FIMBANK
GROUP

Annual Report & Financial Statements 2020

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Chairman's statement to the shareholders

Throughout the past year, the FIMBank Group has been adamant in its strategy to adapt to the reality brought about by the COVID-19 pandemic, maintaining solid operations notwithstanding several disruptions. The financial results for 2020 follow four years of sustained profitability and should be viewed in the context of the current, unprecedented international scenario.

Since March 2020, the Bank has faced a challenging situation, to which it has been responding promptly and vigorously. During the early days of the outbreak of the COVID-19 pandemic, FIMBank's Crisis Management Committee started to actively monitor developments, and from time to time propose measures to enable the smooth functioning of operations within the Bank.

I am pleased to report that, throughout this difficult period, FIMBank has successfully managed to maintain its operations with minimal disruptions, with the majority of our employees working remotely. This has been primarily due to our significant investment over the years in a robust, flexible and state of the art IT infrastructure. Meanwhile, irrespective of whether restrictions are tightened or relaxed, FIMBank continues to pursue a very prudent approach, with a set capping of employees that can work within the office. This policy is in line with our commitment to promoting a safe environment for our employees and the communities in which we operate, both locally and abroad. In this respect, I must thank all our employees both at head office and across our international network for their professionalism, sense of responsibility and responsiveness to adapting to these difficult circumstances. There is no doubt in my mind that FIMBank owes its resilience in these troubled times to their invaluable contribution.

Although the situation remains one which requires continued monitoring and attention, customer centricity continues to be at the forefront of the Bank's priorities. Our reputation for customer service is something that we are proud of and we are intent on further optimising our processes to support our clients during this turbulent period.

In addition to the various impacts of the pandemic, the Group also had to cater for specific provisions to address a number of non-performing exposures which had a noteworthy effect on the past year's financial performance.

During this particularly challenging year, and despite the unprecedented turn of events and uncertain environment, the Group's business fundamentals remained strong and the underlying operational performance proved resilient. Our focus has always been to prioritise long-term value creation, and to ensure that the institution remains robust and capable of delivering a stable financial performance. We remain committed to this strategic vision, whilst taking tangible steps towards recoveries to reduce the impacts of non-performing exposures.

Studies show that the COVID-19 pandemic has spurred dramatically the process of digitalisation by financial institutions and other companies across the globe. FIMBank has embraced this process and has been treating it as a priority in terms of future sustainability. Under the leadership of our GCEO, Adrian Gostuski, and the Bank's senior management, FIMBank will continue to spearhead its digital transformation, whilst its business model continues to evolve in line with global developments. The fundamentals of the Group's strategy remain focused on the main pillars of trade finance expertise to gain competitive advantage and differentiate itself from the competition, efficient decision-making structures committed to execution, customer-centricity, and a consistent stable performance leading to stakeholder value.

While we are guardedly cautious about 2021, we are confident that thanks to the prudent internal measures we have undertaken over the years, and the experience and expertise of our Executive Management, we have in place the appropriate structures within the Group which will allow us to weather these difficult circumstances.

It is especially during these trying times that we appreciate the solid backing that we constantly receive from our majority shareholder, the KIPCO Group. Investor relations remain a key aspect of our enterprise, which is why we continue to foster initiatives aimed at engaging with all our shareholders. On behalf of the Board, I take this opportunity to extend our sincere gratitude for their constant demonstration of trust and loyalty.

Finally, I would like to conclude by expressing my thanks and appreciation to the Directors, management and employees of the FIMBank Group, for their commitment and dedication during these challenging times, whilst wishing them above all, good health.

John C. Grech
Chairman

FIMBank Group performance 2020

CEO's message

FIMBank's financial performance in 2020 was materially impacted by the COVID-19 outbreak. The pandemic has affected most sectors of the global economy through both supply and demand shocks, and the financial sector has not been spared. Disruptions arising from COVID-19 were followed by new and complex challenges, including pressures on operating costs already burdened by increased regulatory and technology requirements.

Overview of financial results

The FIMBank Group registered a post-tax loss of USD47.0 million for the financial year ended 31 December 2020, following a post-tax profit of USD4.5 million in 2019. As the pandemic unfolded, the Group retracted from certain business activities to safeguard its capital and liquidity, which remain strong and well above regulatory minima. This came at the cost of revenue generation. As a result, the FIMBank Group's Net Operating Results contracted by USD14.0 million, as it grappled with the pandemic and subsequent economic downturn. Consequently, Net Operating Income dropped by 23% to USD39.3 million, while Net Interest and Fee Income decreased by 16% to USD37.6 million.

During the period under review, the Bank adopted an approach of heightened vigilance with respect to risk management, liquidity, as well as market and operational performance. The Group also maintained a prudent stance in its general business strategy, resulting in subdued business volumes and higher liquidity buffers. In the meantime, a number of new non-performing facilities emerged, which required an impairment coverage that was significant, mainly due to a weaker global economic outlook which impacts the chances and timings of possible recoverability. Moreover, the recovery routes of the existing non-performing portfolio suffered mainly due to delays in legal and other proceedings, due to lockdown and other restrictions in the relevant jurisdictions. The effect was a higher level of impairment charges to make up for the delays for the worsening recoverability prospects. Meanwhile, management continues to operate targeted and determined recovery efforts, which should see the desired results in the future.

Throughout this period, the Group increased its available liquidity with ratios well above the regulatory guidelines. At 31 December 2020, FIMBank's CET1 ratio and total capital ratio stood at 18.5%.

Business unit performance

Whilst the impact of COVID-19 was more prevalent in developed markets, the impact on London Forfaiting Company's (LFC) business in emerging markets was limited. By the end of the year under review, there were early signs of a recovery, having successfully navigated through the worst crisis for many years. Although margins in general did increase due to the pandemic, this was offset by the continued abundant liquidity in the market. The continued subdued commodity prices and increasing uncertainty in the market from the pandemic gave rise to a challenging business environment for our fully owned subsidiary. During the year, LFC experienced only isolated payment delays. The management team reacted to the market uncertainty by de-risking at an early stage from the higher risk exposures, whilst continuing to actively service its clients. Through proactive risk monitoring and portfolio management, LFC was able to generate another positive contribution to its shareholders and reported a net profit after tax of USD7.4 million (2019: USD10.8 million).

In Malta, the real estate portfolio grew to its set targets and achieved the expected results in terms of returns, asset quality and diversification. The real estate financing product has formed a part of the Bank's product offering for four years offering a range of secured lending products in line with the approved risk frameworks. The real estate finance function adopted a cautious and conservative approach to new business and focused on servicing a select number of established clients, that have a track record with the Bank and are a source of repeat business.

India Factoring also consciously decreased business volumes, with the lowest levels being reached in the middle of the year. As the pandemic situation began to stabilise and clients' business activities started to rebound, the volumes progressively improved. Over the course of the year, the export driven book was reignited and diversified to include larger-scale counterparties. The India Factoring business continues to gain traction, together with the overall economic activity. The company continues to maintain a leading position in the provision of factoring products in India as per FCI statistics over the last three years. With negligible credit impact and stabilised revenue streams, the factoring business model has proven to be resilient even in these turbulent times.

Egypt Factors experienced a very strong start to the year with a significant increase in business momentum and performance. During the second quarter, following the announcement of the Egyptian Authorities' restrictions, business volumes were scaled down, however these gradually increased in a controlled fashion to the pre-pandemic volume levels and revenue yields, by the end of the year.

Investment in technology

During 2020, we successfully completed the Phase 1 deployment of our financial crime risk management platform. In 2021, the second phase of this deployment will allow for an integrated solution with anti-money-laundering and internal fraud support, allowing the compliance function to manage even more effectively risks associated with money laundering, apart from advanced KYC capabilities, risk profiling, risk scoring and transaction monitoring. Another significant initiative was the deployment of a security analytics platform that provides capabilities to correlate data from multiple sources and detect threats in real time, through behaviour analysis, leveraged by adaptable artificial intelligence. This platform will further augment our cyber security capabilities.

Employees and new workplace trends

The pandemic significantly changed the way in which we work with our customers and other stakeholders. As from March 2020, we started shifting to a work-from-home model, backed by virtual communication channels and stable IT systems. The Bank's continued investment over the years in its technology systems has enabled the smooth transition for all employees across our international offices to remote working.

During this period, our dedicated employees made a tremendous effort to support our customers in countering the disruption to their business caused by the pandemic. Our support covered myriad initiatives where we partnered with customers to put in place payment moratoria, restructuring financing and offering short-term credit facilities.

Corporate Social Responsibility

As a Malta-based bank with a global mission, we recognise that our social, environmental and ethical conduct has an impact on our reputation and on the communities within which we operate. We are driven by the belief that we have a moral obligation towards the social progress of the markets we operate in. FIMBank has a clear policy that its business should go beyond offering banking solutions. The Bank's CSR approach is built around our core values, thus reflecting the corporate commitments we make to our clients, shareholders, employees and the communities in which we operate.

Through its CSR programme, FIMBank supported a number of local initiatives focused on creative arts and cultural heritage awareness. The Group contributed towards the setting up of an emergency kitchen in Beirut, an initiative that was launched following a major explosion in the heart of the city, which claimed the lives of hundreds and left thousands injured. The Bank supported a team of chefs on a 'feeding mission', with the volunteers travelling to Lebanon to set up the kitchen and provide up to 15,000 meals daily for the Beirut explosion victims. Moreover, during the past year, FIMBank employees donated several food items to the Malta-based Foodbank, through an initiative organised by the Bank's Events Committee.

Outlook and way forward

In view of the uncertain macroeconomic outlook, FIMBank's projections remain grounded and cautious. As global trade flows gradually re-open for business, trade volumes and business levels are expected to return to a minimal growth path from the current deflated levels. The outcome for 2021 will very much depend on further pandemic disruption, with the Group poised to sustain its business fundamentals.

COVID-19 continues to be a tremendous challenge. However, our experience over the past year has demonstrated our ability to change and adapt, and it has shown us what we can achieve when we all work together to overcome such an unprecedented situation. This bodes well for the profound and ambitious transformation that we have ahead of us, which is aimed at achieving sustainable recovery. During these complex times, we will endeavour to remain close to all our partners around the world, and we will strive to maintain the highest levels of business continuity and the servicing of our clients' business requirements.

The macroeconomic environment in 2021 presents a highly challenging scenario, and in these difficult times my thoughts are with you and your families, as all of us continue to come to terms with the effect of the pandemic on our lives. I would also like to take this opportunity to express my sincere thanks and gratitude to our Board members, management and all our employees for their dedication, hard work and support, whilst wishing you all the best of health.

Adrian A. Gostuski
Chief Executive Officer

Directors' report

For the year ended 31 December 2020

The Directors present their report together with the Audited Financial Statements of FIMBank p.l.c. (the "Bank"), and FIMBank Group of Companies (the "Group") for the year ended 31 December 2020. This report is prepared in accordance with Article 177 of the Companies Act, 1995 (Chapter 386, Laws of Malta, ("The Companies Act")) including the further provisions as set out in the Sixth Schedule of the Companies Act.

Results for the year

The Group and the Bank reported a loss after tax of USD47,032,755 and USD55,976,602 respectively for the year under review.

Further information about the results are provided in the Statements of Profit or Loss and the Statements of Other Comprehensive Income on pages 28 and 29 and in the Review of Performance section within this report.

