Charge for the year	198,744
At 31 December 2013	1,123,991
At 1 January 2014	1,123,991
Charge for the year	230,066
At 31 December 2014	1,354,057
Carrying amounts	
At 1 January 2013	622,001
At 31 December 2013	715,513
At 31 December 2014	1,070,658

impairment testing for CGUs containing goodwill

For the purposes of impairment testing, goodwill is allocated to the Group's CGUs as follows:

	Group 2014 USD
CIS Factors	
– cost, net of exchange differences	1,653,256
– accumulated impairment	(1,653,256)
First Factors	402,586
India Factoring	
– cost, net of exchange differences	14,444,012
– accumulated impairment	(7,257,353)
	7,589,245

31 intangible assets and goodwill - continued

India Factoring

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows based on free cash flows to equity. The carrying amount of the CGU was determined to be higher than its recoverable amount of USD4,423,940 and a goodwill impairment loss of USD7,257,353 is being recognised in "Adjustments to Goodwill" in the Group's Income Statement.

The key assumptions used in the calculation of value in use were as follows:

	31 Dec 14
Pre-tax discount rate	19.01%
Terminal value exit multiple	1.75x
Budgeted portfolio growth rates (average during projection period)	34.0%

The discount rate used is based on the rate (7.9%) of 10-year government bonds issued by the government in India and in the same currency as the cash flows, adjusted for a risk premium (6.3%) to reflect both the increased risk of investing in equities generally and the systemic risk (2%) of the specific entity.

Cash flows of five years were included in the discounted cash flow model. Terminal value into perpetuity was determined by reference to price-to-book of comparable companies, further adjusted for size and margins, illiquidity and control premium.

Budgeted profits were based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past years and the estimated growth for over the projection period.

One of the principal assumptions underlying that model is the annual capital injections that are required for regulatory purposes in order to attain the projected levels of operation. In support of this assumption, the directors confirm that by virtue of resolutions approved at the Annual General Meeting of 8 May 2014, the Bank has the necessary authorities in place to raise further equity capital up to USD100 million, of which USD48 million were raised in a Rights Issue during the year under review. Such authorities remain valid at least until 2016, unless renewed earlier and can support the ability of the Bank to inject the required capital into the subsidiary for its development over the period of the projections.

The key assumptions described above may change as economic, political and market conditions change. Following the impairment loss recognised in the Bank's financial statements, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

CIS Factors

As further disclosed in Note 29, after taking into consideration both entity-specific as well as economic and market conditions in Russia, the Group resolved to wind down its activities related to FactorRus, through CIS Factors, and at reporting date the assets, liabilities and results of the entity are being presented in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". As a result of this, the recoverable amount of the CGU is being deemed to be Nil and a goodwill impairment loss of USD1,653,256 is being recognised in "Adjustments to Goodwill" in the Group's Income Statement.

32 deferred taxation

32.1 deferred taxation is analysed as follows:

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Tax effect of temporary differences relating to:				
- excess of capital allowances over depreciation	(472,365)	(518,872)	(328,076)	(368,089)
- allowances for uncollectibility	26,284,551	6,629,256	15,897,951	6,629,255
- changes in fair value of financial instruments	24,776	(163,568)	24,921	(163,426)
- investment tax credits	328,489	328,489		-
- unabsorbed capital allowances	-	183,379	-	183,378
- unabsorbed tax losses	7,746,597	6,785,068	-	213,388
	33,912,048	13,243,752	15,594,796	6,494,506

Recognition of deferred tax assets is based on the historical levels of profitability which indicate that it is probable that the Group's entities will have future taxable profits against which these assets can be used.

32.2 unrecognised deferred taxation

At the financial reporting date the Bank had unrecognised temporary differences amounting to USD54.8 million (2013: USD15.7 million). In addition Group subsidiaries had unrecognised and unutilised tax losses and tax credits amounting to USD43.1 million (2013: USD33.4 million) and USD0.6 million (2013: USD0.6 million) respectively.

32.3 movements in temporary differences during the year

	Opening balance	Recognised in other comprehensive income	Recognised in profit or loss	Acquired through business combinations	Effect of movement in exchange rates	Closing balance
	USD	USD	USD	USD	USD	USD
Group						
2013						
Excess of capital allowances over depreciation	(542,517)	-	23,645	-	-	(518,872)
Allowances for uncollectibility	3,800,742	-	2,828,514	-	-	6,629,256
Changes in fair values of financial instruments	506,084	(85,811)	(583,841)	-	-	(163,568)
Investment tax credits	331,017	-	(2,528)	-	-	328,489
Unabsorbed capital allowances	315,767	-	(132,388)	-	-	183,379
Unabsorbed tax losses	6,785,068	-	-			6,785,068
	11,196,161	(85,811)	2,133,402	-	-	13,243,752
2014						
Excess of capital allowances over depreciation	(518,872)	-	46,507	-	-	(472,365)
Allowances for uncollectibility	6,629,256	-	16,829,966	3,296,405	(471,076)	26,284,551
Changes in fair values of financial instruments	(163,568)	510,841	(322,497)	-	-	24,776
Investment tax credits	328,489	-	-	-	-	328,489
Unabsorbed capital allowances	183,379	-	(183,379)	-	-	-
Unabsorbed tax losses	6,785,068	-	262,546	717,296	(18,313)	7,746,597
	13,243,752	510,841	16,633,143	4,013,701	(489,389)	33,912,048

32 *deferred taxation - continued*

Bank

	Opening balance	Recognised in other comprehensive income	Recognised in profit or loss	Closing balance
	USD	USD	USD	USD
2013				
Excess of capital allowances over depreciation	(379,009)	-	10,920	(368,089)
Allowances for uncollectibility	3,800,742	-	2,828,513	6,629,255
Changes in fair values of financial instruments	506,108	(85,811)	(583,723)	(163,426)
Unabsorbed capital allowances	315,767	-	(132,389)	183,378
Unabsorbed tax losses	213,388	-	-	213,388
	4,456,996	(85,811)	2,123,321	6,494,506
2014				
Excess of capital allowances over depreciation	(368,089)	-	40,013	(328,076)
Allowances for uncollectibility	6,629,255	-	9,268,696	15,897,951
Changes in fair values of financial instruments	(163,426)	510,841	(322,494)	24,921
Unabsorbed capital allowances	183,378	-	(183,378)	-
Unabsorbed tax losses	213,388	-	(213,388)	-
	6,494,506	510,841	8,589,449	15,594,796

33 other assets

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Operational debtors and other recoverable amounts	4,023,413	4,594,042	1,863,657	3,840,295
Indirect taxation	456,887	398,367	433,614	144,466
	4,480,300	4,992,409	2,297,271	3,984,761

Other assets include an amount of USD520,947 (2013: USD582,280) pledged in favour of the Depositor Compensation Scheme.

34 prepayments and accrued income

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Accrued income	2,514,240	1,277,168	2,512,318	1,267,508
Prepayments	1,868,620	1,790,487	1,240,203	1,367,627
	4,382,860	3,067,655	3,752,521	2,635,135

35 amounts owed to banks

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Term loans and deposits	548,700,082	490,320,410	458,397,912	480,419,138
Repayable on demand	122,068,610	113,132,450	122,068,610	113,132,450
	670,768,692	603,452,860	580,466,522	593,551,588

35 *amounts owned to banks - continued*

Included in term loans and deposits are facilities of USD155,000,000 (2013: USD150,000,000) due to a Bank holding a significant shareholding in the Group. Such facilities are priced on an arm's length basis, unsecured and repayable within a period not exceeding one year.

36 amounts owed to customers

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Term deposits	259,328,848	214,971,969	243,039,332	205,971,969
Repayable on demand	264,519,377	216,714,797	252,558,552	207,778,671
	523,848,225	431,686,766	495,597,884	413,750,640
Amounts owed to subsidiaries	-	-	408,636	1,095,637
	523,848,225	431,686,766	496,006,520	414,846,277

Included in the Group customer accounts are deposits amounting to USD 39,949,955 (2013: USD52,729,945) held as collateral for irrevocable commitments. Included in the Bank customer accounts are deposits amounting to USD27,989,129 (2013: USD43,793,819) held as collateral for irrevocable commitments.

Amounts owed to subsidiaries include facilities that are interest-free, unsecured and repayable on demand.

37 debt securities in issue

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Unsecured promissory notes	10,599,196	35,498,006	-	-
	10,599,196	35,498,006	-	-

37.1 unsecured promissory notes

Unsecured promissory notes are issued by a subsidiary company. At 31 December 2014, notes issued by the subsidiary company have a tenor of up to one year. The Group's effective interest rate for 2014 is 2.01% (2013: 2.22%).

38 provisions

	Group USD	Bank USD
Balance at 1 January 2013	3,034,789	1,733,104
Provisions used during the year	(1,733,104)	(1,733,104)
Exchange difference	59,225	-
Balance at 31 December 2013	1,360,910	-
Balance at 1 January 2014	1,360,910	-
Provisions used during the year	(568,397)	-
Provisions reversed to income statement	(665,215)	-
Exchange difference	(127,298)	-
Balance at 31 December 2014	-	-
Non-current balance at 31 December 2013	1,360,910	-
Non-current balance at 31 December 2014	-	-

During the year, a subsidiary settled a pending court case, against which it was recognising a provision. As a result of this development, part of the provision was used to settle the dispute and the balance was reversed to income statement.

39 accruals and deferred income

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Accrued interest	2,749,000	3,392,736	2,654,916	3,243,546
Other accruals	11,357,979	10,744,889	1,934,843	1,796,406
	14,106,979	14,137,625	4,589,759	5,039,952

Accrued interest includes an amount of USD300,018 (2013: USD229,306) payable to a Bank holding significant investment in the Group (see Note 35).

40 equity

40.1 share capital

	2014		2013	
	Shares of 50 US cents		Shares of 50 US cents	
	Shares	USD	Shares	USD
Authorised				
Ordinary shares at 31 December	1,000,000,000	500,000,000	1,000,000,000	500,000,000
Issued and fully paid up				
Ordinary shares at 31 December	271,396,591	135,698,296	179,198,169	89,599,085

	Ordinary Shares	
	2014	2013
	No of Shares	No of Shares
On issue at 1 January	179,198,169	142,943,602
Rights issue of shares	74,060,885	-
Bonus issue of shares	17,939,936	-
Exercise of share options	197,601	
Conversion of loan granted by United Gulf Bank	-	36,254,567
On issue at 31 December	271,396,591	179,198,169

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All shares rank equally with regard to the Bank's residual assets.

Rights issue

During 2014, the Group made a 16 for 41 Rights Issue of shares at a price of USD0.65 per new ordinary share. Net proceeds from this rights issue amounted to USD47,767,058.

Bonus issue

In May 2014, the Annual General Meeting approved a 1 for 10 Bonus issue of shares through the capitalisation of the share premium reserve.

40.2 share premium

The share premium represents the excess, net of issue costs, over the nominal value of shares, received through a number of capital raising initiatives including new equity from strategic shareholders, rights issues, scrip dividend and allotment of shares under the executive share option schemes. This reserve is non-distributable.

40.3 reserve for general banking risks

The reserve for general banking risks is a regulatory reserve created by virtue of Banking Rule 9 "Measures addressing credit risks arising from the assessment of the quality of asset portfolios of credit institutions authorised under the Banking Act 1994". Under this Rule, Banks are required to calculate a "Regulatory Allocation" which would be equal to their level of non-performing exposures (gross of any collateral but reduced for suspended interest) reduced by the specific impairment allowance as calculated and disclosed in these financial statements. An amount ranging between 2.5% and 5.0% of the "Regulatory Allocation" is then appropriated to the reserve for general banking risks.