Group structure and principal activities

The Group comprises the Bank and its wholly owned subsidiaries, London Forfaiting Company Limited ("LFC"), FIM Business Solutions Limited ("FBS"), FIM Property Investment Limited ("FPI"), The Egyptian Company for Factoring S.A.E. ("Egypt Factors"), FIM Holdings (Chile) S.p.A. ("FHC") and FIMFactors B.V. ("FIMFactors"). LFC and FIMFactors are themselves parents of a number of subsidiaries as set out in Note 26 to the Financial Statements. The Group is supervised on a consolidated basis by the Malta Financial Services Authority ("MFSA"), whilst some of its subsidiaries and branches are subject to authorisation and regulation according to the respective jurisdictions in which they operate.

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

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

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

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

- FBS (100%), registered in Malta, has as its primary purpose the provision of information technology and support services to the Group;

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

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

- FHC (100%), registered in Chile, previously served as a corporate vehicle and is currently in the process of being liquidated; and

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

  a. India Factoring and Finance Solutions (Private) Limited (88.16%), incorporated in Mumbai, India, to carry out the business of factoring in India. India Factoring is regulated by the Reserve Bank of India; and

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

Review of performance

During 2020, the financial and operating performance of the Group was, as expected, marked with the disruption brought about by the COVID-19 pandemic.

In the first quarter of the year, the Group was implementing the last phase of the de-risking process which was announced in the previous year. As the Group was absorbing the impact which this process had on interest and fee income, the operating performance was nonetheless encouraging, paving the way for a normalised and sustainable future profitability. However, after the first quarter, the uncertainty started unfolding, creating a previously unseen reality which demanded quick adaptation and reaction.

COVID-19 created a major shock to the global economy, with immediate disruption to global supply chains, tangibly evidenced by the closure of industrial plants and ports in major export-driven economies. This was compounded by market volatility resulting in a correction to bonds, equity and commodity prices. A demand for heightened vigilance to manage the Group's risks - liquidity, credit, market and operational amongst others – ensued.

At the outset of the crisis, the Group triggered its business continuity contingency plan, to ensure the continued effectiveness of its operations, and the adequate management of risks. The Group has throughout this period increased its available liquidity with ratios well above the regulatory requirements, increasing caution for unforeseen shocks. In parallel, credit monitoring and early-warning indicator tools were enhanced to pre-empt client economic difficulties. During this challenging period, enhanced focus was dedicated to the capital position of the Group and the management of regulatory capital ratios. The Group also took measures to control operating costs across the different resource classes and adapted to new remote working practices, whilst concurrently prioritising the well-being of all employees across the Group network.

Over the course of the year the Group continued to navigate the turbulence whist maintaining a defensive stance on the business with subdued business volumes and higher liquidity buffers. The results of this strategic decision, coupled with a lower interest rate environment, unsurprisingly led to meagre revenue streams. Though the Group managed its expense base carefully, while continuing investing in staff and technology, this was not sufficient to compensate for the revenue loss.

Moreover, several new non-performing facilities emerged which, although limited in number of cases, required an impairment coverage that was significant. This was due to a weaker outlook which impacts the chances and timings of possible recoverability. The recovery routes of the existing non-performing portfolio suffered mainly due to delays in legal and other proceedings, given the various degrees of lockdown restriction in the relevant jurisdictions. The level of impairment coverage had to be improved to make up for these delays and for worsening conditions impacting the recoverability prospects for specific cases.

During the year, the Bank, as a parent of the Group, absorbed the most of the COVID-19 outbreak impact. As a matter of priority, the treasury function ensured a strong liquidity position to weather any unforeseen circumstances. The Bank being cognisant of the unprecedented uncertainty focused on supporting its customers while maintaining the business volumes at lower levels. The response of monetary policy to the COVID-19 crises, by different central banks, has consisted of several measures, including reduction in interest rates, aiming at providing sufficient liquidity to encourage banks to supply credit to the real economy. The lower interest rate environment coupled with subdued volumes and impairment provisions on new and existing non-performing assets, were the main drivers behind the lower operating performance of the Bank.

Across the group, LFC withstood the COVID-19 shocks with resilience. After an initial decrease in business volumes and portfolio valuations, LFC's robust business model, institutional expertise and risk-balanced approach helped to recover business volumes to pre COVID-19 levels by the end of the year. Positively, the valuations of the assets gradually improved each month after the mid-year which was the lowest point in the year. As LFC is domiciled in the United Kingdom, the Group continued assessing the impact of Brexit on the company's operations. In line with the expectations, the impact proved to be minimal. LFC's strong position to manage diverse risks across different business sectors and geographies was reconfirmed by the financial performance reported.

During the year India Factoring also consciously decreased business volumes, with their lowest levels around mid-year. As the pandemic situation started to stabilize and clients' business activities started to rebound, the volumes progressively improved. With manageable credit losses and stabilized revenue stream, the factoring business model was proved to be resilient even in these turbulent times. Over the course of the year the export driven book was reignited and diversified to include larger-scale counterparties. The India Factoring business continues to gain traction as the overall economic activity in India improves.

Similar to other subsidiaries, Egypt Factors had initially scaled down business volumes yet, by end of year has recouped enough to reach pre-pandemic volume levels and revenue yields.

The 2020 results reflect the difficult market conditions, uncertainty and disruption brought by the pandemic and the ever-evolving regulatory challenges. Management and Directors acknowledged these challenges and have dedicated significant time and effort into realigning strategies to put a halt to the depleting returns and to re-position the Group towards the road to gradual and sustainable recovery. These results attest the resilience of the Group's core capital, which withstood the highlighted negative impact, by complying with increased Total Capital Requirements and evading the need to resort to any capital relief measures announced by the Regulators in response to the pandemic.

Statements of profit or loss

For the year ended 31 December 2020, the Group registered a post-tax loss of USD47.0 million compared to a profit of USD4.5 million in 2019. Group earnings per share were negative at US cents 8.98 (2019: positive US cents 0.86). The results for the year under review are summarised in the table below, which should be read in conjunction with the explanatory commentary that follows:

	Group		
	2020 USD	2019 USD	Movement USD
Net interest income	28,643,150	32,321,233	(3,678,083)
Net fee and commission income	8,969,681	12,480,522	(3,510,841)
Dividend income	240,817	3,591,794	(3,350,977)
Net results from foreign currency operations	553,537	1,946,289	(1,392,752)
Other operating income	893,869	932,009	(38,140)
Net operating income	**39,301,054**	**51,271,847**	**(11,970,793)**
Operating expenses	(39,036,105)	(37,019,821)	(2,016,284)
Net operating results	**264,949**	**14,252,026**	**(13,987,077)**
Net impairment losses	(35,677,319)	(13,066,172)	(22,611,147)
Net results from trading assets and other financial instruments	(397,564)	6,076,270	(6,473,834)
(Loss)/Profit before tax	**(35,809,934)**	**7,262,124**	**(43,072,058)**
Taxation	(11,222,821)	(2,732,021)	(8,490,800)
(Loss)/Profit for the year	**(47,032,755)**	**4,530,103**	**(51,562,858)**

For the year under review, 'net operating results' (operating income less operating expenses), contracted by USD14.0 million, as the Group grappled with the pandemic and economic downturn.

The Group's 'net operating income' dropped by 23% from USD51.3 million to USD39.3 million. Net interest income and net fees and commission income combined decreased by 16%, from USD44.8 million to USD37.6 million. Revenues dropped due to a combination of circumstances. As the pandemic spread across the globe causing disruptions on many fronts and the world started experiencing economic gloom, the Group had implemented safety measures to protect its financial position. Concurrently, the Group was mindful of the minimum regulatory requirements, and was therefore restricted in writing new business.

As the pandemic unfolded the Group retracted from certain business activities to safeguard its capital and liquidity. Whilst, this came at the cost of revenue generation, it was an inevitable precaution required in these unprecedented times. Some assets which used to generate substantial revenues and became non-performing in 2019 and 2020, some as a direct impact of the pandemic, had their interest suspended due to their non-performing status, with direct impact on interest income. The de-risking strategy initiated in 2019 and which continued in 2020, restricts the Group to enter into certain business transactions, which are risky, but which were high yielding in past years.

After the conclusion of the Supervisory Review and Evaluation Process ("SREP"), the MFSA set the Pillar II Requirement for the Bank and the Group. This Pillar II Requirement, together with the Minimum Capital Requirement under Pillar I, the Combined Buffer Requirement and the Pillar II Guidance, form the Total Capital Requirement, which shall always be maintained under normal economic conditions. Consequently, the Group is constrained to keep risk weighted assets in check, ensuring compliance with the set requirements at all times. These measures have a direct impact on business volumes and revenues.

Dividend income dropped significantly, from USD3.6 million to USD0.2 million, as the Group withdrew its investment from an unlisted sub-fund of a local collective investment scheme, to reach its objective of abolishing complex structures. As part of the redemption process, the Bank has bought back the trade finance assets from the sub-fund, which were originally sold to the sub-fund by the Bank itself.

'Net results from foreign currency operations' decreased by 72% from USD1.9 million to USD0.6 million as the Group had lower volumes of foreign currency transactions with clients.

'Operating expenses' increased marginally by 5% to USD39.0 million. The Group continued investing in its human resources through the attraction, retention and training of staff. Technological investments continued, particularly in the business and regulatory space.

During the year, the Group recognised additional IFRS 9 Stage 3 impairments of USD22.6 million and wrote-off USD10.9 million of exposures which were previously classified as non-performing. Management based their judgement on information, facts and circumstances as at the reporting date in determining the impairment coverage required for each non-performing exposure. The economic impact of the pandemic had a significant bearing on the potential and timing of recoveries which, in turn had an impact on impairment coverage. The Group believes that potential resolution exists for each non-performing exposure recognised on its balance sheet at reporting date and continues to work towards the recovery of non-performing exposures.

IFRS 9 Stage 1 and Stage 2 impairment allowances increased by USD0.6 million, following a deterioration in counterparty credit worthiness and an increase in expected credit losses, due to the global economic recession. Considering the magnitude of the pandemic's impact on the global economy, the Group did not experience severe increases in these allowances, partly because of the de-risking exercise and retraction of business volumes following the pandemic, and partly because of those non-performing exposures that were shifted from Stage 1 and 2 to Stage 3.

The Group has performed an impairment assessment of goodwill. The recoverable amount, which was based on the value-in-use, of the investment in India Factoring, turned out to be lower than the carrying amount. Thus, goodwill was impaired by USD2.7 million. The value-in-use was based on a long-range plan which was more conservative in nature, taking into account the long-term effects of the pandemic on the economy in general and on the subsidiary's prospects and business volumes.

Despite the economic downturn the Group recorded recoveries of previously written-off exposures amounting to USD1.1 million.

'Net results from trading assets and other financial instruments' dropped by USD6.5 million. Realised gains on financial assets at fair value through other comprehensive income decreased by USD1.1 million as sales on fixed-income bonds dipped. USD0.8 million unrealised losses on fair value through profit or loss were recognised as the Group experienced downward valuations on its investments in local unlisted sub-funds. Realised gains on the trading book dipped by 81% to USD0.7 million, mainly due to a USD3.0 million recovery recorded in the prior year. Unrealised losses recognised on the trading book amounted to USD1.4 million when compared to a USD0.2 million gain recorded last year. Once again, this was attributable to the increased market uncertainty, abundant market liquidity and subdued commodity prices triggered by the pandemic.