40 *equity - continued*

40.4 currency translation reserve

The currency translation reserve consists of exchange differences arising on the translation of the net investment in foreign operations.

40.5 fair value reserve

This reserve consists of changes in the fair value of available-for-sale financial instruments, net of deferred tax.

40.6 other reserve

The reserve consists of amounts representing the difference between the net proceeds received on the sale of own shares net of the relative acquisition costs and the recognition of an equity put option in favour of the International Finance Corporation for shares held by the latter in FactorRus.

40.7 dividends

The following dividends were declared and paid by the Group:

	2014 USD	2013 USD
Dividends declared and paid during the year	-	5,279,120

The Board of Directors is not recommending the payment of a dividend for the financial year ended 31 December 2014 (2013: Nil).

40.8 availability of reserves for distribution

At 31 December 2014, the Bank had accumulated losses of USD30,109,960 (2013: retained earnings of USD20,462,573).

41 non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests (NCI), before any intra-group eliminations:

31 December 2014	CIS Factors	India Factoring	First Factors	Total
Acquisition date	18 February 2014	31 March 2014	1 October 2014	
NCI percentage	20%	21%	49%	
	USD	USD	USD	USD
Total assets	7,356,014	86,850,147	35,939,143	
Total liabilities	13,839,009	80,055,093	3,404,577	
Net assets	(6,482,995)	6,795,054	32,534,566	
Carrying amount of NCI	(1,296,599)	(1,957,878)	27,100,767	23,846,290
Loss for the year	(5,334,640)	(27,267,942)	261,641	
Loss allocated to NCI	(1,066,928)	(5,726,268)	125,271	(6,667,925)
Net increase in cash and cash equivalents	4,612,778	1,430	3,818,484	

For each subsidiary presented in the above table, the information is only for the period from date of acquiring control to 31 December 2014.

42 contingent liabilities

42.1	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Guarantee obligations incurred on behalf of third parties	21,472,543	25,658,655	31,805,224	61,549,236

42 *contingent liabilities - continued*

42.2 other contingencies

On 9 January 2006 a judicial letter was filed against the Bank and a customer for the principal amount of USD841,582, plus legal interest. The party is claiming this amount by way of refund of a performance bond issued by a third party bank in his name and which performance bond was called upon by the Bank on behalf of its customer. The Bank is contesting this claim and the Directors do not expect the outcome of the action to have a material effect on the Group's and the Bank's financial statements. Up to the date of issue of these financial statements, no judicial proceedings have commenced against the Bank.

43 commitments

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Undrawn credit facilities	93,719,549	127,412,163	93,719,549	127,412,163
Confirmed letters of credit	58,004,749	89,001,289	55,471,139	95,611,216
Documentary credits	7,829,152	14,344,255	7,829,152	14,344,255
Commitment to purchase assets	11,414,536	38,639,463	-	-
Factoring commitments	105,520	26,023	105,520	26,023
	171,073,506	269,423,193	157,125,360	237,393,657

The Bank has total sanctioned limits to customers amounting to USD1,441,125,550 (2013: USD 660,245,479).

In addition, as at the financial reporting date the Bank had open back-to-back documentary credits amounting to USD1,823,339 (2013: USD23,828,229).

44 cash and cash equivalents

Balances of cash and cash equivalents as shown on the statement of financial position are analysed as follows:

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
Balances with the Central Bank of Malta, Treasury Bills and cash	7,824,101	69,707,226	7,804,628	69,680,966
Loans and advances to banks	331,905,664	211,088,466	321,424,387	201,126,105
Amounts owed to banks	(217,898,583)	(287,045,669)	(217,898,585)	(287,045,669)
Cash and cash equivalents at end of year	121,831,182	(6,249,977)	111,330,430	(16,238,598)
Adjustment to reflect balances with contractual maturity of more than three months	(354,120,079)	(189,520,187)	(260,845,801)	(179,053,706)
Per statement of financial position	(232,288,897)	(195,770,164)	(149,515,371)	(195,292,304)
Analysed as follows:				
Balances with the Central Bank of Malta, Treasury Bills and cash	7,824,096	69,707,225	7,804,628	69,680,966
Loans and advances to banks	430,655,699	337,975,471	423,146,523	328,578,318
Amounts owed to banks	(670,768,692)	(603,452,860)	(580,466,522)	(593,551,588)
	(232,288,897)	(195,770,164)	(149,515,371)	(195,292,304)

45 operating leases

leases as lessee

The Group leases motor vehicles and office premises under operating lease arrangements. During the year ended 31 December 2014, operating lease charges amounting to USD1,253,590 (2013: USD916,421) were recognised as an expense in the income statement of the Group, while operating lease charges amounting to USD1,252,986 (2013: USD1,230,601) were recognised as an expense in the income statement of the Bank.

Non-cancellable operating lease rentals are payable as follows:

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Less than one year	548,436	545,734	650,430	1,101,593
Between one and five years	795,943	40,868	47,854	604,266
More than 5 years	6,691	-	-	-
	1,351,070	586,602	698,284	1,705,859

46 related parties

46.1 identity of related parties

The Bank has a related party relationship with its significant shareholders, subsidiaries, associates and jointly-controlled entities, directors and executive officers. For the purpose of this note, significant shareholders include all shareholders (and their connected parties) holding at least five percent of the issued share capital of the Bank. In addition, executive officers include the Group President.

46.2 transactions with key management personnel

Directors of the Group control less than 1 per cent of the voting shares of the Bank and the Group respectively (2013: 6 per cent).

There were no loans and advances to Directors as at 31 December 2014 and as at 31 December 2013.

On 31 December 2014, an amount of USD259,792 (2013: USD526,270) was receivable from Executive Officers. Interest earned from Executive Officers during the financial year ending 31 December 2014 amounted to USD1,708 (2013: USD1,021).

Deposits by Directors as at 31 December 2014 amounted to USD310,398 (2013: USD317,835) and are included in "amounts owed to customers". Interest paid to Directors during the financial year ending 31 December 2014 amounted to USD6,993 (2013: USD3,699). Guarantees in favour of Directors as at 31 December 2014 amounted to USD20,000 (2013: Nil).

Deposits by Executive Officers as at 31 December 2014 amounted to USD622,837 (2013: USD979,830) and are included in "amounts owed to customers". Interest paid to Executive Officers during the financial year ending 31 December 2014 amounted to USD25,657 (2013: USD34,735). Furthermore, Guarantees in favour of Executive Officers as at 31 December 2014 amounted to USD2,830 (2013: USD3,212).

The Bank redeemed all bonds in issue during the comparative year. Gross interest paid to Directors and Executive Officers during the comparative year amounted to USD4,596 and USD2,946 respectively.

In addition to their salaries, the Group also provides non-cash benefits to Directors and Executive Officers. Directors' compensations are disclosed in Note 16.2 to these financial statements. Total remuneration payable to Executive Officers amounting to USD2,599,945 (2013: USD1,874,801) is included in "personnel expenses" (see note 16.2).

As at 31 December 2014, Executive Officers had a total of 764,192 (2013: 1,019,200) unexercised share options.

46 *related parties - continued*

46.3 other related party transactions

During the financial year ended 31 December 2014, interest paid to the parent company amounted to USD300,578 (2013: USD91,291) and interest paid to shareholders having significant influence amounted to USD3,431,837 (2013: USD451,409).

During the financial year ended 31 December 2014, interest received from the parent company amounted to USD553,979 (2013: USD91,807) and interest received from shareholders having significant influence amounted to USD468 (2013: Nil).

Amounts equivalent to USD43,890 (2013: USD9,568) and USD55,215 (2013: USD134,567) were charged by a shareholding company and Directors respectively for travelling and accommodation expenses in connection with the Board and Board Committee meetings of the Bank. Consultancy and professional fees amounting to USD294,767 (2013: USD526,199) were charged by companies owned, directly and indirectly by the Bank's Directors, former Directors and key management personnel.

Amounts equivalent to USD10,932 (2013: USD17,007) were due from an entity holding a significant shareholding in the Bank for travelling and accommodation expenses in connection with meetings of the Bank.

46.4 related party balances

Information on amounts due to/by subsidiary companies, associated companies and jointly-controlled entities are set out in notes 23, 24, 26, 27, 28, 35, 36 and 39 to these financial statements. Amounts due to/by Key Management Personnel are disclosed in note 46.2 above.

47 financial commitments

For 2015, the Board approved capital injections of up to USD17 million to provide additional support to existing factoring investments by way of additional capital.

48 capital commitments

At financial reporting date the Group had the following capital commitments:

	Group	
	2014 USD	2013 USD
Authorised and contracted for	-	320,187
		320,187

Capital commitments related to the construction and finishing of the Group's head office building in St Julian's, Malta.

49 changes to controlling shareholding and ultimate parent company

The ultimate parent company of FIMBank p.l.c. is by Kuwait Investments Projects (Holding) ("KIPCO") a company registered in Kuwait, and the immediate parent company is United Gulf Bank B.S.C. ("UGB"), a credit institution licensed and supervised by the Central Bank of Bahrain. The registered address of KIPCO is KIPCO Tower, Khalid Bin Al Waleed Street, Sharq, Kuwait City and the registered address of UGB is UGB Tower, Manama, Bahrain.

On 28 January 2014 FIMBank announced that, as a result of the Joint Voluntary Bid launched by UGB and Burgan Bank S.A.K. ("Burgan"), jointly the 'Offerors', the aggregate shareholding of the Offerors resulting from the Joint Voluntary Bid had increased to 80.19% of the issued share capital, made up of 19.53% held by Burgan and 60.61% held by UGB, respectively.

The necessary derogation was requested from the Listing Authority (MFSA) to maintain FIMBank's Listing Status as a result of the fact that the proportion of shares in the hands of the public had fallen below 25% of the total issued share capital. This derogation was received from the Listing Authority on 21 May 2014 and, subject to certain conditions being respected, it covered also the eventuality that the level of shares in the hands of the public decreases to 17% as a result of the rights issue approved at the Annual General Meeting held on 8 May 2014.

On 17 July 2014 the results of the rights issue were announced, including the intermediaries offer and the partial underwriting by Tunis International Bank S.A. ("TIB"), an entity controlled by Burgan. The aggregate shareholding of Burgan, UGB and TIB as a result of the rights issue came to 83.75% of the issued share capital, made up of 19.72% held by Burgan, 61.20% held by UGB and 2.83% held by TIB, respectively.

50 subsequent events

On 16 February 2015, the Group made a further investment of USD14.4 million in India Factoring. This investment is intended to support the capital ratios and further development of the company.

51 comparative information

Certain comparative amounts have been reclassified or re-represented, either as a result of the change in classification related to Discontinued Operations (see Note 29) or as a result of a 2014 Bonus Issue of shares having an impact on the prior year Earnings per Share (see Note 18).

statement by the directors pursuant to listing rule 5.68

For the year ended 31 December 2014

We, the undersigned, declare that to the best of our knowledge, the financial statements set out on pages 32 to 129 prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and its subsidiaries included in the consolidation taken as a whole and that this report includes a fair review of the development and performance of the business and the position of the Bank and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board of Directors on 10 March 2015 by:

John C. Grech
Chairman

Masaud M.J. Hayat
Vice Chairman

report of the independent auditors

to the members of FIMBank p.l.c.

report on the financial statements

We have audited the financial statements of FIMBank p.l.c. (the "Bank") and of the Group of which the Bank is the parent, as set out on pages 32 to 129, which comprise the statements of financial position as at 31 December 2014 and the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

directors' responsibility for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act"), the Banking Act, 1994 (Chapter 371, Laws of Malta), and, as regards the financial statements of the Group, Article 4 of the IAS Regulation. They are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 179 of the Act, and Article 31 of the Banking Act, 1994 (Chapter 371, Laws of Malta), and may not be appropriate for any other purpose.