Though an external valuation has been performed on the Group's Investment property, this did not result in any upward or downward movement as the market value of the property remained largely unvaried when compared to prior years.

Financial position

At 31 December 2020, total consolidated assets stood at USD1.83 billion, down by USD59.0 million from end-2019. As discussed above, this was the result of a drop in business volumes, mainly due to the de-risking process, the counteraction taken in response to the pandemic and the SREP Pillar II Requirement set by MFSA during the year. Loans and advances to banks and customers fell by USD110.8 million and trading assets by USD 7.9 million. Financial assets held at fair value though profit or loss fell by USD105.0 million, primarily as a result of the redemption of units in the unlisted sub-fund of a local collective investment scheme. In contrast, treasury assets, which include balances with the Central Bank of Malta, treasury bills and debt securities held at fair value through OCI increased by USD185.0 million. This corroborates with the strategy of the Group set at the start of the pandemic, to protect its liquidity and capital.

The Bank and its subsidiaries have carried out a deferred tax assessment as at December 2020. Given the global economic climate the Bank and India Factors have taken a conservative approach and reversed USD6 million and USD2.8 million of deferred tax assets respectively.

The Group had consolidated liabilities of USD1.6 billion as at 31 December 2020, a drop of USD11.1 million from prior year. Deposits from corporate and retail clients were higher by USD43.7 million, which were offset by a USD51.6 million decline in wholesale funding.

Reflecting the loss for the year and other equity adjustments, total equity shrank by USD47.9 million to USD233.2 million. The Group did not receive any capital injections or subordinated debt throughout the year under review. At 31 December 2020 the Group's CET1 ratio stood at 18.5% (2019: 16.9%) and Total Capital Ratio at 18.5% (2019: 16.9%).

Total Group commitments, consisting mainly of confirmed letters of credit, documentary credits, commitments to purchase forfaiting assets and factoring commitments, stood at USD105.0 million whilst contingent liabilities, principally consisting of outstanding guarantee obligations, stood at USD1.9 million.

Principal risks and uncertainties

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

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

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

On 11 March 2020, the World Health Organisation declared that the novel Coronavirus ("COVID-19") could be characterized as a pandemic. The impact of the outbreak is widespread across the globe and has distressed many countries including those markets where the Group operates. The circumstances have rapidly evolved, forcing Governments to implement severe measures and restrictions, including partial or full lockdowns, restrictions on business activities, public gatherings, public spaces, travel, transportation, schools, retail stores, and various other activities. Businesses were forced to close or restrict their activities including restricted access to offices, outlets, warehouses and production plants. The pandemic, as well as these restrictive measures, have created a significant amount of uncertainty and disruption in economic activity and are having an impact across all industries.

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

Outlook for 2021

Going into 2021, the world continues to cope with the pandemic and its impact on people's health, livelihoods, freedom of movement and the global economy. During the first months of 2021 we have observed new waves of infections and governments' responses with restrictive measures previously lifted now being re-imposed. This extends the uncertainty which the world has experienced over the previous year. However, with the approval and increased production of various vaccinations, the prospect of a rebound throughout 2021 is greater than ever.

Nonetheless, the road to recovery is expected to be gradual and uneven. Governments are working hard to vaccinate populations, which should lead to an ease of restrictive measures and to a repeal of economic relief measures, including wage supplements, bank moratoria and liquidity supply. Investors and consumers need to gain confidence, human mobility needs to pick-up, and trade to make a comeback. Only then would we know the true impact this pandemic has left behind, through resulting social behaviours, unemployment and inflation rates, GDPs, government debts, shifts in sectoral/regional composition of trade and corporate survival rates. This will certainly have an impact on banks worldwide, particularly on their operations, customer relations, profitability, risk profiles and appetite.

Having said that, the Group will continue pursuing business opportunities on the principles of risk adjusted returns. A moderate growth in diversified product offering will be scaled in the business lines and geographies that provide superior returns and pose less risk, to generate consistent value to the organization. The balance sheet has become more resilient after the full implementation of the de-risking process and various other initiatives that are currently being actioned. Complex structures are being gradually eliminated and business lines are being streamlined. Coverage for non-performing assets have been significantly improved, whilst a function fully dedicated to the recovery of non-performing assets has been set-up to pursue our interests. These initiatives shall not only improve the overall portfolio quality but also help the Group with revenue generation and having resilience and sustainability principles high in the strategic priority list. In a context of tighter regulations, the Group's drive to further improve governance and controls, shall be a source of future sustainable growth. Having a pool of human capital, that are highly skilled across multiple disciplines, continued investment in IT infrastructure and having the backup of a solid shareholder base, FIMBank is well positioned to progress towards its strategic objectives in a steady, sustainable manner.

Dividends and reserves

As none of the reserves are available for distribution, the Board of Directors will not be recommending the payment of a dividend to the Annual General Meeting of Shareholders (2019: Nil).

Standard licence conditions and regulatory sanctions

During the year under review the Bank paid an administrative penalty to the FIAU amounting to EUR168,943. The penalty was applied following a compliance review carried out by Supervision in 2018. The Bank had fully cooperated with the FIAU during the review and had taken immediate remedial action soon after the review was concluded. The Bank did not appeal this decision and settled the penalty once notification was received.

There were no breaches of licence requirements nor any other regulatory sanctions against the Bank.

Approvals at the annual general meeting of shareholders

The Bank convened its Annual General Meeting on 30 November 2020 and all statutory Ordinary Resolutions were approved.

Shareholder register information pursuant to Listing Rule 5.64

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

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

b. except as provided for by Article 41 of the Articles of Association of the Bank, or where the consent of the Supervisory Authority may be required, there are no restrictions on the transfer of securities, or limitations on the holding of securities, or the need to obtain the approval of the Bank or other holders of securities of the Bank for any such transfer or holding. Shareholders holding 5% or more of the share capital as at 31 December 2020 are as follows

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

In addition to Shareholders listed in the above table, as at 31 December 2020, Tunis International Bank S.A. (a subsidiary of BBK) holds 9,207,000 shares (1.76%);

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

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

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

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

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

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

At 31 December 2020 the Bank had no securities with special control rights in accordance with Listing Rule 5.64.4.

Events after the financial reporting date

In March 2021, the Bank received a cash dividend of USD3.1 million from its wholly owned subsidiary London Forfaiting Company Limited and a cash dividend of USD1.1 million from a financial asset classified at fair value through profit or loss.

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

Going concern

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

Directors

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

John C. Grech (Chairman)	CGC, BCC, BRIC	
Masaud M.J. Hayat (Vice Chairman)	NRC	
Abdel Karim A.S. Kabariti		Appointed on 13 August 2020
Adrian Alejandro Gostuski	BRIC, ALCO	Resigned on 4 August 2020
Claire Imam		Appointed on 30 November 2020
Edmond Brincat	AC, NRC, BRC	
Geraldine Schembri		Resigned on 15 January 2020
Hussain Abdul Aziz Lalani	AC, BRC, BRIC	
Majed Essa Ahmed Al-Ajeel	CGC, NRC	
Mohamed Fekih Ahmed	BCC	
Osama Talat Al-Ghoussein	BRC	
Rabih Soukarieh	BCC	
Rogers David LeBaron	CGC, NRC	

Denotes membership of:

- Assets-Liabilities Committee (ALCO)
- Audit Committee (AC)
- Board Credit Committee (BCC)
- Board Review and Implementation Committee (BRIC) which replaced the Executive Committee
- Board Risk Committee (BRC)
- Corporate Governance Committee (CGC)
- Nomination and Remuneration Committee (NRC)

Statement of responsibility

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

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

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

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

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

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

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

Independent auditors

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

Approved by the Board of Directors on 7 April 2021 and signed on its behalf by:

John C. Grech
Chairman

Masaud M.J. Hayat
Vice Chairman

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

Statement of compliance with the principles of good corporate governance

For the year ended 31 December 2020

Introduction

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

Part 1: Compliance with the principles

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

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

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

Principle 1: Roles and responsibilities of the board

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

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

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

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

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

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

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

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

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

Principle 3: Board composition and appointment of directors

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

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

Year when first appointed	
John C. Grech (Chairman)	2004
Rogers David LeBaron	2006
Masaud M. J. Hayat (Vice Chairman)	2013
Mohamed Fekih Ahmed	2013
Majed Essa Ahmed Al-Ajeel	2013
Rabih Soukarieh	2013
Osama Talat Al-Ghoussein	2014
Hussain Abdul Aziz Lalani	2017
Edmond Brincat	2017
Abdel Karim A.S. Kabariti *	2020
Claire Imam Thompson **	2020

' * ' Abdel Karim A.S. Kabariti obtained regulatory approval and was co-opted by the other directors on 13 August 2020. Shareholder approval was then obtained in the AGM held on 30 November 2020.

' ** ' Claire Imam Thompson was appointed by the shareholders on 30 November 2020 and regulatory approval was obtained on 23 February 2021.

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

In March 2012, after noting the contents of an Internal Memorandum on the subject prepared by the Company Secretary, the Board considered and resolved that all non-executive Directors meet the requisites for them to be deemed independent. This decision was based on the representations given by the individual Directors, including those with a shareholding in the Bank or associated with entities having a shareholding in the Bank or who 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. In terms of Principle 3.4, each non-executive Director has confirmed in writing to the Board that he undertook:

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

A written declaration of independence is signed annually by the non-executive Directors, with another written declaration of independence to be signed by the non-executive Directors in April 2021. Some of the Directors have served on the board for more than twelve years. This notwithstanding, the Board considers such Directors to bring a sufficiently balanced character and frame of mind to their duties and judgment that they are consequently deemed to be independent. The Bank monitors that each Director limits the number of any directorships held in other companies (see Schedule V, Section 3.4).

Principles 4 and 5: Duties and proceedings of directors

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

In the first instance, the proceedings of Directors are regulated by the Bank's Articles of Association. Meetings of the Board for any calendar year are normally set at the last meeting of the preceding year, so that advance preparation and daily planning for the meetings can be made. Meetings are held at least quarterly and are formally notified by the Company Secretary at least seven days before the meeting with the issuance of the agenda for the forthcoming meeting. Occasionally, meetings are also called at short notice or on an ad hoc basis, in which case the Directors may decide to waive the statutory period of notice. The agenda is accompanied by such papers and documents as are necessary to inform Directors of issues relating to their roles and responsibilities, and in particular of the decisions they are expected to take. During the year, all Directors were duly notified of every meeting and given the statutory notice period. 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 five meetings in 2020. All Members of the Board were present for all five meetings except for Majed Essa Al-Ajeel, who was excused in March and Abdel Karim A.S. Kabariti, who was appointed on 13 August 2020, attended the meeting in September and was excused for the December meeting. Meetings include presentations by management, whilst other information and documentation is made available for perusal by the Directors at their request. Members of senior management attend Board Meetings by invitation depending on the agenda content and relevance. The Board also might request that the Meetings be attended by other employees or by professional advisors, as and when necessary. In all other circumstances, the Directors are expected to play a full and constructive role in the Group's affairs. As soon as possible after a Meeting, draft minutes are circulated amongst the Members for their information. Minutes are then read and approved at the following Meeting. Directors are provided with Board documents and can also be provided all past minutes of Board and Committee Meetings on request.

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

Principle 6: Information and professional development

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

Training sessions have been held in 2020 in order for Directors to have the necessary knowledge on their duties and responsibilities.

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

Principle 7: Evaluation of the board's performance

Members of the Board of Directors are subject to comprehensive fit and proper tests by the Supervisory Authorities before they are formally cleared for appointment to the Board. The board undertakes an annual evaluation of its own performance and that of its committees. The evaluation forms are then evaluated by a Committee, which function has been entrusted to the Nomination and Remuneration Committee, which then reports directly to the Board Chairman who is required to act on the results of the performance evaluation process. The outcome would be to ascertain the strengths and to address the weaknesses of the Board and its committees and to report this to the Board itself and, where appropriate, to report at the Annual General Meeting. This exercise began in 2013 and has been repeated annually ever since. The last evaluations from Directors were requested in the last quarter of 2020 and were presented to the Nomination and Remuneration Committee on 6 April 2021.

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:

- Board Review and Implementation Committee
- Audit Committee
- Board Risk Committee
- Assets-Liabilities Committee
- Nomination and Remuneration Committee (Remuneration Report on page 22)
- Board Credit Committee
- Corporate Governance Committee

Board Review and Implementation Committee

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

The Members of the Board Review and Implementation Committee as at 31 December 2020 are the following:

John C. Grech (Chairman)
Hussain Abdul Aziz Lalani ((Vice Chairman)
Adrian Alejandro Gostuski (Non-Voting Member)

The Board Review and Implementation Committee met on nine occasions during 2020.

Audit committee

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

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

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

The Members of the Audit Committee as at 31 December 2020 are the following:

Edmond Brincat (Chairman)
Hussain Abdul Aziz Lalani (Vice Chairman)
Rogers David LeBaron is a non-voting, permanent invitee of the AC. As at the date of approval of this statement, Claire Imam Thompson is a member of the Audit Committee.

In line with LR 5.117.4, the Chairman of the Audit Committee is appointed by the Board of Directors and with reference to Listing Rule 5.117.3, all Members of the Audit Committee are designated as competent in auditing and/or accounting. Edmond Brincat joined the GO Group in 1999, part of the team entrusted to set up and launch Go Mobile, Malta's second mobile operator and in 2006 he was appointed as the Group's Chief Finance Officer, a position he held until 31 January 2018. In February 2018 Mr Brincat joined SmartCity (Malta), a subsidiary of Dubai Holding LLC, as its Chief Operations Officer.

Hussain Abdul Aziz Lalani is the Chief Executive Officer of United Gulf Bank – Bahrain and has worked extensively with the Board of Directors on advisory transactions in his previous capacity as UGB's Chief Financial Officer.

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

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

The Audit Committee held nine Meetings during 2020 and all members were present for all nine Meetings. The Group Head of Internal Audit was invited and attended all Meetings. The External Auditors were invited to five of the Audit Committee Meetings (January 2020, March 2020, June 2020, August 2020 and November 2020). The External Auditors were only present for the agenda item which considered and discussed the 2019 Statutory External Audit (January 2020), 2019 Annual Report (March 2020), 2019 Management Letter (June 2020), Interim Report for the period ended 30 June 2020 (August 2020) and Statutory Audit Plan for Financial Year ending 31 December 2020 (November 2020).

Board risk committee

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

The Board Risk Committee Members as at 31 December 2020 are the following:

Hussain Abdul Aziz Lalani (Chairman)
Osama Talat Al-Ghoussein (Vice Chairman)
Edmond Brincat (Member)

During 2020, the Board Risk Committee met on fifteen occasions.

Assets-liabilities committee

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

The ALCO is composed of representatives of senior management, vested with the power to make decisions. As at 31 December 2020, the voting members of the ALCO were the following:

Zbigniew Makula (Chairman)
Adrian Alejandro Gostuski (Member)
Julio Bonifacino (Member)
Ronald Haverkorn (Member)
Juraj Beno (Member)
Simon Lay (Member)

Chris Trapani - Head of Cash Management & Central Customer Services, Tiziri Hamidouche - Deputy Head of Treasury, Corinne Lanfranco - Head of Financial Institutions & Deposits, Simon Vickery - Head of Non-Credit Risk Management, Kamel Moris – Chief Commercial Officer Trade & Commodity Finance and Clinton Bonnici – Asset Liabilities Management Manager are non-voting, permanent invitees of the ALCO.

During 2020, the Assets-Liabilities Committee met on nine occasions.

Board credit committee

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

review credit applications and approve credit limits and specific transactions, up to the legal lending limit of the Bank and within the guidelines specified in the Group's Credit Policy Procedures;
the BCC will analyse and recommend country limits for approval.

The Board Credit Committee Members as at 31 December 2020 are the following:

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

Adrian Alejandro Gostuski – GCEO and Ronald Haverkorn - GCRO are non-voting, permanent invitees of the BCC.

During 2020, the Board Credit Committee met on sixteen occasions.

Corporate governance committee

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

The Corporate Governance Committee Members as at 31 December 2020 are the following:

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

During 2020, the Corporate Governance Committee met on four occasions.

Nomination and remuneration committee

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

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

In addition to the above, the NRC provides information and summaries on the background of some important issues of the Bank and presents the reports and information to the Board. It ensures that the Board is continuously updated on the latest issues related to the banking profession.

Details regarding the Remuneration Policy and remuneration related matters have been disclosed under the Remuneration Policy and and Remuneration Report.

The Nomination and Remuneration Committee Members as at 31 December 2020 are the following:

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

John C. Grech – FIMBank Chairman and Adrian Alejandro Gostuski – GCEO are non-voting, permanent invitees of the NRC.

During 2020, the Nomination and Remuneration Committee met on four occasions.

All members were present for all four meetings.

Changes to committee membership during 2020

During 2020, John C. Grech was appointed Chairman of the Board Review and Implementation Committee (replaced the Executive Committee), Hussain Abdul Aziz Lalani was appointed Vice Chairman of the Board Review and Implementation Committee and Adrian Alejandro Gostuski was appointed non-voting member of the Board Review and Implementation Committee.

Geraldine Schembri resigned from the Audit Committee.

Hussain Abdul Aziz Lalani was appointed Chairman of the Board Risk Committee and Edmond Brincat was appointed member of the Board Risk Committee. Adrian Alejandro Gostuski resigned from the Board Risk Committee.

Adrian Alejandro Gostuski, Julio Bonifacino and Juraj Beno were appointed Members of the Assets-Liabilities Committee and Murali Subramanian, Howard Gaunt and Ronald Mizzi resigned from the Assets-Liabilities Committee.

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

The Chairman arranges for all Directors including the Chairmen of all the Committees to be available to answer questions at the Annual General Meeting. All eligible Shareholders are served with a notice to attend the Annual General Meeting, which is usually held during the first half of the year, however as a result of the pandemic and further to legislative amendments carried out to the Companies Act in this respect, during the year 2020 the Annual General Meeting of the Bank was held in November. The notice contains all the resolutions proposed for approval by the Annual General Meeting and, as necessary, notes accompanying such resolutions. Pursuant to the Companies Act, notices are delivered to Shareholders at least fourteen clear days before the date of the Annual General Meeting. Advance notification of the resolutions proposed for approval is also given by way of a Company Announcement as soon as these are decided and approved, normally at the same Board Meeting that approves the Annual Financial Statements. The Board also considers the Annual Report to be an effective document which, in addition to the statutory disclosures, contains detailed information about the Group's performance. Moreover, the Board ensures that the Annual General Meeting serves as a medium at which information is communicated to Shareholders in a transparent and accountable manner. Additionally, the Bank holds meetings from time to time with financial intermediaries and financial market practitioners to disseminate information about the Group's progress, activities and financial performance. These meetings are usually organised to follow the publication of the half yearly and annual financial results as well as in connection with other Group developments and events. Procedures are in place to resolve conflicts between minority shareholders and controlling shareholders.

The Board complies with the provisions of the Bank's Memorandum and Articles of Association, as well as all legislation, rules and regulations that require it to maintain a fair and informed market in the Bank's equity securities. It discharges its obligations by having in place, formal procedures for dealing with potentially price-sensitive information and ensuring the proper conduct of its officers and staff in that regard. Regular contact with Shareholders and the general market is maintained through Company Announcements, which are issued in conformity with the obligations arising from the Listing Rules. During 2020 the Bank issued nineteen announcements.

The Board also complies with the provisions of the Bank's Articles of Association insofar as minority rights are concerned. In accordance with the article 65 of the Bank's Articles of Association, minority Shareholders may convene an Extraordinary General Meeting, in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors.

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

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

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

Principle 11: Conflicts of interest

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

The number of shares held in the Bank by Directors directly in their name as at 31 December 2020 is as follows:

John C. Grech (Chairman) *	1,760,000
Abdel Karim A.S. Kabariti *	Nil
Claire Imam Thompson **	Nil
Edmond Brincat	Nil
Hussain Abdul Aziz Lalani *	Nil
Majed Essa Ahmed Al-Ajeel *	Nil
Masaud M. J. Hayat (Vice Chairman) *	Nil
Mohamed Fekih Ahmed *	Nil
Osama Talat Al-Ghoussein *	Nil
Rabih Soukarieh *	Nil
Rogers David LeBaron	Nil

' * ' Aside from these direct interests in the shareholding of the Bank, these Directors 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.

' ** ' Claire Imam Thompson was appointed by the shareholders on 30 November 2020 and her appointment obtained regulatory approval on 23 February 2021.

Principle 12: Corporate social responsibility

The Board of Directors encourages that sound principles of corporate social responsibility are adhered to in the ongoing management practices of the Group. As a result, from time to time the Bank and its subsidiaries are involved in supporting initiatives at both national and community level aimed at contributing economic and societal development. They also assist and promote small-scale projects of a charitable and humanitarian nature. Details of corporate social responsibility initiatives undertaken by the Group in 2020 are explained in other parts of the Annual Report.

Part 2: Non-compliance with the principles

Principle 2.3: Chairman and chief executive

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

Principle 3: Composition of the board

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

Principle 4: Succession policy for directors

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

Principle 8: Audit committee

Listing Rules 5.117.2 requires that the majority of the members of the Audit Committee shall be independent of the issuer. Hussain Abdul Aziz Lalani, the existing Vice Chairman of the Audit Committee is not an independent member in terms of the Listing Rules. Geraldine Schembri resigned from the Audit Committee in January 2020.

This notwithstanding, the Bank considers the non-compliance with this Principle not to be of concern in view of the fact that Hussain Abdul Aziz Lalani 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.

Listing 5.117.1 requires that the Audit Committee should have at least three (3) members, This notwithstanding, the Bank considers the non-compliance with this Principle not to be of concern in view of the fact that as at the date of the approval of this statement, Claire Imam Thompson is an independent member of the Audit Committee and the Bank became compliant with the Listing Rules on 23 February 2021, following her approval by the Regulator.

Principle 8: Nomination and remuneration committee

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

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

Internal control

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

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

Listing Rule 5.97.5

Whilst Listing Rule 5.97.5 is not applicable, this information is found in the Directors' Report.

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

Approved by the Board of Directors on 7 April 2021 and signed on its behalf by:

John C. Grech
Chairman

Masaud M.J. Hayat
Vice Chairman

Remuneration report

For the year ended 31 December 2020

This Section incorporates the Statement of the NRC and the Director's Remuneration Report as required by Chapters 5 and 12 of the Listing Rules, respectively.