In addition, we read the other information contained in the Annual Report 2014 and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent material misstatements of fact or material inconsistencies with the financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the Group's and the Bank's financial position as at 31 December 2014, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been properly prepared in accordance with the Companies Act, 1995 (Chapter 386, Laws of Malta), the Banking Act, 1994 (Chapter 371, Laws of Malta), and, as regards the financial statements of the Group, Article 4 of the IAS Regulation.

emphasis of matter

Without qualifying our opinion, we draw attention to Notes 28.6 and 31 to the financial statements (the 'Notes'). At 31 December 2014, the Bank carried out an impairment assessment to calculate the recoverable amounts of its investments in its subsidiary undertakings (and the related goodwill arising on the acquisitions of India Factoring and Finance Solutions Private Limited and CIS Factors Holdings B.V. reported in the Group's consolidated financial statements) to determine whether those amounts are at least equal to the carrying amounts at which such assets are stated, resulting in impairment losses on those investments and goodwill amounting to USD39,021,239 and USD8,910,609 respectively. One of the principal assumptions underlying the model used to calculate the impairment loss relating to the equity held in India Factoring and Finance Solutions Private Limited is the annual capital injections required for regulatory purposes, necessary to attain the projected levels of operation used as a basis to arrive at the recoverable amount of the investment in this subsidiary and the goodwill recognised on its initial accounting as a business combination. The Notes explain how the Bank will access such funding.

report on other legal and regulatory requirements

Matters on which we are required to report by the Banking Act, 1994 (Chapter 371, Laws of Malta)

In our opinion:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- proper books of account have been kept by the Bank so far as appears from our examination thereof;
- the Bank's financial statements are in agreement with the books of account; and
- to the best of our knowledge and belief and, on the basis of the explanations given to us, the financial statements give the information required by law in force in the manner so required.

Matters on which we are required to report by exception by the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act"), other than those reported upon above

We have nothing to report in respect of the following matters where the Act requires us to report to you if, in our opinion:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- certain disclosures of directors' remuneration specified by the Act are not made.

Report required by Listing Rule 5.98 issued by the Listing Authority in Malta on the Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance (the "Principles") outlined in Appendix 5.1 to Chapter 5 (Continuing Obligations) of the Listing Rules (the "Appendix")

Listing Rule 5.97 requires an Issuer whose securities are admitted to trading on a Regulated Market operating in Malta to prepare a corporate governance statement. In addition, as an Issuer registered in Malta, Listing Rule 5.94 requires that the Bank endeavours to adopt the Principles and to prepare a report explaining how it has complied with the provisions of the Appendix.

Our responsibility as independent auditors of the Bank, is laid down by Listing Rule 5.98, which requires us to issue a report on the Directors' Statement of Compliance with the Principles, which is set out on pages 19 to 28.

We review the Directors' Statement of Compliance, and report as to whether this Statement provides the disclosures required by Listing Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control and risk management systems cover all the risks and controls in relation to the financial reporting process, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risks and control procedures, nor on the ability of the Group to continue in operational existence.

In our opinion, the Directors' Statement of Compliance set out on pages 19 to 28 provides the disclosures required by Listing Rule 5.97 issued by the Listing Authority of Malta.

Hilary Galea-Lauri (Partner) for and on behalf of

KPMG
Registered Auditors
Portico Building
Marina Street
Pieta` PTA 9044
Malta

10 March 2015

schedule I

income statement

Five Year Summary

Bank

	2014 USD	2013 USD	2012 USD	2011 USD	2010 USD
Interest income	28,392,379	25,308,593	21,815,348	20,990,805	14,300,606
Interest expense	(13,742,561)	(18,318,032)	(16,288,411)	(15,080,538)	(9,183,774)
Net interest income	14,649,818	6,990,561	5,526,937	5,910,267	5,116,832
Fee and commission income	15,617,702	16,004,841	15,543,409	14,629,402	15,237,631
Fee and commission expense	(2,022,658)	(1,339,461)	(1,304,577)	(1,429,800)	(1,387,338)
Net fee and commission income	13,595,044	14,665,380	14,238,832	13,199,602	13,850,293
Net trading results	3,424,789	1,992,071	3,885,844	2,901,446	2,290,793
Dividend income	1,523,364	691	699	-	320
Other operating income	27,441	25,591	5,290	32,322	31,572
Operating income before net impairment losses	33,220,456	23,674,294	23,657,602	22,043,637	21,289,810
Net impairment loss/reversal on financial assets	(63,921,856)	(6,709,515)	(1,690,609)	328,517	(1,493,233)
Operating income	(30,701,400)	16,964,779	21,966,993	22,372,154	19,796,577
Administrative expenses	(25,114,822)	(20,552,916)	(19,730,475)	(20,681,648)	(16,900,731)
Depreciation and amortisation	(880,693)	(741,316)	(666,464)	(671,744)	(731,585)
Provision	-	(676,921)	-	-	-
Total operating expenses	(25,995,515)	(21,971,153)	(20,396,939)	(21,353,392)	(17,632,316)
Profit before tax	(56,696,915)	(5,006,374)	1,570,054	1,018,762	2,164,261
Taxation	6,458,782	2,175,605	(41,902)	820,472	465,082
Profit for the year	(50,238,133)	(2,830,769)	1,528,152	1,839,234	2,629,343

schedule I I

statement of financial position

Five Year Summary

Bank

	2014	2013	2012	2011	2010
	USD	USD	USD	USD	USD
ASSETS					
Balances with the Central Bank of Malta, Treasury Bills and cash	7,804,628	69,680,966	20,818,657	11,202,132	9,813,667
Financial assets at fair value through profit or loss	20,570,036	18,583,480	56,528,905	43,172,482	44,727,571
Loans and advances to banks	423,146,523	328,578,318	392,215,931	410,335,778	322,642,839
Loans and advances to customers	635,248,176	593,801,221	476,424,777	417,827,014	367,218,263
Investments available-for-sale	30,103,691	26,475,502	92,040	92,040	161,791
Investments held-to-maturity	7,116,353	6,783,621	-	-	-
Investments in equity accounted investees	6,013,425	6,013,425	6,013,425	3,213,425	3,213,425
Investments in subsidiaries	61,278,380	79,234,301	78,234,301	73,481,359	64,234,312
Property and equipment	2,065,906	2,070,762	2,180,246	1,882,113	1,814,489
Intangible assets	1,070,658	715,513	622,001	653,646	740,651
Current tax assets	-	2,064,316	1,416,224	448,583	1,558,921
Deferred tax	15,594,796	6,494,506	4,456,996	4,466,875	2,325,553
Other assets	2,297,271	3,984,761	2,581,299	2,773,613	2,411,528
Prepayments and accrued income	3,752,521	2,635,135	1,405,124	4,412,473	2,540,034
Total assets	1,216,062,364	1,147,115,827	1,042,989,926	973,961,533	823,403,044
LIABILITIES AND EQUITY					
Liabilities					
Financial liabilities at fair value through profit or loss	1,606,718	506,477	791,622	4,722,154	2,425,331
Amounts owed to banks	580,466,522	593,551,588	412,808,494	358,274,318	329,976,491
Amounts owed to customers	496,006,520	414,846,277	427,387,411	408,123,600	285,048,980
Debt securities in issue	-	-	43,141,189	42,346,073	42,853,818
Subordinated debt	-	-	40,122,813	41,162,938	43,789,227
Provisions	-	-	1,733,104	1,733,104	1,733,104
Current tax liabilities	1,456,521	-	-	-	-
Other liabilities	2,398,694	368,015	409,346	94,392	182,135
Accruals and deferred income	4,589,759	5,039,952	5,858,275	6,265,596	5,156,968
	1,086,524,734	1,014,312,309	932,252,254	862,722,175	711,166,054
Equity					
Share capital	135,698,296	89,599,085	71,471,801	68,318,160	67,976,317
Share premium	21,642,302	19,820,564	8,028,945	10,474,390	10,235,339
Reserve for general banking risks	415,293	80,893	-	-	-
Fair value reserve	(789,342)	159,362	(97,470)	(97,470)	(51,665)
Other reserve	2,681,041	2,681,041	2,681,041	2,681,041	2,681,041
Retained earnings/(accumulated losses)	(30,109,960)	20,462,573	28,653,355	29,863,237	31,395,958
	129,537,630	132,803,518	110,737,672	111,239,358	112,236,990
Total liabilities and equity	1,216,062,364	1,147,115,827	1,042,989,926	973,961,533	823,403,044
MEMORANDUM ITEMS					
Contingent liabilities	31,805,224	61,549,236	82,152,480	72,685,336	43,362,797
Commitments	157,125,360	237,393,657	173,120,939	116,747,046	170,860,031

schedule I I I

cash flow statement

Five Year Summary

Bank

	2014 USD	2013 USD	2012 USD	2011 USD	2010 USD
Net cash flows from/(used in) operating activities	105,650,593	(49,159,379)	79,368,658	44,432,606	(102,960,640)
Cash flows from investing activities					
Net payments to acquire property and equipment	(656,961)	(434,749)	(776,241)	(548,275)	(153,597)
Payments to acquire intangible assets	(585,213)	(292,256)	(176,797)	(104,554)	(342,619)
Proceeds from disposal of property and equipment	19,404	7,244	6,806	12,326	-
Purchase of shares in equity accounted investees	-	-	(2,800,000)	-	(1,200,000)
Purchase of shares in subsidiary companies	(21,065,318)	(1,000,000)	(4,752,941)	(8,705,959)	(10,822,021)
Purchase of other investment	(5,237,791)	(25,988,335)	-	(719)	-
Receipt of dividend	1,523,364	691	699	-	320
Cash flows (used in)/generated from investing activities	(26,002,515)	(27,707,405)	(8,498,474)	(9,347,181)	(12,517,917)
Cash flows from financing activities					
Proceeds from issue of share capital	47,920,950	29,918,903	-	-	23,853
Net (repayment)/issue of debt securities	-	(44,263,812)	-	-	38,464,494
(Repayment)/proceeds from subordinated debt	-	(42,224,862)	(1,714,285)	(1,714,285)	(857,143)
Dividends paid	-	(5,279,120)	(2,029,838)	(2,791,061)	(1,077,077)
Net cash flows from/(used in) financing activities	47,920,950	(61,848,891)	(3,744,123)	(4,505,346)	36,554,127
Increase/(decrease) in cash and cash equivalents	127,569,028	(138,715,675)	67,126,061	30,580,079	(78,924,430)
Cash and cash equivalents at beginning of year	(16,238,598)	122,477,077	55,351,016	24,770,937	103,695,367
Cash and cash equivalents at end of year	111,330,430	(16,238,598)	122,477,077	55,351,016	24,770,937

schedule I V

accounting ratios

Five Year Summary

Bank	2014 %	2013 %	2012 %	2011 %	2010 %
Net interest income and other operating income to total assets	2.90	2.47	2.39	2.41	2.75
Operating expenses to total assets	2.14	2.17	1.96	2.19	2.14
(Loss)/profit before tax to total assets	(4.66)	(0.49)	0.15	0.10	0.26
Pre-tax return on capital employed	(43.77)	(3.77)	1.42	0.92	1.93
(Loss)/profit after tax to equity	(38.78)	(2.13)	1.38	1.65	2.34

	2014	2013	2012	2011	2010
Weighted average number of shares in issue (000's)	226,803	158,439	142,605	136,383	135,753
Net assets per share (US cents)*	57.11	75.32	69.00	69.79	70.55
Basic earnings per share (US cents) *					
Basic	(22.15)	(1.61)	0.95	1.15	1.65
Diluted	(22.13)	(1.60)	0.95	1.15	1.65

* Ratios for 2010 to 2013 have been restated to reflect the number of shares in issue as a result of the 2012 and 2014 bonus issue of shares.

schedule V

additional regulatory disclosures (pillar 3)

in terms of Banking Rule (BR/07) "Publication of annual report and audited financial statements of credit institutions authorised under the Banking Act, 1994"

For the year ended 31 December 2014

1. introduction

1.1 background

This document comprises the Pillar 3 Regulatory Disclosures required by BR/07 as at 31 December 2014 for FIMBank p.l.c. (the "Bank") and its subsidiary undertakings (the "Group").