Statement of the Nomination and Remuneration Committee (as per Section 8 of the Principles)

Terms of reference and membership

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

In 2020, the NRC was composed of Masaud M.J. Hayat, Majed E. Al-Ajeel, Rogers D. LeBaron and Edmond Brincat. John C. Grech in his capacity as Chairman of the Group attended the NRC's meetings as permanent invitee, together with outgoing Group Chief Executive Officer ("GCEO") Murali Subramanian in March 2020 and the newly appointed Group Chief Executive Officer ("GCEO") Adrian A. Gostuski in May, August and December. Andrea Batelli in his capacity as Company Secretary was invited and attended part of the meeting held in March 2020. The Group Chief Human Resources Officer ("GCHRO") acted as Board Committee Secretary.

Meetings

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

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

The following matters were discussed and, or determined:

a. New Independent Directors and Group appointed Director;
b. Chairman's role and performance;
c. Directors' remuneration;
d. SRD II and changes to the Directors' Remuneration Policy;
e. Board of Directors evaluation and Director's self-assessment;
f. NRC charter;
g. Due diligence procedure for Board Directors;
h. Board Committees memberships including the newly created Board Implementation Committee;
i. ECB's recommendation of variable remuneration;
j. Senior management recruitment, appointments and promotions;
k. New Head of Quality and Internal Control position;
l. New Data Protection Officer and Deputy Data Protection Officer;
m. Changes in senior management reporting lines;
n. Executive Management performance, including the outgoing and newly appointed GCEO;
o. Group salary review, bonus allocation and out of cycle increases/payments;
p. Succession in control functions;
q. Strategy project;
r. Recoveries – re-organisation and consultancy;
s. HR Group policies and procedures;
t. NRC and Remuneration Policy statements for Annual Report; and
u. Assessment by Committee Chairperson's of independence of control functions.

Remuneration statement

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

The Annual General Meeting of Shareholders approves the maximum annual aggregate remuneration which the Directors may receive for the holding of their office. At the Annual General Meeting held remotely on 30 November 2020, the Shareholders approved the maximum aggregate emoluments of the Directors for the financial year ending 31 December 2020 at USD450,000. Directors, in their capacity as Directors of the Bank, are not entitled to profit sharing, share options or pension benefits. The total fees paid for Board of Directors Meetings for the financial year ending 31 December 2020 amounted to USD178,076.

Code provision 8.A.5

For 2020, the total payments received by the Directors from the Bank and the Group were:

- fixed remuneration USD360,760
- variable remuneration Nil
- executive share options Nil
- expenses relating to meetings USD11,173
- fringe benefits USD963

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

The NRC ensures that while its remuneration practices are in compliance with existing directives and regulations, namely the Capital Requirements Directive IV and the Capital Requirements Regulation, it also ensures that the remuneration packages reflect industry benchmarks. This makes it possible for the Group to attract and retain Executives with the right qualities and skills for the proper management of the Group as well as the proper execution of the strategy laid down by the Board of Directors. Unless the current economic scenario deteriorates, no new significant changes are envisaged for the financial year ending 2021.

The various remuneration components, including that for Executive Management are:
- fixed remuneration;
- variable remuneration; and
- fringe benefits.

These components are combined to ensure an appropriate and balanced remuneration package that reflects the employee's rank and professional activity within the Group. Executive Management are not entitled to supplementary pension or early retirement schemes.

For 2020, the total payments received by Executive Management (members within the C-suite) from the Bank and the Group were:
- fixed remuneration USD2,680,080
- variable remuneration USD299,007
- executive share options granted Nil
- fringe benefits USD803,978

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

Executive Management of the Bank hold both definite and indefinite contracts with varying notice periods, all of which are in line with local legislation. The contracts of Directors and Executive Management do not include provisions for termination payments and other payments linked to early termination, except for those required by law.

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

Directors' Remuneration Report (as per Listing Rules 12.26K)

This Report is being included with the purpose of providing the level of transparency as required with effect from reporting year 2020, following the enactment of Directive EU2017/828 (often referred to as "SRDII") and the consequential changes to the Listing Rules, more specifically Chapter 12 which deals with shareholders' rights. The amounts disclosed reflect the Remuneration Policy Supplement ("Policy") as approved by the AGM held on 30 November 2020 and published on the Bank's website. The Policy was implemented without making any derogations and, or deviations from the procedure for the implementation of the remuneration policy as defined in Chapter 12 of the Listing Rules.

The total remuneration of each individual director split out by component and the percentage proportion between fixed and variable remuneration is detailed in tables below. The tables include remuneration received by the Bank's Directors, (the former) GCEO and (the current) GCEO from the Bank. They did not receive any remuneration from the Bank's subsidiaries. The Deputy CEO, also included in the tables below in line with the requirement of Chapter 12 of the Listing Rules, received all his remuneration from London Forfaiting Company (LFC), the subsidiary where he holds the position of CEO. For information about the general performance and events of material importance of the Group refer to the Statements of Profit or Loss and the Statements of Other Comprehensive Income on pages 28 and 29 and in the Review of Performance section within the Director's Report. These did not impact the total remuneration of Directors. The Group's approach to remuneration is that of ensuring that the Group is able to attract and retain talented and high performing Directors by recognising, valuing and fairly rewarding their contributions while remaining aligned to the Group's long-term strategy, risk appetite, sustainable performance and corporate values.

A key change in the composition of the Board of Directors is that of Adrian A. Gostuski, who moved from being a non-Executive Director of the Bank to being employed by the Bank as an Executive Vice President as from 23 January 2020, and eventually being appointed as GCEO instead of the outgoing GCEO, Murali Subramanian, with effect from 30 March 2020.

With effect from 13 August 2020, Abdel K. Kabariti was appointed as a non-Executive Director to replace Adrian A. Gostuski. During the AGM held on 30 November 2020, the shareholders re-appointed the same non-Executive Directors together with Claire Imam Thompson. Ms Imam Thompson did not receive any Director's fees during 2020.

The non-Executive Directors did not receive any base salary, variable remuneration or compensation in respect of extraordinary items and pension contributions.

The variable remuneration awarded to Executive Directors during the reporting year (performance bonus in respect of financial year 2019) reflects their performance. In determining the variable remuneration of both the former GCEO and the current Deputy CEO their performance was assessed by the NRC against specific goals related to financials as well as other criteria namely, service/client delivery, risk and control, leadership and people management, market position and project and initiatives. On the basis of this assessment, the NRC approved an award of 50% of the maximum awardable performance bonus to the GCEO. The Deputy CEO was awarded the maximum performance bonus possible in view of the material contribution made by LFC towards the profits registered by the Group in 2019.

The Group did not reward any of its Directors with any share-based remuneration. Likewise, there was no need to reclaim any variable remuneration, neither in the form of malus nor in the form of clawback.

Name of Director	Fees USD	Fringe Benefits USD	Total Remuneration USD	Proportion of fixed and variable remuneration USD
John C. Grech	97,277	963	98,240	100% - 0%
Masaud M. J. Hayat	20,512	-	20,512	100% - 0%
Abdel Karim Kabariti (Appointed on 13 August 2020) *	1,835	-	1,835	100% - 0%
Adrian A. Gostuski (Resigned on 4 August 2020) **	1,831	-	1,831	100% - 0%
Edmond Brincat	46,569	-	46,569	100% - 0%
Hussain Lalani	34,857	-	34,857	100% - 0%
Majed E. Al-Ajeel	21,117	-	21,117	100% - 0%
Mohamed Fekih Ahmed	28,344	-	28,344	100% - 0%
Osama Talat Al-Ghoussein	19,308	-	19,308	100% - 0%
Rabih Soukarieh	26,067	-	26,067	100% - 0%
Rogers D. LeBaron	63,043	-	63,043	100% - 0%

' * ' Remuneration denotes the Director's fees following appointment in August 2020.
' ** ' Remuneration denotes the amount in Directors fees which was received for January 2020.

Name of Director	Position
John C. Grech	Chairperson FIMBank BoD, Chairperson LFC BoD, Chairperson BRIC, Chairperson BCC, Vice Chairperson CGC, Permanent Invitee NRC
Masaud M. J. Hayat	Vice Chairperson BoD, Chairperson NRC
Abdel Karim Kabariti	Member BoD
Adrian A. Gostuski	Member BoD, Member BRC
Edmond Brincat	Member BoD (independent member), Chairperson AC, Member NRC, Member BRC
Hussain Lalani	Member BoD, Chairperson BRC, Vice Chairperson AC, Vice Chairperson BRIC, Member LFC BoD
Majed E. Al-Ajeel	Member BoD, Chairpeson CGC, Vice Chairperson NRC, Member LFC BoD
Mohamed Fekih Ahmed	Member BoD, Member BCC, Member LFC BoD
Osama Talat Al-Ghoussein	Member BoD, Vice Chairperson BRC
Rabih Soukarieh	Member BoD, Vice Chairperson BCC
Rogers D LeBaron	Member BoD, Member CGC, Member NRC, Permanent Invitee AC

	Fixed Remuneration			Variable Remuneration					
Name of Executive	Base Salary USD	Fees USD	Fringe Benefits USD	One-year variable USD	Multi-year variable USD	Extraordinary items USD	Pension expense USD	Total remuneration USD	Proportion of fixed and variable remuneration
Murali Subramanian	496,951	-	123,258	61,357	-	14,372	767	696,705	91% - 9%
Adrian A. Gostuski	299,369	-	111,589	-	-	-	1,070	412,029	100% - 0%
Simon Lay	461,633	-	99,783	121,071	-	-	45,433	727,920	83% - 17%

Name of Executive	Position
Murali Subramanian *	GCEO FIMBank; Chairperson EXCO, Chairperson MCC, Member ALCO, Member ORMC, Chairperson Egypt Factors BoD, Chairperson India Factoring BoD, Member FBS BoD, Member Brasil Factors BOD, Member FBS BOD
Adrian A. Gostuski **	GCEO FIMBank, Chairperson MCC, Member ALCO, Member ERPC, Member ITSC, Member ORMC, Non-Voting Member BRIC, Chairperson Egypt Factors BoD, Chairperson India Factoring BoD, Chairperson FPI BoD, Member Brasil Factors BoD, Member FBS BoD,
Simon Lay	Deputy CEO FIMBank, CEO LFC, Member MCC, Member ALCO, Member ERPC

' * ' The definite contract of Murali Subramanian expired on 5 August 2020. The position was relinquished on 30 March 2020.
' ** ' Adrian A. Gostuski was appointed as Acting Group Chief Executive Officer on 30 March 2020 and confirmed as Group Chief Executive Officer on 7 April 2021.

Denotes membership of:

- FIMBank Board of Directors (BoD)
- Audit Committee (AC)
- Board Credit Committee (BCC)
- Board Review and Implementation Committee (BRIC) which replaced the Executive Committee (EXCO)
- Board Risk Committee (BRC)
- Corporate Governance Committee (CGC)
- Nomination and Remuneration Committee (NRC)
- Asset Liabilities Committee (ALCO)
- Management Credit Committee (MCC)
- Emerging Risk and Provisioning Committee (ERPC)
- IT Steering Committee (ITSC)
- Operational Risk Management Committee (ORMC)

In accordance with Listing Rule 12.26N, the external auditors have checked that all information, as required in terms of Appendix 12.1 of Chapter 12 of the Listing Rules, has been included in the Directors' Remuneration Report within this Remuneration Report.