As from 1 January 2014 these Regulatory Disclosures are also reflecting the requirements of Articles 431 to 455 of "Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012" ("Capital Requirements Regulation", or "CRR") and of "Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions" ("ITS") and of the "European Banking Authority Guidelines on Disclosure of Encumbered and Unencumbered Assets EBA/GL/2014/03" ("EBA Guidelines", or "Guidelines").

1.2 basis and frequency of disclosures

These disclosures are based on 31 December 2014 year-end data, and are updated on an annual basis.

1.3 publication and verification

The Pillar 3 disclosures are not subject to external audit, except to the extent that any disclosures are also required for the purpose of the preparation of the Groups IFRS financial statements. Nonetheless, these disclosures have been internally reviewed by the Group as well as independently reviewed by KPMG so as to ensure their proper preparation and presentation.

The Pillar 3 disclosure document is also published on the Bank's corporate website. This can be found at www.fimbank.com.

2. risk governance

2.1 FIMBank risk management function

The Board is ultimately responsible for the identification and evaluation of key risks applicable to the different areas of the business of the Group, and for ensuring that proper systems of internal control are in place. The Group's risk management framework is designed to support the delivery of the strategic objectives determined by the Board. The Board has delegated to Management the task of creating an effective control environment to the highest possible standards and in line with the Bank's Articles of Association also established the following committees in order to assist Directors in the oversight of its functions:

- Executive Committee
- Audit Committee
- Board Risk Committee
- Asset-Liability Committee
- Compensation Committee
- Credit Committee
- Governance Committee

Details of the composition and responsibilities of these Committees are laid out in the Statement of Compliance with the Principles of Good Governance section in pages 19 and 28 of the Annual Report.

2.2 risk management objectives and profile

The risk management framework and processes in place reflect the business strategy being followed by the Group. It is acknowledged that such processes need to be robust to safeguard against inherent risks faced within emerging markets, including those of political and economic nature. Trade flows may also be affected by market downturns in supply and demand, whether cyclical, economic or seasonal that may impact significantly on the business. The Group continuously endeavours to upgrade its risk management processes to meet such developments.

The below table and commentary summarises the risk profile of the Group at different reporting dates:

USD Million	2014	2013
Gross Portfolio (on-balance sheet)	1,388.1	1,222.9
Gross Portfolio (off-balance sheet)	190.4	308.1
Total Gross Portfolio	1,578.5	1,531.0
Impaired Portfolio (net of suspended interest and collateral)	117.6	48.0
Impaired Portfolio/Gross Portfolio	7.4%	3.1%
Loan Loss Reserves	95.6	35.5
Loan Loss Reserves/Impaired Portfolio	81.3%	73.9%

- 2013 includes pro-forma India Factoring and Factorrus as if consolidated (for comparison purposes).
- Impaired Portfolio includes trading assets which were subject to fair value adjustments.
- Loan Loss Reserves includes fair value adjustments on trading book. General reserves are excluded.

The increase in impaired assets during the year under review (US$117.6 million at year end-2014, representing 7.4% of the group's gross portfolio; 2013: 3.1%) is mainly attributable to an increase in impaired assets at India Factoring and Factorrus (both entities became fully consolidated subsidiaries during the course of 2014) and to a number of impairments - albeit less pronounced both in absolute terms and as a percentage of total portfolio - in FIMBank's trade finance exposures as well as fair value adjustments to some trading assets held under London Forfaiting Company's forfaiting exposures. Such deterioration in asset quality was however compensated for by a steep increase in specific loan loss reserves, which at the end of the period covered impaired assets by a ratio of 81.3% (2013: 73.9%), leaving the net impaired portfolio to represent a small percentage of the group's equity base. During the year a number of remedial actions were undertaken to strengthen risk management oversight of the subsidiaries' activities as well as enhancing the selection process for new customers and transactions, with a particular focus on credit risk mitigation through enhanced controls over underlying trade flows as well as improved collateralization of exposures.

2.3 board and senior management

The management body of the Group is deemed to be the Board of Directors, which is appointed in accordance with the Bank's Articles of Association. At 31 December 2014, the Board of Directors consisted of:

	Number of directorships held (including FIMBank p.l.c. and its subsidiaries)
John C. Grech (Chairman)	6
Rogers David LeBaron	1
Masaud M. J. Hayat	13
Fakih Ahmed Mohamed	8
Adrian Alejandro Gostuski	4
Eduardo Eguren Linsen	3
Majed Essa Al-Ajeel	5
Rabih Soukarieh	16
Osama Talat Al-Ghoussein	3

As disclosed in Principle 8 of the Statement of Compliance with the Principles of Good Governance (page 22), in 2015 the Board will be setting up a Nomination Committee to be granted the power to lead the process for Board and Board committee appointments. This committee will, amongst others, present recommendations to the Board regarding nomination to the board's membership in accordance with approved policies, standards, and instructions on nomination regulations for the board of director's membership. It will also implement policies in relation to the requiered knowledge, skills and expertise of nominated directors as well as the diversity with regards to the selection of members of the Board. The committee will also be empowered to perform an annual review of the needs required in regards to suitable skills for board membership and prepare a description of the skills and qualifications required for board membership.

The Board has established separate Risk and Credit committees with specific responsibilities on risk management and governance across the Group. Further details on the duties, composition and number of times the committee have met during 2014 are disclosed in Principle 8 of the Statement of Compliance with the Principles of Good Governance (page 22).

board risk committee

The Board Risk Committee ("BRC") has an oversight responsibility for all material risks in all business, functions and subsidiaries of the Group. As a result, the BRC ensures that the material risks and cases which might affect the Group are duly identified. In addition, the BRC oversees the setting up and monitoring of the Risk Appetite Framework. The Committee's responsibilities also include, but are not limited to, the following matters:

a. Oversight of risk management and governance structures;
b. Monitoring of the Risk Appetite and Risk Tolerance limits for credit, market and product risk;
c. Review and make recommendations to the Board on country limits, impairments and key performance indicators for risk;
d. Review and make recommendations to the Board on Funding Risk (Capital and Liquidity);
e. Review and monitor the Group's overall process for risk assessment, ranking and management/mitigation, as well as ensure that the Board is fully informed and updated on all major potential risks.
f. Review and monitor the Group's Operational Risk Framework and review, assess and determine Key Operational Risk indications.

The Chairman of the BRC reports the outcome of all its meetings to the Board of Directors by means of a presentation during Board meetings. The Secretary prepares and maintain Minutes of all meetings of the Committee and these are also circulated to the Board of Directors.

The BRC appoints, terminates and sets remuneration of the Group Chief Risk Officer, who in turn reports on a day-to-day to the CEO.

Credit Committee

The Credit Committee ("CC") is the main body (subject to specified delegated authorities to management) with the powers and duties to review credit applications and approve credit limits and specific transactions up to the legal lending limit of the Bank, and within the guidelines specified in the Group's credit policy procedures. The CC records the outcome of all its meetings by keeping record of the approved minutes of meetings held, which are available to CC members and the Bank's internal auditors, and by issuing a circular – shortly after each meeting - to Management and to the key business origination officers, highlighting the main credit decisions taken by the CC.

3. scope of application of applicable consolidated requirements

3.1 Overall scoping

As disclosed in the Directors' Report in page 12, the FIMBank Group (the "Group") is composed of FIMBank p.l.c. (the "Bank"), a credit institution licensed under the Banking Act, 1994, and its wholly owned subsidiaries, London Forfaiting Company Limited ("LFC"), FIM Business Solutions Limited ("FBS"), FIM Property Investment Limited ("FPI"), FIM Holdings (Chile) S.p.A. ("FHC"), and FIMFactors B.V. ("FIMFactors"). As disclosed in Note 28 to the Financial Statements, LFC, FHC and FIMFactors are the parent companies of a number of other subsidiaries, including Menafactors Limited ("Menafactors"), India Factoring and Finance Solutions Private Limited ("India Factoring"), and FactorRus. The Group also holds a significant interest in the associated entities, The Egyptian Company for Factoring S.A.E. ("Egypt Factors" - 40% holding), Levant Factors S.A.L. ("Levant Factors" - 50% holding) and BRASILFACTORS S.A. ("BRASILFACTORS" – 50% holding).

Both FIMBank p.l.c. and the Group are supervised on a "solo" and "consolidated" basis in terms of Banking Rule 10 "Supervision on a Consolidated Basis of Credit Institutions authorised under the Banking Act 1994".

3 scope of application of applicable consolidated requirements- continued

3.2 Basis of consolidation

At 31 December 2014, all Group entities were consolidated as outlined below. For all companies listed below, there are no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities within the members of the Group, including the parent company.

London Forfaiting Company Limited

LFC, a wholly owned subsidiary, is registered in the United Kingdom as a private limited liability company. It was founded in 1984 and provides international trade finance services (with particular focus on forfaiting business) through an international network of offices. Some of these offices have distinct corporate status in the various jurisdictions where they are providing the service. LFC's main activities are the purchasing of bills of exchange, promissory notes, deferred payment letters of credit and transferable financial loans from exporters or their banks and subsequently selling these instruments to customers or other institutions.

LFC is consolidated within the Group on a line-by-line basis.

India Factoring and Finance Solutions Private Limited ("India Factoring")

India Factoring is a company incorporated under Indian law and provides factoring, forfaiting and trade finance related activities in India. The Group holds 79% of the Company's shareholding. The other shareholders are Banca IFIS (10%), Blend Financial Services Limited (1%) and India Factoring Employee Welfare Trust (10%). India Factoring is regulated by the Reserve Bank of India.

India Factoring is consolidated within the Group on a line-by-line basis.

FIM Holdings (Chile) S.p.A.

FHC (100%), registered in Chile, serves as the corporate vehicle for First Factors S.A. (51%), registered also under the laws of Chile, to provide all types of factoring, financial leasing and other management services. The other shareholders are Inversiones El Mayorazgo Limitada, Marín y Compañía S.A., Asesoría e Inversiones CABS S.A., Compañía de Rentas Epulafquén Ltd., Compañía de Rentas Trigal Ltd. and Compañía General de Rentas Ltd.

FIMFactors is consolidated within the Group on a line-by-line basis.

FIMFactors B.V.

FIMFactors B.V., a wholly owned subsidiary registered in the Netherlands, is the corporate vehicle for FIMBank's holdings in factoring joint ventures and associated companies. At 31 December 2014, FIMFactors holds the Group's investments in Menafactors, CIS Factors, India Factoring and BRASILFACTORS.

FIMFactors is consolidated within the Group on a line-by-line basis.

Menafactors Limited

Menafactors, a wholly owned subsidiary, is incorporated in the United Arab Emirates and is licensed by the Dubai Financial Services Authority to provide international factoring and forfaiting services in the Gulf and MENA region. Menafactors also holds the Group's investment in Levant Factors as set out in the Directors Report of the Annual Report and note 27 to the Financial Statements.

Menafactors is consolidated within the Group on a line-by-line basis while the results of its associate, Levant Factors, a factoring company incorporated in Beirut, Lebanon, are included in Menafactors and in the Group, using the "equity method" of accounting. This investment is deducted from the Group's own funds.