Statements of financial position

As at 31 December 2020

	Note	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	18	319,287,524	208,277,004	319,267,749	208,259,407
Derivative assets held for risk management	19	991,624	142,249	1,019,288	96,285
Trading assets	20	452,326,547	460,238,536	-	-
Loans and advances to banks	21	193,139,577	246,078,195	179,364,067	232,351,750
Loans and advances to customers	22	591,995,726	649,890,157	779,834,360	811,152,849
Financial assets at fair value through profit or loss	23	20,385,323	125,342,798	20,385,323	125,342,798
Financial assets at fair value through other comprehensive income	24	153,327,686	79,367,556	153,327,686	79,367,556
Investments at amortised cost	25	9,839,457	9,785,496	9,839,457	9,785,496
Investments in subsidiaries	26	-	-	147,436,214	147,948,385
Property and equipment	27	32,166,816	33,786,469	3,507,509	5,229,059
Investment property	28	17,223,820	17,223,820	-	-
Intangible assets and goodwill	29	9,698,335	13,107,881	4,008,725	4,647,642
Current tax assets		1,397,553	1,846,627	76,225	226,886
Deferred tax assets	30	25,875,734	36,773,586	15,590,955	22,011,162
Other assets	31	6,390,301	11,169,850	5,570,562	8,824,153
Total assets		**1,834,046,023**	**1,893,030,224**	**1,639,228,120**	**1,655,243,428**
Liabilities and equity					
Liabilities					
Derivative liabilities held for risk management	19	1,629,434	187,700	1,629,434	193,691
Amounts owed to banks	32	429,443,480	452,291,304	387,900,641	405,072,025
Amounts owed to customers	33	1,101,570,295	1,057,824,242	1,037,118,337	978,134,002
Debt securities in issue	34	50,832,661	79,550,865	-	-
Current tax liabilities		337,725	588,368	-	-
Deferred tax liabilities	30	4,215,075	4,215,075	-	-
Provision for liabilities and charges	35	275,889	88,435	173,051	85,159
Other liabilities	36	12,583,335	17,271,633	7,645,488	13,077,128
Total liabilities		**1,600,887,894**	**1,612,017,622**	**1,434,466,951**	**1,396,562,005**
Equity					
Share capital	37	261,221,882	261,221,882	261,221,882	261,221,882
Share premium	37	858,885	858,885	858,885	858,885
Reserve for general banking risks	37	3,358,738	2,323,486	3,358,738	2,323,486
Currency translation reserve	37	(10,011,229)	(7,086,044)	-	-
Fair value reserve	37	13,367,626	11,311,278	2,413,581	357,233
Other reserve	37	2,982,435	2,916,863	2,681,041	2,681,041
(Accumulated losses)/Retained earnings	37	(39,027,680)	10,937,616	(65,772,958)	(8,761,104)
Total equity attributable to equity holders of the Bank		**232,750,657**	**282,483,966**	**204,761,169**	**258,681,423**
Non-controlling interests	38	407,472	(1,471,364)	-	-
Total equity		**233,158,129**	**281,012,602**	**204,761,169**	**258,681,423**
Total liabilities and equity		**1,834,046,023**	**1,893,030,224**	**1,639,228,120**	**1,655,243,428**

Statements of financial position

As at 31 December 2020

	Note	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Memorandum items					
Contingent liabilities	39	**1,910,418**	**4,899,827**	**44,246,902**	**61,628,654**
Commitments	40	**105,043,456**	**165,939,920**	**105,245,766**	**143,026,427**

The official middle rate of exchange issued by the European Central Bank between US Dollar and Euro as at 31 December 2020 was 1.2271.

The Notes on pages 36 to 147 are an integral part of these Financial Statements.

The Financial Statements on pages 26 to 147 were approved and authorised for issue by the Board of Directors on 7 April 2021 and were signed on its behalf by:

John C. Grech Chairman	**Masaud M. J. Hayat** Vice Chairman	**Adrian A. Gostuski** Chief Executive Officer	**Juraj Beno** Chief Financial Officer

Statements of profit or loss

For the year ended 31 December 2020

	Note	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Interest income	9	42,210,926	50,531,699	22,721,724	30,311,233
Interest expense	9	(13,567,776)	(18,210,466)	(11,482,001)	(14,037,860)
Net interest income	9	**28,643,150**	**32,321,233**	**11,239,723**	**16,273,373**
Fee and commission income	10	14,256,769	18,426,111	5,366,867	7,753,143
Fee and commission expense	10	(5,287,088)	(5,945,589)	(2,552,278)	(3,078,283)
Net fee and commission income	10	**8,969,681**	**12,480,522**	**2,814,589**	**4,674,860**
Net trading results	11	(121,164)	5,837,243	(831,244)	922,619
Net gain from other financial instruments carried at fair value	12	277,137	2,185,316	277,137	2,185,316
Dividend income	13	240,817	3,591,794	7,240,817	43,591,794
Other operating income	14	893,869	932,009	120,725	118,904
Operating income before net impairment		**38,903,490**	**57,348,117**	**20,861,747**	**67,766,866**
Net impairment charge on financial assets	5	(32,990,319)	(13,066,172)	(34,272,400)	(14,210,257)
Impairment of goodwill		(2,687,000)	-	-	-
Impairment of investments in subsidiaries		-	-	(9,314,000)	-
Operating income/(loss)		**3,226,171**	**44,281,945**	**(22,724,653)**	**53,556,609**
Administrative expenses	15	(35,610,076)	(33,756,493)	(23,722,803)	(20,305,701)
Depreciation and amortisation	27/29	(3,426,029)	(3,263,328)	(2,962,370)	(2,896,531)
Total operating expenses		**(39,036,105)**	**(37,019,821)**	**(26,685,173)**	**(23,202,232)**
(Loss)/Profit before tax		**(35,809,934)**	**7,262,124**	**(49,409,826)**	**30,354,377**
Taxation	16	(11,222,821)	(2,732,021)	(6,566,776)	(765,433)
(Loss)/Profit for the year		**(47,032,755)**	**4,530,103**	**(55,976,602)**	**29,588,944**
(Loss)/Profit attributable to:					
Owners of the Bank		(46,898,575)	4,419,145	(55,976,602)	29,588,944
Non-controlling interests	38	(134,180)	110,958	-	-
		(47,032,755)	**4,530,103**	**(55,976,602)**	**29,588,944**
Earnings per share					
Basic (loss)/earnings per share (US cents)	17	**(8.98)**	**0.86**	**(10.71)**	**5.75**

The Notes on pages 36 to 147 are an integral part of these Financial Statements.

Statements of other comprehensive income

For the year ended 31 December 2020

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
(Loss)/Profit for the year	**(47,032,755)**	**4,530,103**	**(55,976,602)**	**29,588,944**
Other comprehensive (expense)/income:				
Items that are or may be reclassified subsequently to profit or loss:				
Movement in translation reserve:				
– Foreign operations - foreign currency translation differences	(2,878,066)	(1,886,278)	-	-
Movement in fair value reserve:				
– Debt investments in fair value through other comprehensive income - net change in fair value	3,784,630	2,004,196	3,784,630	2,004,196
– Debt investments in fair value through other comprehensive income - reclassified to profit or loss	(1,308,075)	(2,130,473)	(1,308,075)	(2,130,473)
Related tax	(420,207)	(274,744)	(420,207)	(274,744)
Other comprehensive (expense)/income, net of tax	**(821,718)**	**(2,287,299)**	**2,056,348**	**(401,021)**
Total comprehensive (expense)/income	**(47,854,473)**	**2,242,804**	**(53,920,254)**	**29,187,923**
Total comprehensive (expense)/income attributable to:				
Owners of the Bank	(47,767,412)	2,098,914	(53,920,254)	29,187,923
Non-controlling interests	(87,061)	143,890	-	-
	(47,854,473)	**2,242,804**	**(53,920,254)**	**29,187,923**

Statements of changes in equity

For the year ended 31 December 2020

Group

	Attributable to equity holders of the Bank									
	Share capital USD	Share premium USD	Reserve for general banking risks USD	Currency translation reserve USD	Fair value reserve USD	Other reserve USD	Retained earnings/ (Accumulated loss) USD	Total USD	Non-controlling interests USD	Total equity USD
Balance at 1 January 2020	**261,221,882**	**858,885**	**2,323,486**	**(7,086,044)**	**11,311,278**	**2,916,863**	**10,937,616**	**282,483,966**	**(1,471,364)**	**281,012,602**
Total comprehensive income										
Loss for the year	-	-	-	-	-	-	(46,898,575)	(46,898,575)	(134,180)	**(47,032,755)**
Other comprehensive income:										
Fair value reserve:										
– Debt investments at fair value through other comprehensive income - net change in fair value	-	-	-	-	3,364,423	-	-	3,364,423	-	**3,364,423**
– Debt investments at fair value through other comprehensive income - reclassified to profit or loss	-	-	-	-	(1,308,075)	-	-	(1,308,075)	-	**(1,308,075)**
Translation reserve:										
– Foreign operations - foreign translation difference	-	-	-	(2,925,185)	-	-	-	(2,925,185)	47,119	**(2,878,066)**
Total other comprehensive income	**-**	**-**	**-**	**(2,925,185)**	**2,056,348**	**-**	**-**	**(868,837)**	**47,119**	**(821,718)**
Total comprehensive income	**-**	**-**	**-**	**(2,925,185)**	**2,056,348**	**-**	**(46,898,575)**	**(47,767,412)**	**(87,061)**	**(47,854,473)**
Transfer between reserves	-	-	1,035,252	-	-	65,572	(3,066,721)	(1,965,897)	1,965,897	**-**
Balance at 31 December 2020	**261,221,882**	**858,885**	**3,358,738**	**(10,011,229)**	**13,367,626**	**2,982,435**	**(39,027,680)**	**232,750,657**	**407,472**	**233,158,129**

Statements of changes in equity

For the year ended 31 December 2020

Group

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

Statements of changes in equity

For the year ended 31 December 2020

Bank

	Share capital USD	Share premium USD	Reserve for general banking risks USD	Fair value reserve USD	Other reserve USD	Accumulated losses USD	Total equity USD
Balance at 1 January 2020	**261,221,882**	**858,885**	**2,323,486**	**357,233**	**2,681,041**	**(8,761,104)**	**258,681,423**
Total comprehensive expense							
Loss for the year	-	-	-	-	-	(55,976,602)	**(55,976,602)**
Other comprehensive expense:							
Fair value reserve:							
– Debt investments at fair value through other comprehensive income - net change in fair value	-	-	-	3,364,423	-	-	**3,364,423**
– Debt investments at fair value through other comprehensive income - reclassified to profit or loss	-	-	-	(1,308,075)	-	-	**(1,308,075)**
Total other comprehensive expense	**-**	**-**	**-**	**2,056,348**	**-**	**-**	**2,056,348**
Total comprehensive expense	**-**	**-**	**-**	**2,056,348**	**-**	**(55,976,602)**	**(53,920,254)**
Transfer between reserves	-	-	1,035,252	-	-	(1,035,252)	**-**
Balance at 31 December 2020	**261,221,882**	**858,885**	**3,358,738**	**2,413,581**	**2,681,041**	**(65,772,958)**	**204,761,169**

Statements of changes in equity

For the year ended 31 December 2020

Bank

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

Statements of cash flows

For the year ended 31 December 2020

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Cash flows from operating activities				
Interest and commission receipts	67,872,276	71,560,049	25,609,316	36,009,502
Exchange paid	(12,300,696)	(562,634)	(11,405,644)	(489,810)
Interest and commission payments	(37,471,828)	(25,998,371)	(13,793,109)	(18,937,449)
Payments to employees and suppliers	(36,713,674)	(35,414,659)	(27,271,356)	(18,718,132)
Operating (loss)/profit before changes in operating assets/liabilities	**(18,613,922)**	**9,584,385**	**(26,860,793)**	**(2,135,889)**
Decrease /(Increase) in operating assets:				
– Trading assets	11,620,752	(111,140,231)	-	-
– Loans and advances to customers and banks	(117,922,078)	71,026,220	(132,591,160)	88,523,168
– Other assets	4,763,352	(1,485,134)	4,068,416	(1,619,293)
Increase/(Decrease) in operating liabilities:				
– Amounts owed to customers and banks	204,687,776	45,935,781	216,340,869	60,938,417
– Other liabilities	(2,133,345)	1,140,813	(1,965,939)	1,325,649
– Net advances from subsidiary companies	-	-	3,250,217	(118,129,368)
Net cash generated from operating activities before income tax	**82,402,535**	**15,061,834**	**62,241,610**	**28,902,684**
Income tax paid	(829,093)	(1,315,725)	(393,419)	(454,818)
Net cash flows from operating activities	**81,573,442**	**13,746,109**	**61,848,191**	**28,447,866**
Cash flows from investing activities				
Payments to acquire financial assets at fair value through profit or loss	-	(2,469,245)	-	(2,469,245)
Proceeds to acquire financial assets at fair value through other comprehensive income	(109,616,706)	(84,984,922)	(109,616,706)	(84,984,922)
Payments to acquire shares in subsidiary companies	-	-	(1,801,829)	(5,352,772)
Payments to acquire property and equipment	(477,381)	(1,085,120)	(142,744)	(372,658)
Payments to acquire intangible assets	(393,096)	(951,219)	(393,096)	(951,219)
Proceeds on disposal of financial assets at fair value through profit or loss	105,639,259	50,000,000	105,639,259	50,000,000
Proceeds on disposal of financial assets at fair value through other comprehensive income	49,246,582	93,035,159	49,246,582	93,035,159
Proceeds on disposal of property and equipment	328	8,966	-	3,551
Receipt of dividend	240,817	4,628,411	240,817	4,628,411
Net cash flows from investing activities	**44,639,803**	**58,182,030**	**43,172,283**	**53,536,305**
Increase in cash and cash equivalents c/f	**126,213,245**	**71,928,139**	**105,020,474**	**81,984,171**

Statements of cash flows

For the year ended 31 December 2020

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Increase in cash and cash equivalents b/f	**126,213,245**	**71,928,139**	**105,020,474**	**81,984,171**
Cash flows from financing activities				
– Issue of share capital	-	84,887	-	84,887
– Net movement in debt securities	(28,492,240)	(7,873,209)	-	(14,834,943)
– Payment of lease liabilities	(967,167)	(751,807)	(997,729)	(2,354,026)
Net cash flows used in financing activities	**(29,459,407)**	**(8,540,129)**	**(997,729)**	**(17,104,082)**
Increase in cash and cash equivalents	**96,753,838**	**63,388,010**	**104,022,745**	**64,880,089**
Analysed as follows:				
– Effect of exchange rate changes on cash and cash equivalents	27,958,339	(5,031,085)	29,536,105	(5,356,234)
– Net increase in cash and cash equivalents	68,795,499	68,419,095	74,486,640	70,236,323
Increase in cash and cash equivalents	**96,753,838**	**63,388,010**	**104,022,745**	**64,880,089**
Cash and cash equivalents at beginning of year	**145,170,011**	**81,782,001**	**163,886,941**	**99,006,852**
Cash and cash equivalents at end of year	**241,923,849**	**145,170,011**	**267,909,686**	**163,886,941**

Notes to the financial statements

For the year ended 31 December 2020

Notes to the financial statements

For the year ended 31 December 2020

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 2020 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2 Basis of preparation

2.1 Statement of compliance

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

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

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

On 11 March 2020, the World Health Organisation declared that the novel Coronavirus ("COVID-19") could be characterized as a pandemic. The impact of the outbreak is widespread across the globe and has distressed many countries including those markets where the Group operates. The circumstances have rapidly evolved, forcing Governments to implement severe measures and restrictions, including partial or full lockdowns, restrictions on business activities, public gatherings, public spaces, travel, transportation, schools, retail stores, and various other activities. Businesses were forced to close or restrict their activities including restricted access to offices, outlets, warehouses and production plants. The pandemic, as well as these restrictive measures, have created a significant amount of uncertainty and disruption in economic activity and are having an impact across all industries.

All the while the Group ensured that all stakeholders, particularly its customers and employees were supported in more ways than one. As expected, the pandemic and its effects on the global economy had a significant impact on the banking industry, client services, asset valuations, expected credit losses and revenues to name a few. The impact on the Group was no exception. The Group has taken necessary measures to maintain a strong balance sheet and liquidity buffers whilst also recognising any deterioration of asset value where appropriate.

Although the financial performance has been significantly impacted by the pandemic and although there is still a high degree of uncertainty and risk associated with the pandemic and the global economic forecasts, the Board of Directors confirm that, at the time of approving these Financial Statements, the Group is capable of continuing to operate as a going concern for the foreseeable future.

In preparing these Financial Statements, consideration has also been given to the Public Statement ESMA 32-63-1041, issued by the European Securities and Markets Authority on 28 October 2020, which promotes transparency and consistent application of European requirements for information provided in the annual financial reports of listed companies under the current circumstances related to the COVID-19 pandemic.

The Financial Statements were authorised for issue by the Board of Directors on 7 April 2021.

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

2.4 Use of judgements and estimates

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

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

In preparing these Financial Statements, the significant judgments made by management in applying the Group's Accounting Policies and the key sources of estimation uncertainty were impacted by the volatility resulting from the COVID-19 pandemic. Such impact on specific areas of significant judgement is separately disclosed in Notes 5, 26, 27, 28, 29 and 30 of these Financial Statements.

2.4.1 Judgements

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

- Accounting Policy 3.10.2 – classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are Solely Payments of Principle and Interest ("SPPI") on the principal amount outstanding; and

- Note 5.2.1.3 – establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of the Expected Credit Losses ("ECL") and selection and approval of models used to measure ECL.

2.4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2020 is set out below in relation to the impairment of financial instruments and in the following Notes in relation to other areas:

- Note 2.4.2.1 – determination of the fair value of financial instruments with significant unobservable inputs;
- Accounting Policy 3.10.8 – impairment of financial instruments: key assumptions used in estimating recoverable cash flows;
- Note 5 – impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information;
- Note 29.2 – impairment testing for CGUs containing goodwill: key assumptions underlying recoverable amounts; and
- Note 30 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

2.4.2.1 Determining fair values

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

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

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

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

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

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

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

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

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

- Note 6 – fair values of financial instruments;
- Note 27 – property and equipment; and
- Note 28 – investment property.

3 Significant accounting policies

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

3.1 Basis of consolidation

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of activities and assets acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. 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 consideration transferred or loss.

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

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

3.1.2 Subsidiaries

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

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

3.1.3 Interests in equity-accounted investees

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

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

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

3.1.4 Non-controlling interests

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

3.1.5 Discontinued operations

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

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

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

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

3.1.6 Transactions eliminated on consolidation

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

3.1.7 Loss of control

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

3.2 Foreign currency

3.2.1 Foreign currency transactions

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

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

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

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

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

3.2.2 Foreign operations

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

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

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

3.3 Interest

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

Presentation

Interest income calculated using the effective interest method presented in the Statement of Profit or Loss and OCI includes:

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

Interest expense presented in the Statement of Profit or Loss and OCI includes:

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

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

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

3.4 Fees and commissions

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

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

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

3.5 Net trading results

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

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

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

3.7 Dividends

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

3.8 Leases

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

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

3.8.1.1 Group acting as a lessee

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

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

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

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

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

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

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

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

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the Statement of Financial Position.

Short-term leases and leases of low-value assets

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

3.8.1.2 Group acting as a lessor

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

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

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

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

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

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other operating income'. The Group does not have any finance leases under IFRS 16.

3.9 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

Current tax

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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

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 on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are 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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3.10 Financial assets and liabilities

3.10.1 Recognition and initial measurement

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

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

3.10.2 Classification

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

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

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

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

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

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

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

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income at fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (see Accounting Policy 3.10.9).

Business model assessment

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

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

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

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

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

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

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

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

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

Non-recourse loans

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

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

Reclassifications

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

See Accounting Policies 3.12, 3.13, 3.14 and 3.15.

3.10.2.1 Financial liabilities

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

See Accounting Policies 3.12, 3.13, 3.21 and 3.23.

3.10.3 Derecognition

3.10.3.1 Financial assets

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

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

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

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

When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

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

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

3.10.3.2 Financial liabilities

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

3.10.4 Modifications of financial assets and financial liabilities

3.10.4.1 Financial assets

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

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

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written-off before the modification takes place (see Note 5.2.1.5 for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

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

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

3.10.4.2 Financial liabilities

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

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

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

Interest rate benchmark reform (policy applied from 1 January 2020)

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications set out above to the additional changes.

3.10.5 Offsetting

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

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

3.10.6 Amortised cost measurement

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

3.10.7 Fair value measurement

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

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

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

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

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

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

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

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

3.10.8 Identification and measurement of impairment

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

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

No impairment loss is recognised on equity investments.

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

- debt investment securities and loans and advances that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (see Note 5.2.1.8).

The Group considers a debt investment security or a loan to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

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

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

Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

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

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

In light of the spread of COVID-19 across the globe, the Group has assessed the impact of the outbreak on the credit risk over the expected life of its financial assets.

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

The model used for this review period was based on three possible scenarios covering a wide range of possible outcomes. Each scenario assumed different epidemiological and economic circumstances, recoveries from the COVID-19-induced recession that played out differently in different parts of the world and different use of monetary and fiscal policies, including different levels of:

- infection spread, fatality rates, hospitalisation rates, medical supplies available, development of vaccines;
- lock-down measures, travel restrictions, business interruption and temporary closure;
- oil prices, interest rates, unemployment rates, GDP rates, national debt, companies going in liquidation, consumer and business confidence; and
- quantitative easing, fiscal stimulus, state aid and bailout measures.

See also Note 5.2.1.8.

Restructured financial assets

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

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 5.2.1.8); and
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

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

Write-off

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

Recoveries of amounts previously written-off are included in 'net impairment charge on financial assets' in the Statement of Profit or Loss and OCI.

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

3.10.9 Designated at fair value through profit or loss

Financial assets

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

Financial liabilities

The Group has designated certain financial liabilities as at fair value through profit or loss in either of the following circumstances:
- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

3.11 Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

3.12 Trading assets and liabilities

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

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statements of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading results in profit or loss.