CIS Factors Holdings B.V. ("CIS Factors")

CIS Factors is a company set-up under the laws of the Netherlands and serves as an investment vehicle for a factoring company incorporated under the laws of the Russian Federation and which provides factoring services in Russia. The Group owns 80% of the company. The remaining 20% shareholding is held by the International Finance Corporation ("IFC").

The assets, liabilities and results of the entity are being presented in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" (see Note 29)

FIM Business Solutions Limited and FIM Property Investment Limited

FBS and FPI are two entities specifically set-up to provide ancillary services to other Group entities and/or third parties.

FBS, a wholly owned subsidiary registered in Malta, has as its primary purpose the provision of information technology and support services to the Group and its associated companies, to correspondent banks as well as to third party factoring services providers.

FPI, a wholly owned subsidiary registered in Malta owns and manages the FIMBank's head office in Malta. FIM Property Investment Limited is responsible for the day-to-day management of the building and leasing, if any, of space for commercial purposes.

Both FBS and FPI are consolidated to the Group on a line-by-line basis.

BRASILFACTORS S.A.

BRASILFACTORS is a company incorporated in São Paolo, Brazil, focusing on factoring services and forfaiting, with small and medium-sized companies being its target market. The Group has a 50% holding in the company, with the other shareholder being Banco Industrial e Comercial S.A. ("BICBANCO").

BRASILFACTORS is included to the Group using the "equity method" of accounting and the investment is deducted from the Group's Own Funds.

The Egyptian Company for Factoring S.A.E. ("Egypt Factors")

The Bank also holds a 40% equity investment in Egypt Factors, a company incorporated in Egypt, where the other shareholders are Commercial International Bank (Egypt) holding 40% and International Finance Corporation ("IFC") holding 20% of the shares. Egypt Factors is active in providing international factoring and forfaiting services to Egyptian and other Middle Eastern exporting companies.

Egypt Factors is included to the Group using the "equity method" of accounting and the investment is deducted from the Group's Own Funds.

4 identification of risks

The Group identified the following Pillar 1 and Pillar 2 risks as being significant and manages such risks as detailed below;

a. Credit and Counterparty risk, including Concentration risk;
b. Operational risk – incorporating information technology, legal, compliance and insurance risk;
c. Market risk – incorporating foreign currency risk, position risk, interest rate risk and other price risk;
d. Liquidity risk;
e. Reputational risk;
f. Settlement risk; and
g. Strategic and business risk

In the following sections we lay out the manner in which the Group manages and mitigates the above mentioned risks, indicating whether such risks are allocated a capital charge under Pillar 1 and Pillar 2.

4.1 *Credit and Counterparty Risk*

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

4.1.1 *Minimum Capital Requirements under Pillar 1: Credit and Counterparty Risk*

The Group calculates the overall minimum capital requirement for credit risk using the Standardised Approach to credit expressed as 8% of the risk weighted exposure amounts for each of the Standardised Credit Risk Exposure Classes. The table below illustrates the capital requirement for each of the exposure classes as at 31 December 2014.

	Risk Weight Amount	Minimum Capital Requirement (8%)
	2014 USD	2014 USD
Type of exposure:		
Central governments or central banks	2,040,521	163,242
Regional governments or local authorities	-	-
Public sector entities	10,285,210	822,817
Multilateral Development Banks	-	-
International Organisations	-	-
Institutions	148,067,056	11,845,365
Corporates	521,541,352	41,723,308
Retail	4,774,335	381,947
Secured by mortgages on immovable property	330,154	26,412
Exposures in default	34,836,442	2,786,915
Items associated with particular high risk	-	-
Covered bonds	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-
Collective investments undertakings (CIU)	30,063,377	2,405,070
Equity	41,013	3,281
Other items	93,087,856	7,447,028
	845,067,316	67,605,385

4.1.2 Credit Risk Management Principles and Strategy

Strict credit assessment and control procedures are in place in order to monitor credit exposures. The Credit Committee is responsible for overseeing the Group's credit policy and risk, for approving individual limits for banks and corporates within its delegated parameters of authority as set out in the Statement of Compliance with the Principles of Good Corporate Governance in page 19 of the Annual Report.

All on- and off- balance sheet exposures are approved after a thorough review of the counterparties' credit worthiness. This is done by primarily evaluating the risk rating of the counterparty by reference to established Rating Agencies. In the absence of this and when it is deemed appropriate to do so, review is also done by means of other assessment criteria, including but not limited to, financial statement review.

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

The Group maintains a prudent provisioning policy in accordance with the applicable laws and regulations to ensure that losses are immediately recognised in the income statements. Efforts at recovering losses incurred in past financial periods are continuous. To this purpose, legal proceedings have been undertaken in the courts of competent jurisdiction.

4.1.3 Credit Risk Limit Setting and Monitoring

Over the years, the Group has established policies requiring limits on counterparties, countries as well as specific sectors, and industries, thus ensuring a more diversified on- and off- balance sheet lending portfolios.

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

Concentration risk by geographical region/country is monitored by the Executive Committee, which set up a specific policy for country risk concentration. This policy defines a ceiling – in terms of percentage of the Group's Own Funds - for each individual country exposure, which is linked to the rating granted to each country by international rating agencies. The ceiling increases (up to a maximum of 100% of the Bank's Own Funds for investment grade countries) with the rating of the country. As for single-name limits, country limits do not automatically increase to the pre-defined ceiling, as the initial assessment is based on the country's specific economic, financial and political risk conditions.

Concentration risk by sector is mitigated by the particular nature of the Group's business, i.e. a specialised trade finance institution with a focus on Emerging Markets. Most of the bank's exposure relates to banks' risk, located in a number of geographies and hence diversified by virtue of the country limit policy specified in the above paragraph, which usually guarantee/confirm the payment risk of the importers under international trade finance operations. Exposure to particular sectors is monitored indirectly through monitoring of the trends of the underlying commodities. Exposure to corporate entities in many cases consists of bridge financing towards a sale of goods/commodities eventually covered by a bank guarantee (provided by the bank of the ultimate buyer of the goods). Other specialised sectors of exposure, in particular shipping pre-demolition finance, which are collateralised through a mortgage on each vessel financed, are assigned an overall sector limit by the Bank's Risk Committee, which is reviewed regularly.

For derivative instruments the Group faces a counterparty credit risk, that is the risk that the counterparty to a derivative transaction defaults before the final settlement of the transactions' cash flows. Such a risk is monitored through the setting up of counterparty settlement limits for forward and other derivative instruments. As noted in section 4.6, the Group also has in place operational procedures to prevent settlement risk. Counterparty credit risk is assigned a capital charge using the marked-to-market method, based on the residual maturities of the contracts.

4 identification of risks- continued

4.1.4 Collateral and credit risk mitigation

In addition, the Group also makes use of different types of collaterals, all aimed at mitigating credit risk within on- and off-balance sheet credit facilities.

Main types of collateral and concentrations in credit risk mitigations

Exposures to both financial institutions and corporate clients are typically secured either by property (including shipping vessels), cash collateral, credit insurance cover, personal or bank guarantees or by pledged goods. For financial collaterals, the main counterparties would be reputable credit institutions, financial institutions, or credit insurers. Procedures are in place to limit the market and credit risk concentrations of collaterals, including the regular monitoring of commodity market prices and assessment of credit worthiness of collateral counterparties.

The collateral is reviewed periodically by Management both in terms of exposure to the Bank and the Group and to ensure the validity and enforceability of the security taken. Investment securities are not usually held as collateral, and no such collateral was held at 31 December 2014. The table below provides an estimate of the fair value of collateral and other security enhancements held against the Group's Lending portfolio (some items of collateral are not being extended a value for regulatory purposes):

	Loans and Advances to Banks	Loans and Advances to Customers	Commitments and Contingent Liabilities
	2014 USD	2014 USD	2014 USD
Against unimpaired facilities	38,332,670	14,119,695	18,909,120
Cash or quasi cash	-	1,323,673	-
Immovable Property	43,393,312	96,712,426	19,129,909
Other			
Against impaired facilities	3,702,559	1,675,689	-
Cash or quasi cash	-	204,106	-
Immovable Property	-	3,638,505	-
Other			
	85,428,541	117,674,094	38,039,029

As FIMBank is mainly engaged in structured trade finance related to hard and soft commodities, the value of goods representing collateral for such facilities can be easily determined by monitoring the market prices of such commodities. Screen prices are readily available on several commodities exchanges and monitored on a daily basis by Risk Management. Collateral management is performed on FIMBank's behalf by specialised companies (SGS, Bureau Veritas, Control Union, etc.) appointed ad hoc for a particular transaction. Collateral management agreements are usually tri-partite agreements (between FIMBank, the borrower and the collateral manager) and give FIMBank title to the goods held as collateral.

The Group's provision of collaterals to third party is mainly limited to repo transactions with a contractual maturity generally not exceeding 12 months. Given the short nature of such transactions, the Group does not expect a material change to its collateral value as a result of a downgrade in its credit rating.

4.1.5 Credit risk weights and ECAIs

The Group classifies its on- and off- balance sheet exposures under the following "exposure classes" as defined in the CRR:

a. Central governments or central banks
b. Regional governments or local authorities
c. Public sector entities
d. Multilateral Development Banks
e. International Organisations
f. Institutions
g. Corporates
h. Retail
i. Secured by mortgages on immovable property
j. Exposures in default
k. Items associated with particular high risk
l. Covered bonds
m. Claims on institutions and corporates with a short-term credit assessment
n. Collective investments undertakings (CIU)
o. Equity
p. Other items

The Group complies with the standard association of exposure ratings to credit quality steps as detailed in Part Three, Title II, Chapter 2 of the CRR. When calculating the risk-weighted exposure amounts for each of the above exposure classes the Group applies the ratings of the following External Credit Assessment Institutions ("ECAIs") in determining the appropriate credit quality step:

a. Fitch Ratings(*);
b. Moody's; or
c. Standard & Poor's.

(*) Fitch Ratings is used as the primary reference agency and if a particular exposure is not rated by Fitch Ratings reference would be made to the lower rating between Moody's or Standard & Poor's.

4 identification of risks- continued

At 31 December 2014, the Group carried the following exposures:

Exposure class	Credit quality step	Exposure values USD
Central governments or central banks	0%	8,575,671
	20%	10,202,606
		18,778,278
Public sector entities	20%	8,946,048
	100%	8,496,000
		17,442,048
Institutions	0%	52,235,462
	20%	291,298,848
	50%	121,562,433
	100%	30,135,994
	150%	5,387,055
		500,619,793
Corporates	0%	18,382,077
	50%	6,674,898
	100%	617,852,427
	150%	6,698,836
		649,608,238
Retail	0%	743,946
	75%	6,590,762
		7,334,708
Secured by mortgages on immovable property	50%	660,309
		660,309
Exposures in default	0%	5,244,041
	100%	1,750,336
	150%	22,057,404
		29,051,781
Collective investments undertakings (CIU)	100%	30,063,377
		30,063,377
Equity	100%	41,013
		41,013
Other items	0%	16,758,685
	100%	55,529,128
	250%	15,023,491
		87,311,304

4.1.6 *asset quality*

Past due and impaired facilities

"Impaired" facilities are exposures for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

On the other hand, "past due but not impaired" facilities are exposures where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

The following table provides details of the Group's impaired exposures (net of related "interest in suspense", "fee income in suspense" and any collateral held or other credit enhancement):

	Loans and advances to Banks 2014 USD	Loans and advances to Customers 2014 USD
Total Impaired Facilities	6,482,166	12,688,518

The geographic and industry sector distribution of gross impaired exposures as at 31 December 2014 are as follows:

	Loans and advances to Banks 2014 USD	Loans and advances to Customers 2014 USD
Europe	-	2,488,677
Sub-Sahara Africa	6,482,166	-
North Africa & Middle East	-	2,770,545
Others	-	7,429,295
Total	6,482,166	12,688,518

	Loans and advances to Banks 2014 USD	Loans and advances to Customers 2014 USD
Industrial raw materials	-	4,899,918
Wholesale and retail trade	-	2,299,498
Financial Intermediation	6,482,166	5,489,102
Total	6,482,166	12,688,518

4 *identification of risks- continued*

Credit reserves

The Group has in place credit reserves that represent its estimate of incurred losses in its loan portfolio. The main components of these reserves are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment. Both specific and collective reserves are based on the models laid down in Banking Rules and International Financial Reporting Standards.

Specific impairments

Review of all Group exposures is made on an on-going basis and an identification of a facility which encroaches its terms and conditions would trigger a specific impairment process and a possible charge to the credit reserve.

The basis of allocating amounts to the specific credit reserve is dependent on the grading of non-performing exposures assigned in accordance with Banking Rule 09, as revised in December 2013. Specific credit reserve calculations are based on discounted cash flow techniques applied to the expected future cash flows.

Collective impairments

For those exposures where no individual impairment is identified, the Group takes a charge to a collective credit reserve based on an incurred loss model approach for potential losses. The reserve is calculated as a percentage (%) of unsecured on- and off- balance sheet assets which percentage would be based on the average credit rating of the same assets. Excluded from the model are assets with very low risk potential, including cash assets, deposits with investment grade counterparties and assets carried at fair value (as opposed to amortised cost). Moreover, a reduced charge of 50% is taken on assets covered by a Immovable Property or Shipping Vessels as collateral.

Value adjustments and provisions

The Group's business portfolio comprises assets which are measured at either "fair value" or "amortised cost".

a. Instruments measured at fair value and amortised cost

The accounting measurement of these instruments are set out and explained in detail in note 5 to the Financial Statements for 2014.

b. Changes in the fair value and provisions for impaired exposures

The following table reconciles the total fair value mark downs and provisions for impaired exposures (specific provisions) together with a reconciliation for the financial year ending 31 December 2014:

		Measured at fair value	Measured at amortised cost
	Trading assets	Financial assets designated at fair value through profit or loss	Loans and advances to banks and customers
	USD	USD	USD
Accumulated fair value/provisions at 1 January 2014	8,669,525	100,000	15,330,837
Increase in provisions	9,270,204	-	64,114,419
Reversal of provisions	(484,414)	(300,000)	(236,439)
Foreign exchange differences	-	-	(836,258)
Accumulated fair value/provisions at 31 December 2014	17,455,315	(200,000)	78,372,560

Credit risk exposure by region

The geographic distribution of the Group exposures as at 31 December 2014, broken down in significant areas by the same exposure classes shown in the previous table is set out in note 4 to the Financial Statements.

Credit Risk Exposure by Sector

Note 4.2 to the Financial Statements also sets out the distribution of the Group's exposures as at 31 December 2014 by sector.

Credit risk exposures by Maturity

The residual maturity breakdown of the Group's exposures as at 31 December 2014, broken down by exposure classes is set out in Note 4.3 to the Financial Statements.

4.1.7 Credit derivatives

The Group does not enter into credit derivative contracts and no such hedges were carried as at 31 December 2014.

4.1.8 Asset encumbrance

Encumbered assets of the Group mainly consist of repoed assets classified as either Trading Assets or Financial Assets at Fair Value through Profit or Loss. Repoed transactions are covered by the ISMA Global Master Repurchase Agreement and involve the sale of financial assets with a simultaneous agreement to repurchase at a pre-determined price at a future date. Encumbered Loans and Advances represent amount pledged in favour of the Depositor Compensation Scheme or to counterparties under documentary credits. Encumbered Other Assets mainly consist of Group property hypothecated in favour of third party banks.

	Carrying amount of encumbered assets USD	Fair value of encumbered assets USD	Carrying amount of unencumbered assets USD	Fair value of unencumbered assets USD
Equity instruments	-	-	32,926,062	32,926,062
Debt securities	38,984,783	38,984,783	248,912,014	248,912,014
Other assets	32,606,029	-	1,056,546,513	-
	71,590,812		1,338,384,589	

	Matching liabilities, contingent liabilities or securities lent USD	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered USD
Carrying amount of selected financial liabilities	35,437,248	71,590,812

The Group continues to recognise these encumbered assets since all the risks and rewards of the assets will be substantially retained in a manner that does not result in the encumbered assets being derecognised for accounting purposes. There are no encumbered assets between entities of the Group

4.1.9 Credit Concentration Risk

In addition to policies aimed at managing credit risk and concentrations within credit portfolios as set out in note 4.2 to the Financial Statements, and this Section, the Group assesses the requirement for an additional capital charge against undesired concentrations across various portfolios. The Group uses the Herfindhal-Hirschmann index (HHI) in assessing concentrations within single/connected counterparties, countries and industries/sectors.

4.2 Operational Risk

Operational risk arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses.

The factors that may contribute to Operational Risk are set out in detail in note 4.5 to the Financial Statements.

4.2.1 Minimum Capital Requirement: Operational Risk

The following table shows the Group's overall minimum capital charges for operational risk in accordance with the Basic Indicator Approach:

	2014 USD
Gross income:	
Financial year ending 31/12/2013	33,471,082
Financial year ending 31/12/2012	40,040,832
Financial year ending 31/12/2011	37,529,354
Average gross income	37,013,756
Capital requirement (15%)	5,552,063
Notional Risk Weight	69,400,793

4.2.2 *Management and mitigation of Operational Risk*

In calculating the capital requirement for Operational Risk, the Group has adopted the Basic Indicator Approach as detailed in the CRR. Under this approach, the capital requirement for operational risk is equal to 15% of the relevant indicator, being the average over three years of the sum of net interest income and net non-interest income.

In addition to this, and in line with the CRD framework, the Group assesses whether this resulting capital charge is enough in meeting potential losses arising from operational risks. This is done through the use of a number of risk indicators. Key risk indicators are statistics/metrics, often financial, intended to provide insight on the exposure to the effectiveness of operational risk management or controls. These indicators tend to be reviewed on a periodic basis to alert the Group to changes that may be indicative of risk concerns and may include the number and severity of failed (due to fraud, errors, omissions, etc) transactions, staff turnover rates, systems' down-time, type and materiality of losses, etc. The Group has invested heavily in information technology and disaster recovery and contingency systems to assist its Management to control this risk.

At 31 December 2014, the Group took an Operational Risk capital charge as disclosed in Section 4.2.1 to this Schedule and note 4.6 to the Financial Statements.

Legal, Insurance and Information Technology Risks form part of Operational risk, but their importance within the Group's functions and operations merit a separate discussion and capital allocation assessment under the Pillar II analysis.

The Group believes that the rigor applied to the more business oriented risks, should also be applied to the management of operational risks. It seeks to continuously develop an appropriate risk management environment which identifies, assesses, monitors and mitigates operational risk inherent in its products, activities, processes, systems and working environment. This is being achieved by establishing policies, processes and procedures which control or far better mitigate operational risks, identified as material, and at the same time setting up proper internal and external control systems which regularly review and monitors compliance with the established policies and procedures, as set out in note 4.5 to the Financial Statements.

4.3 Market Risk

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

Management and Mitigation of Market Risk

The Group has implemented policies, established limits as well as maintains currency and interest derivative contracts, aimed at mitigating market risks.

4.3.1 Foreign Exchange Risk

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

4.3.1.1 Minimum Capital Requirement: Foreign Exchange Risk

When calculating its capital requirements, the Group also considers its Net Open Foreign Currency Position (Basic Method) in terms of the CRR. Through this approach, each net currency position is analysed and a capital charge is taken on the net short or long currency exposure.

At 31 December 2014, the Group took a Foreign Exchange capital charge as follows:

Foreign Currency	**Long position** USD equivalent	**Short position** USD equivalent
Euro	28,477,453	-
Australian Dollar	-	133
Brazilian Real	2,282,715	-
Canadian Dollar	-	43,794
Danish Krone	2,260	-
Pound Sterling	-	1,578,783
Yen	77,227	-
Russian Ruble	8,452,520	-
Swedish Krona	281	-
Swiss Franc	208,423	-
Norwegian Krone	-	12,031
Hong Kong Dollar	2,350	-
Singapore Dollar	2,593	-
Other Foreign Currencies	52,924,399	223,659
Total position	92,430,223	1,858,399
Notional Risk Weight		92,430,223
8% Capital requirement		7,394,418

4.3.2 Position risk

4.3.2.1 Traded debt instruments

The Group has non-securitised debt instruments, carried in the trading book, for which a specific capital charge is taken under the CRR. Such assets are allocated a) a "specific risk" charge based on the percentage risk weight which would be attributable to the assets under the Standardised Approach for credit risk and b) a "general risk" charge based on the maturity profile of the asset.

At 31 December 2014, the Group took a Position risk capital charge as follows:

	Risk Weight Amount 2014 USD	Minimum Capital Required 2014 USD
Specific Risk		
Debt securities under the first category	-	-
Debt securities under the second category	4,133,235	330,659
Debt securities under the third category	185,306,043	14,824,483
Debt securities under the fourth category	39,856,151	3,188,492
General Risk		
Zone One	9,645,371	771,630
Zone Two	5,367,036	429,363
Zone Three	1,963,927	157,114
	246,271,763	19,701,741

4.3.2.2 *Exposures to interest rate risk in the non-trading book*

Interest rate risk refers to the exposure of the Group and the Group's financial instruments to movements in interest rates. The risk impacts the earnings of the Group as a result of changes in the economic value of its assets, liabilities and off- balance sheet instruments. The Group's operations are subject to interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or at different amounts.

Accordingly, interest rate risk in the non-trading book is managed through the use of maturity/re-pricing schedules that distribute interest-bearing assets and liabilities into different time bands. The determination of each instrument into the appropriate time period is dependent on the contractual maturity (if fixed rate) or time remaining to their next re-pricing date (if floating rate). This method also referred to as "gap analysis", will eventually portray the Group's sensitivity of earnings and capital to changing interest rates.

A positive, or asset-sensitive, gap arises when assets (both on and off- balance sheet) exceed liabilities in the corresponding time band, and this implies that the Group's net interest income (and therefore capital) could decline as a result of a decrease in the level of interest. To the contrary, a negative, or liability-sensitive, gap implies that net interest income could decrease as a result of an increase in interest rates. Note 4.4 to the Financial Statements details the effect to the Group's assets and liabilities as at 31 December 2014 due to a +/- 100 basis point change in interest rates.

Notwithstanding that no capital charge is taken under the Pillar 1 Framework, an additional capital charge is taken under Pillar 2 as disclosed in note 4.3.2 to this Schedule.

4.3.2.3 *Equities not included in the trading book*

The only Group's exposure to equities is in its non-trading book and such equities are in unlisted entities. The accounting and valuation methodologies differ depending on the percentage holding and marketability of the instruments.

4.3.2.3.1 *Equity Investments less than 10%*

Equity investments comprising less than 10% of the investee company's capital are classified as "available-for-sale". All equity securities carried by the Group are not listed on an exchange and there is no readily available active market. As such these unquoted securities are carried at cost less impairment losses.

At 31 December 2014, the Group had USD30,104,393 in equity investments. Whilst there is no active market for these investments, fair value has been determined by reference to broker prices, with fair value movement recognised net of deferred tax in fair value reserve.

4.3.2.3.2 *Equity Investments between 10% and 50%*

Equity investments comprising between 10% and 50% of the investee company's capital are generally classified as "associates" and are accounted for using the equity method (equity accounted investees) and are recognised at cost less impairment allowances.

The Consolidated Financial Statements include the Group's share of the income and expenses and equity movement of equity accounted investees, after adjustments to align the accounting policies with those of the Group. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

This accounting treatment is also applied on those investments where the Group has joint control (50%) over the strategic, financial and operational decisions of the investee.

All investments in associates and jointly-controlled entities are made in line with the Group's strategic objectives of investing in trade-finance related companies.

Such assets are allocated a) a "specific risk" charge by multiplying the overall position by 8% and b) a "general risk" charge which also requires multiplying the overall position by 8%.

	Risk Weight Amount	Minimum Capital Required
	2014	2014
	USD	USD
Specific Risk	2,382,467	190,597
General Risk	2,382,467	190,597
	4,764,934	381,195

4.3.2.3.3 *Equity Investments exceeding 50%*

Equity investments exceeding 50% of the investee company's capital are classified as "subsidiaries" and are fully consolidated in the Group results and financial position. The equity investment in the Group's Financial Statements is therefore replaced by the financial result and position of the subsidiary, net of any minority interests.

4.3.2.4 *Unit Investments in Collective Investment Schemes*

Unit Investments in Collective Investment Schemes are classified as "available-for-sale". These unit investments are not listed on an exchange and there is no readily available active market. Fair value for the collective investment schemes is determined by reference to funds' net asset values, with fair value movement being recognised, net of deferred tax, in fair value reserve.

4.3.3 *Other Price Risk*

Other price risk arises out of changes in market values not related to changes in interest rates or foreign currency. Generally, these would be factors directly related to the issuer's or exposure's financial stability and performance.

As set out in Note 4.4 to the Financial Statements, the Group's exposure to price risk is considered relevant in the case of bonds and credit linked notes portfolios which are both measured by reference to their quoted market values in active markets. Price risk is deemed to be less relevant for the forfaiting portfolio. These assets do not have observable market prices and their fair value is determined through the use of valuation techniques, including net present value and discounted cash flow models, which require varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instruments. Notwithstanding this, the Group endeavours to mitigate any price risk by building a diversified forfaiting portfolio with different geographical exposures.

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

As disclosed in Note 4.4 to the Financial Statements, changes in the market value of marketable securities are recorded in the Group's income statement, directly impacting equity. An increase in the price of instruments would increase the value of the underlying asset and would therefore result in an increase in equity. A decrease in prices would have an opposite effect on both value of instruments and equity.

The Group assess the requirement for a capital allocation against other price risk under the Pillar 2.

4.4 *Liquidity Risk*

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

4.4.1 Management and mitigation of Liquidity Risk

Liquidity risk is managed by maintaining significant levels of liquid funds, and identifying and monitoring changes in funding required to meet business goals driven by management. The Group's ALCO is responsible for establishing appropriate asset and liability management policies, monitoring their application and reviewing financial information on the basis of which investment and funding decisions are taken. The daily application of the asset and liability management policies rests with the Treasury Unit of the Group. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity Risk Management is described in detail in Note 4.3 to the financial statements.

4.4.2 *Liquidity Concentration Risk*

Note 4.3 to the Financial Statements and Note 4.4.1 of this Schedule set out the Group's policies, tools and other mitigants used in managing liquidity risk. The Group also uses the Herfindhal-Hirschmann index (HHI) at assessing the need of capital allocation against concentrations in terms of single/connected counterparties, countries and industries within its funding liabilities. Capital charges against detected concentrations in liabilities help in having the Group's business units more vigilant against concentrations in funding sources.

4.5 Reputational Risk

Reputational risk is the risk that negative publicity on the Group's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. Reputational risk could be particularly damaging for the Group since the nature of its business requires maintaining the confidence of depositors, creditors, regulatory authorities and of the general marketplace.

Reputational risk arises from operational failures, failure to comply with relevant laws and regulations - especially Anti–Money Laundering ("AML") and Anti-Terrorism Financing ("ATF") - regulations or from other sources, including acts or omissions of misconduct on the part of its Directors and/or officers and/or representatives overseas, even in matters which are unrelated to their mandate or position within the Group. The impact to the Group for non-compliance with the applicable regulations can be substantial and can include formal enforcement actions, monetary penalties, informal enforcement actions, and enhanced supervisory monitoring.

To this purpose, detailed AML, ATF and fraud documentation policies and procedures, a robust Customer Acceptance Policy as well as a strong and capillary oversight by the Group's Board and Management have been devised. The Group uses qualitative research tools to assess the adequacy of prospective clients and transactions and implemented Anti-Money Laundering software for the screening of incoming and outgoing messages and payments as well as rating of corporate and business relationships. Through such rigid procedures, the Group would be able to identify transactions and clients which pose a higher risk compared to others. These include Politically Exposed Persons ("PEPs"), clients and transactions deriving from a non-compliant jurisdiction and correspondent banking. In addition, reputational risk is also indirectly mitigated through the setting of Country Limits. Some of the criteria used in setting up a transaction limit for particular countries are closely related to reputational risk, including issues relating to the political environment such as the fairness and frequency of election process and access to power and effectiveness in reforming political systems and implementing economic agendas.
The Group has also installed adequate internal monitoring systems to discover any such irregularities on the part of persons who may cause such risk, thus ensuring that persons not maintaining the highest standards of integrity in their

activities, even if such activities are unrelated to their position, are not allowed to retain their positions of responsibility within the Group. Moreover, Regulatory authorities require a formalised review process for senior management personnel which results are submitted to the same authorities and also published to the market.

In addition to these mitigants, the Group assesses the need for capital allocation against reputation risk under Pillar 2 framework. Capital was allocated against reputational risk at 31 December 2013.

4.6 Settlement Risk

The Group faces settlement risk due to the fact that few financial transactions are settled simultaneously or on a same day basis. Consequently, the Group could suffer a loss if the counter-party fails to deliver on settlement date.

The Group controls the deals performed on a recorded line by the dealer and further ensures that the receipt of the deal and the confirmation received from the counter-party are reconciled and matched. This ensures that any settlement risk is identified immediately and that real-time action is taken to rectify any problematic situation.

4.7 Strategic and Business Risk

Strategic risk is the risk associated with the future business plans and strategies. Improper strategic choices or the actual implementation of strategic decisions, as well as lack of responsiveness to changes in the economic environment, can have a serious and significant impact on prospective profit and capital results. As the Group is mainly engaged in trade finance business, this risk category is intimately connected with the overall performance of international trade in the global economy, and in particular to the level of cross-border trade between countries and in markets that are typically in the developing stages of their economic development and political stability.

Closely linked with the above, Business Risk is the risk associated with the particular business and operating circumstances of the Group, and is more within the control of decisions taken by Management but which nevertheless can have a significant impact on operating and business results.

The Group adopts various ways to mitigate strategic and business risks. Primarily, the Group has in place a “corporate governance” structure composed of both executive and non-executive officials as detailed in the Statement of Compliance with the Principles of Good Corporate Governance, included in the Annual Report for 2014. Based on their remit and charters, the various corporate committees provide advice to the Board in taking ultimate strategic and business decisions. The size of the Group enables its corporate structures to have a more “on the ground” approach and positions and decisions can be formulated and taken in a sufficient timely manner. The Board and Committees are assisted by a team of Executive and Senior Management, who have focused on-the ground expertise in their various areas of responsibilities. Executive and Senior Management hold periodical meetings in order to discuss major business decisions, business and economical trends, as well as implement decisions taken by the Board or any of its Committees. Through these meetings, the collective expertise of the management team is brought together and is a determinant factor in the success of identifying and exploiting business opportunities.

The Group also has a strategic investment policy aimed at providing direction with respect to long-term investments in other entities. This policy is flexible enough to support situations arising in different markets and environments but at the same time provides clear objectives in what constitutes ideal target companies and markets based on the overall risk appetite. This policy also reflects the Group’s diversification policy both in terms of products as well as geographical markets.

5 capital and capital management

Detailed analysis on the composition of Tier 1, Tier 2 and Own Funds is disclosed in Note 4.6

5.1 Full reconciliation of Own Funds items to audited financial statements in accordance with Article 437(1)(a) of Regulation (EU) No 575/2013

5.1.1 Reconciliation between the balance sheet used to calculate own funds as in the published financial statements and the balance sheet used to calculate regulatory own funds

	Cross-reference to Notes in Financial Statements	Cross-reference to Statement of Transitional Adjustments	Balance Sheet in accordance with IFRS scope of consolidation	Effect of deconsolidation for regulatory consolidation	Balance Sheet in accordance with regulatory scope of consolidation
Equity					
Share capital	40		135,698,296	-	135,698,296
Share premium					
Retained earnings/(accumulated losses)	40		21,642,302	-	21,642,302
Reserve for general banking risks	40		3,919,616	-	3,919,616
Currency translation reserve	40		415,293	-	415,293
Fair value reserve	40		(1,016,084)	-	(1,016,084)
Other reserve	40		(789,342)	-	(789,342)
Other Reserves	40		681,041	-	681,041
			(709,092)	-	(709,092)
Other transitional adjustments to CET1: Non-controlling interests deductable from own funds		TA1	19,077,032	-	19,077,032
Non-controlling interests not deductable from own funds			4,769,258	4,769,258	-
Non-controlling interests	41		23,846,290	4,769,258	19,077,032
Assets					
Pledged assets in favour of Depositor Compensation Scheme reported under loans and advances to banks	23		781,420	-	781,420
Pledged assets in favour of Depositor Compensation Scheme reported under other assets	33		520,946	-	520,946
Market value of assets pledged in favour of Depositor Compensation Scheme			1,302,366	-	1,302,366
Collective impairment	23/24		(6,347,657)	-	(6,347,657)
Goodwill accounted for as intangible asset			7,589,245	-	7,589,245
Other intangible assets			1,575,379	-	1,575,379
Intangible assets and goodwill	31		9,164,624	-	9,164,624
Deferred tax liabilities associated to other intangible assets			(150,783)	-	(150,783)
Deferred tax asset that rely on future prof itability and arise from temporary Differences and deductable from own funds			19,039,340	-	19,039,340
Other transitional adjustments to CET1: Deferred tax asset that rely on future prof itability and arise from temporary Differences and deductable from own funds		TA2	(16,728,841)	-	(16,728,841)
Deferred tax asset that rely on future profitability and arise from temporary differences and not deductable from own funds			31,752,332	31,752,332	-
Deferred taxation	32		33,912,048	31,752,332	2,159,716

5.1.2 Statement of transitional adjustments

	Note	2014 USD
Non-controlling interests deductible from own funds	TA 1	19,077,032
Deferred tax asset that rely on future profitability and arise from temporary differences and deductible from own funds	TA 2	16,728,841
Transitional adjustments to CET 1		35,805,873

5.1.3 Mapping between own funds statement as reported in Note 4.6 and the Balance Sheet in accordance with regulatory scope of consolidation and the Statement of transitional adjustments as reported in tables 5.1.1 and 5.1.2 respectively

	Own Funds 2014 USD	Balance Sheet in accordance with regulatory scope of consolidation	2014 USD	Statement of transitional adjustments	2014 USD
Tier 1					
Paid up capital instruments	135,698,296	Share capital	135,698,296		
Share premium	21,642,302	Share premium	21,642,302		
Retained earnings/ (accumulated losses)	3,919,616	Retained earnings/ (accumulated losses)	3,919,616		
Other reserves	(709,092)	Other Reserves	(709,092)		
Deductions:					
Goodwill accounted for as intangible asset	(7,589,245)	Goodwill accounted for as intangible asset	7,589,245		
Other intangible assets	(1,575,379)	Other intangible assets	1,575,379		
Deferred tax liabilities associated to other intangible assets	150,783	deferred tax liabilities associated to other intangible assets	(150,783)		
Deferred tax asset that rely on future profitability and arise from temporary differences	(19,039,340)	deferred tax asset that rely on future profitability and arise from temporary differences and deductible from own funds	19,039,340		
Instruments of financial sector entities where the institution has a significant investment	-				
Market value of assets pledged in favour of Depositor Compensation Scheme	(1,302,366)	Market value of assets pledged in favour of Depositor Compensation Scheme	1,302,366		
Other transitional adjustments	35,805,873			Transitional adjustments to CET 1	35,805,873
Common Equity Tier 1	167,001,448				
Total Tier 1	167,001,448				
Tier 2					
General credit risk adjustments	6,347,657	Collective impairment	(6,347,657)		
Total Tier 2	6,347,657				
Total own funds	173,349,105				

5.2 Description of features of Tier1 and Tier 2 capital instruments in accordance with Article 437(1)(b) of Regulation (EU) No 575/2013

ISIN number	MT0000180100
Governing law of the instrument	Maltese Law
Regulatory treatment	
- transitional CRR rules	Common equity Tier 1
- post transitional CRR rules	Common equity Tier 1
- eligibility for inclusion in own funds	Bank solo and Group consolidated
- amount recognised in regulatory capital	271,396,591 shares
- nominal value of each share	USD0.50
- issue price	N/A
- redemption price	N/a
- accounting classification	Share capital
- original date of issuance	8 November 1994
- perpetual or dated	N/A
- original maturity date	N/A
- issuer call subject to prior supervisory approval	N/A
Dividends	
- fixed or floating dividend	Floating
- coupon rate and any related index	N/A
- existence of a dividend stopper	No
- fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
- fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
- existence of step-up or incentive to redeem	N/A
- non-cumulative or cumulative	Non-cumulative
- convertible or non-convertible	Non-convertible
- write-down features	N/A
- position in subordination hierarchy in liquidation	Subordinated to senior creditors and depositors
- non-compliant transitional features	None

5.3 Nature and amounts of specific items on own funds during the transitional period in accordance with Articles 437(1)(d) and (e)

	Amount at Disclosure Date 2014 USD	Amount subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575/2013 2014 USD
Common Equity Tier 1 capital: Instruments and reserves		
Capital Instruments and the related share premium accounts	157,340,598	
Retained earnings	3,919,616	
Accumulated other comprehensive Income and other reserves	(1,124,385)	
Funds for general banking risk	415,293	
Minority Interest (amount allowed in consolidated CET1)	19,077,032	19,077,032
Common Equity Tier 1 (CET1) capital before regulatory adjustments	179,628,154	19,077,032
Common Equity Tier 1 capital: regulatory adjustments		
Intangible assets net of related tax liability	(9,013,8410)	
Deferred tax asset arising from temporary differences above 10% thresh-old net of related tax liability	(2,310,499)	16,728,841
Market value of assets pledged in favour of Depositor Compensation Scheme	(1,302,366)	
Total regulatory adjustments to Common equity Tier 1 (CET1)	(12,626,706)	16,728,841
Common Equity Tier 1 (CET1) capital	167,001,448	35,805,873
Tier 1 capital	167,001,448	35,805,873
Tier 2 capital: Instruments and provisions		
Credit risk adjustments	6,347,657	
Tier 2 capital	6,347,657	
Total capital	173,349,105	35,805,873
Total Risk Weighted Assets	1,257,935,029	
Capital Ratios		
Common Equity Tier 1 (CET1) capital	13.3%	
Tier 1 capital	13.3%	
Total capital	13.8%	
Capital ratios and buffers		
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investments in those entities below 10% threshold	41,013	
Direct and indirect holdings of the capital of financial sector entities where the institution has a significant investments in those entities below 10% threshold	2,821,668	
Deferred tax asset arising from temporary differences below 10% threshold net of related tax liability	15,023,491	
Applicable caps on the inclusion of provisions in Tier 2		
Credit risk adjustments included in T2 in respect of exposures subject to standardized approach	6,347,657	
Cap on inclusion of credit risk adjustments in T2 under standardized approach	6,347,657	

5 capital and capital management- continued

5.4 capital requirements

The Group uses the Standardised Approach Under the capital requirements framework, overall capital requirements have to be calculated and compared with the Own Funds described above. The overall capital requirements are expressed in terms of Risk Weighted Assets ("RWA") whereby capital requirements need to be 8% of RWA.

The Group's minimum capital requirement under Pillar 1 is calculated by adding the credit risk charge to that required for operational risk and market risk.

The following table shows both the Group's overall minimum capital requirement and capital adequacy position under Pillar 1:

	Risk weighted assets 2014 USD	Capital required 2014 USD
Capital Requirements		
Credit and Counterparty risk (section 4.1)	845,067,316	67,605,385
Operational Risk (Section 4.2)	69,400,793	5,552,063
Foreign Exchange Risk (Section 4.3.1.1)	92,430,223	7,394,418
Position Risk in Traded debt instruments (Section 4.3.2.1)	246,271,763	19,701,741
Position Risk in Equities (Section 4.3.2.3.2)	4,764,934	381,195
Total Capital Requirements Pillar 1	1,257,935,029	80,551,866
Tier 1 Capital	167,001,448	
Total Own Funds	173,349,105	
Capital Ratios	%	
Tier 1 capital	13.3	
Total capital	13.8	

Tier 1 capital and the Group's total capital is 1.7 times the minimum capital requirement in terms of CRR.

5.5 internal capital adequacy assessment process ('ICAAP')

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

The second pillar of the Capital Requirements Directive involves both banks and regulators taking a view on whether a bank should hold additional capital against risks not covered in Pillar 1. Part of the Pillar 2 process is the Internal Capital Adequacy Assessment Process ("ICAAP") which is the bank's self assessment of risks not captured by Pillar 1.

The ICAAP process is managed by the Group's Finance Department which is responsible for the preparation, formulation and overall coordination of this document. Inputs are received as appropriate by other relevant departments, including but not limited to the Risk Management, Legal, Treasury, IT, Administration, Human Resources and Operations departments. Each of these departments has a direct connection with one or more risks, policies and procedures analysed and assessed in this ICAAP.

Throughout this process, senior officers from each department provide their input and guidance on how risks are being mitigated and how these risks can be analysed and assessed both in a qualitative as well as quantitative manner. The final document is subjected to a review by the Group's Internal Audit department, and the findings arising from this review are documented in an "Auditors' report".

The final version of the ICAAP is eventually discussed by the Audit Committee before being presented to the Board of Directors, and following its recommendation, it is ultimately approved.

6. ## remuneration policy

The Group's Remuneration Policy is in the process of being approved by the Nomination and Remuneration Committee. This Committee, formerly known as Compensation Committee, met twice in 2014. The Policy's aim is to ensure that Group remuneration is in line with the Group's long-term strategy and performance. It encompasses the remuneration of all employees including Executive Management. Supplementary information on remuneration is included in the financial statement disclosure.

The population of Identified Staff, as defined in the EBA Regulatory Technical Standard 3 Board Members, Heads of Department and all employees up to Vice Presidents. Identified Staff has been split into business areas according to the EBA guidelines.

The table below includes total fixed and variable remuneration for Identified Staff in each business area. The fixed remuneration includes all cash allowances advanced to employees, including allowances for car, housing and flights, health and life insurances and other direct expenses.

	Supervisory Function	Management Function	Corporate Functions	Independent Control Functions	All Other
Number of identified staff	9	8	10	5	85
	USD	USD	USD	USD	USD
Total fixed remuneration	303,960	2,030,244	1,757,605	380,976	9,104,646
Total variable remuneration	-	43,784	50,020	20,565	338,342
Total remuneration	303,960	2,074,028	1,807,625	401,541	9,442,988

The variable portion of the remuneration represents bonus payments which is linked to individual and Group's performance. The bonus pool is divided amongst the employees depending on their individual performance and is based on a percentage of profit (adjusted for specified items).

Individual performance is linked to the Performance Management System whereby individual objectives set against Key Performance Indications (KPIs) are based on department plans which are aligned to strategic objectives. The KPIs take into consideration all stakeholders of the Group and are set around people management, internal processes, customers, financial and learning and development.

directors and senior management

board of directors

John C. Grech (Chairman)
Masaud M.J. Hayat
Majed Essa Al-Ajeel
Eduardo Eguren Linsen
Osama Al-Ghoussein
Adrian Alejandro Gostuski
Rogers David LeBaron
Fakih Ahmed Mohamed
Rabih Soukarieh

company secretary

Andrea Batelli

registered address and contact number

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senior management - fimbank p.l.c.

acting chief executive officer	Simon Lay	
first executive vice president	Marcel Cassar	Chief Financial Officer
executive vice presidents	Michael Davis	Chief Operating Officer & MLRO
	Aly Siby	Head of Centre of Excellence & Group Coordination
senior vice presidents	Maarten Van Alkemade	Head of Trade & Commodity Finance
	Giovanni Bartolotta	Head of Risk Management
	Andrea Batelli	Head of Legal
	Bruno Cassar	Head of Human Resources
	Gilbert Coleiro	Head of I.T. Infrastructure
	Nigel Harris	Head of FIMBank DIFC Branch
	Ronald Mizzi	Head of Finance
	Carmelo Occhipinti	Head of Financial Management
	Richard Scerri	Head of Internal Audit
	Charles Wallbank	Head of Banking Operations & Trade Finance Middle Office
	Toufic Yafaoui	Head of Treasury & Capital Markets
	Demetris Zouzoukis	Head of Hellenic Branch
	Thomas Degen	Switzerland Office
first vice presidents	Noel Galea	Head of Compliance
	Corinne Lanfranco	Head of Financial Institutions and Deposits
	Sandeep Mathkar	Head of Global Factoring Operations
	Loranne Pace	Head of Operational Change Management
	Antonio Salgueiro	Head of Mediterranean Factoring
	Chris Trapani	Head of Central Customer Operations
	Jason Zammit	Head of Administration & Public Relations
	Dennis Camilleri	Trade & Commodity Finance
	George Goumassis	Hellenic Branch
	Mert Ozden	Trade & Commodity Finance
	Joe Rodgers	Trade & Commodity Finance
	Peter Zammit	Risk Management

senior management - london forfaiting company limited

managing director	Simon Lay	
directors	Ian Lucas Tony Knight	Head of UK Marketing Head of Trading
company secretary	William Ramzan	Head of Finance
senior manager	Sandro Valladares	Trading and Marketing
subsidiaries and offices	Sean Aston	Representative, LFC Singapore
	Irina Babenko	Representative, LFC Moscow
	Greg Bernardi	President, London Forfaiting Americas Inc.
	Alex Ozzetti	Managing Director, London Forfaiting do Brasil Ltda.
	Lorna Pillow	Head of Administration and Documentation, LFC Malta
	Yonca Sarp	Representative, LFC Istanbul
	Wenli Wang	Representative, LFC Cologne
	Eric Baillavoine	Representative, LFC Paris

senior management - menafactors limited

executive vice president and chief executive officer	Anand Padmanaban	
senior vice president	Naushirwan Commissariat Bassam Azab	Head of Finance and Company Secretary Head of Business Development (GCC)
first vice presidents	Venkatesh Krishnamurthy	Head of Risk Management and Credit Administration
	Shweta Obhrol	Head of Compliance & MLRO

senior management – india factoring and finance solutions (private) limited

managing director	Ravichander Varadarajan	
senior vice presidents	Viswanathan Krishnamoorthy	Chief Compliance Officer

senior management – first factors s.a.

managing director	Carlos Baudrand	
senior vice presidents	Pablo Arturo Frei Partarrien	Chief Financial Officer
	Francisco Javier Hormazabal Riquelme	Chief Operations Officer
	Maria Monica Rosales Carreno	Chief Risk Officer

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