Trading assets and liabilities are not reclassified subsequent to their initial recognition, except that non-derivative trading assets, other than those designated at fair value through profit or loss upon initial recognition, may be reclassified out of the fair value through profit or loss (i.e. trading) category if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

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

3.13 Derivatives held for risk management purposes

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

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

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

3.13.1 Net investment hedges

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

3.14 Loans and advances

The 'loans and advances to banks' caption in the Statement of Financial Position includes loans and advances measured at amortised cost (see Accounting Policy 3.10.2); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

'Loans and advances to customers' captions in the Statement of Financial Position include:

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

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 consideration paid 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

The investment securities in the Statement of Financial Position include:

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

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

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

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

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

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

3.16 Investments in subsidiaries, associates and jointly-controlled entities

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

3.17 Property and equipment

3.17.1 Recognition and measurement

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

Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

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

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

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

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:

- building — 50 years
- computer system — 7 years
- computer equipment — 5 years
- others — 4 – 14 years

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

3.17.4 Reclassification to investment property

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

3.18 Investment property

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

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

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

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

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

3.19 Intangible assets and goodwill

3.19.1 Recognition and measurement

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

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

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

3.19.2 Subsequent expenditure

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

3.19.3 Amortisation

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

- software 7 years
- other intangible assets 5 years

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

3.20 Impairment of non-financial assets

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

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

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

An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount.

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

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

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

3.21 Deposits, debt securities in issue and subordinated liabilities

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

When the Group designates a financial liability as at fair value through profit or loss, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in other comprehensive income as a liability credit reserve. On initial recognition of the financial liability, the Group assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

This assessment is made by using a regression analysis to compare:

- the expected changes in the fair value of the liability related to changes in the credit risk; with
- the impact on profit or loss of expected changes in the fair value of instruments whose characteristics are economically related to the characteristics of the liability.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss.

When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

3.22 Provisions

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

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

3.23 Financial guarantees and loan commitments

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

Financial guarantees issued and loan commitments are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Other loan commitments issued are measured at the sum of (i) the loss allowance determined in accordance with IFRS 9 and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised. Derecognition policies in Accounting Policy 3.10.3 are applied to loan commitments issued and held.

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

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

3.24 Employee benefits

3.24.1 Defined contribution plans

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

3.24.2 Share-based payment transactions

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

3.25 Share capital

3.25.1 Ordinary shares

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

3.25.2 Repurchase of share capital

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

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

3.26 Earnings per share

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

As at December 2020, basic and diluted earnings per share were equal.

3.27 Segment reporting

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

3.28 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted, however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

The following amended standards are not expected to have a significant impact on the Group's Consolidated Financial Statements:

- amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: interest rate benchmark reform; and
- amendments to IFRS 4 – Insurance Contracts: deferral of IFRS 9.

3.29 Amended standards not yet endorsed

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

- annual improvements to IFRS Standards 2018-2020;
- amendments to IAS 1 – presentation of financial statements: classification of liabilities as current or non-current;
- amendments to IAS 1 – presentation of financial statements and IFRS practice statement 2: disclosure of accounting policies;
- amendments to IAS 8 – accounting policies, changes in accounting estimates and errors: definition of accounting estimates;
- amendments to IAS 16 – property, plant and equipment: proceeds before intended use;
- amendments to IAS 37 – provisions, contingent liabilities and contingent assets;
- amendment to IFRS 3 – business combinations;
- amendments to IFRS 16 – leases: COVID-19 related rent concessions beyond 30 June 2021; and
- amendments to IFRS 17 – insurance contracts.

4 Changes in accounting policies

The Group has initially adopted 'definition of a business (amendments to IFRS 3)' from 1 January 2020. A number of other new standards are also effective from 1 January 2020, but they do not have a material effect on the Group's Financial Statements.

4.1 Definition of a business

The Group applied Definition of a Business (Amendments to IFRS 3) to business combinations whose dates of acquisition are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The amendments do not have a material effect on the Group's Financial Statements because the Group has not acquired any subsidiaries during the year. However, the Group has amended its Accounting Policies for acquisitions on or after 1 January 2020 (see Accounting Policy 3.1.1).

4.2 Interest rate benchmark reform

Information about the interest rate benchmark reform is disclosed in Note 5.4.3.

5 Financial risk review

5.1 Introduction and overview

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

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

a. credit risk
   - default risk;
   - concentration risk;
   - counterparty credit risk;
   - settlement risk; and
   - foreign exchange lending risk.
b. liquidity risk
c. market risk
   - foreign exchange risk;
   - interest rate risk in the banking book;
   - position risk in the traded debt instruments; and
   - price risk.
d. operational risk; and
e. reputational and conduct risk

5.1.1 Risk management framework

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

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

5.2 Credit risk

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

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

- default risk;
- concentration risk;
- counterparty credit risk;
- settlement risk; and
- foreign exchange lending risk.

The Group's credit risk management practises were updated in response to the COVID-19 pandemic by taking a more cautious approach when measuring ECL. The Group's assumption in determining whether the credit risk of a financial instrument has increased significantly since initial recognition was updated to provide for exposures were the Group applied moratoria on loan repayments. In addition, the Group performed a number of sensitivity tests when measuring ECL, including the following:

- calculating lifetime ECL on exposures were the Group applied moratoria on loan repayments;
- altering the weighting of the upside, downside and base case economic scenarios;
- disregarding the upside scenario and applying a 50%-50% weighting on the downside and base case economic scenarios; and
- assessing the impact of having a 100% downside economic scenario.

For more information on how the COVID-19 considerations were incorporated in the methods, assumptions and information used to measure ECL, please see Accounting Policy 3.10.8.

5.2.1 Default Risk

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

Strict credit assessment and control procedures are in place in order to monitor such exposures. Overall responsibility for credit risk is entrusted to the BCC who is responsible for overseeing the Group's credit policy and risk and for approving individual limits for banks and corporates within their delegated parameters of authority. Country limits are approved by the BCC. The BCC is also responsible for the oversight of operational, legal and reputational risk related to credit activity. Further information on the composition and function of the BCC is found in the Statement of Compliance with the Principles of Good Corporate Governance.

The Group also ensures that it has a reasonable mix of loans to customers. This diversification of credit among different economic sectors is adopted by the Group to mitigate such risks. The Group also monitors its risk on balances held with other banks and establishes limits for them. 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 and limits are established accordingly.

All on- and off- balance sheet exposures are approved after a thorough review of the counterparties' creditworthiness. Whilst any external rating of the counterparty by established Credit Rating Agencies is taken into account, an internal rating is given to each obligor and credit support provider. The Group uses a host of analytical aids, including Moody's RiskAnalyst, a software used to assign internal ratings. During 2021 the Group will be migrating to the latest version of this software, Moody's CreditLens. Whilst the credit review process makes use of the Moody's tool, which is used to assess customers' financial statements, it also includes an analysis of: relevant markets and sectors, the outlook for commodity prices, the structure of proposed transactions, the market position of the relevant counterparties and other assessments appropriate to the specific exposure to the customer.

5.2.1.1 Credit quality analysis

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

Group – 31 December 2020

	2020				
	12-month PD ranges	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with the Central Bank of Malta, treasury bills and cash					
Grades 1 to 4- low risk	0.08% - 0.51%	307,168,780	12,271,444	-	**319,440,224**
		307,168,780	**12,271,444**	**-**	**319,440,224**
Loss allowance		(131,651)	(21,049)	-	**(152,700)**
Carrying amount		**307,037,129**	**12,250,395**	**-**	**319,287,524**
Loans and advances to banks					
Grades 1 to 4- low risk	0.17% - 1.85%	109,041,004	-	-	**109,041,004**
Grades 5+ to 5- fair risk	1.20% - 3.71%	4,701,296	583	-	**4,701,879**
Grades 6+ to 7 substandard	2.18% - 12.71%	70,572,317	2,623,574	-	**73,195,891**
Grade 9 to 10 loss	100.00%	-	-	10,192,358	**10,192,358**
		184,314,617	**2,624,157**	**10,192,358**	**197,131,132**
Loss allowance		(775,489)	(75,487)	(3,140,579)	**(3,991,555)**
Carrying amount		**183,539,128**	**2,548,670**	**7,051,779**	**193,139,577**
Loans and advances to customers					
Grades 1 to 4- low risk	0.05% - 0.80%	14,320,509	8,418,899	-	**22,739,408**
Grades 5+ to 5- fair risk	0.27% - 2.38%	116,289,685	22,669,330	-	**138,959,015**
Grades 6+ to 7 substandard	1.00% - 28.01%	167,842,212	138,235,845	-	**306,078,057**
Grade 7- to 8- doubtful	7.43% - 43.25%	-	29,097,910	-	**29,097,910**
Grade 9 to 10 loss	100.00%	-	-	196,700,238	**196,700,238**
		298,452,406	**198,421,984**	**196,700,238**	**693,574,628**
Loss allowance		(2,069,713)	(3,618,347)	(95,890,842)	**(101,578,902)**
Carrying amount		**296,382,693**	**194,803,637**	**100,809,396**	**591,995,726**
Financial assets at fair value through other comprehensive income					
Grades 1 to 4- low risk	0.02% - 0.51%	147,700,809	-	-	**147,700,809**
Carrying amount at cost		**147,700,809**	**-**	**-**	**147,700,809**
Carrying amount at fair value		**153,327,686**	**-**	**-**	**153,327,686**
Loss allowance		(71,827)	-	-	**(71,827)**
Investments at amortised cost					
Grades 1 to 4- low risk	1.35%	9,910,131	-	-	**9,910,131**
		9,910,131	**-**	**-**	**9,910,131**
Loss allowance		(70,674)	-	-	**(70,674)**
Carrying amount		**9,839,457**	**-**	**-**	**9,839,457**
Contingent liabilities					
Grades 1 to 4- low risk	0.21% - 0.34%	418,921	-	-	**418,921**
Grades 5+ to 5- fair risk	0.28% - 3.05%	444,468	-	-	**444,468**
Grades 6+ to 7 substandard	1.78% - 14.4%	1,047,029	-	-	**1,047,029**
Carrying amount		**1,910,418**	**-**	**-**	**1,910,418**
Loss allowance		(9,611)	-	-	**(9,611)**
Commitments					
Grades 1 to 4- low risk	0.04% - 0.23%	8,156,224	-	-	**8,156,224**
Grades 5+ to 5- fair risk	0.27% - 1.58%	48,548,128	-	-	**48,548,128**
Grades 6+ to 7 substandard	1.10% - 28.10%	44,800,227	3,538,877	-	**48,339,104**
Carrying amount		**101,504,579**	**3,538,877**	**-**	**105,043,456**
Loss allowance		(14,808)	(153,176)	-	**(167,984)**

Group – 31 December 2019

	12-month PD ranges	2019 Stage 1 USD	2019 Stage 2 USD	2019 Stage 3 USD	2019 Total USD
Balances with the Central Bank of Malta, treasury bills and cash					
Grades 1 to 4- low risk	0.17%	208,277,004	-	-	**208,277,004**
Carrying amount		**208,277,004**	**-**	**-**	**208,277,004**
Loans and advances to banks					
Grades 1 to 4- low risk	0.12% - 1.04%	196,714,389	-	-	**196,714,389**
Grades 5+ to 5- fair risk	0.48% - 1.67%	1,831,929	7,598	-	**1,839,527**
Grades 6+ to 7 substandard	1.38% - 8.83%	36,353,415	5,375,248	-	**41,728,663**
Grade 9 to 10 loss	100.00%	-	-	9,015,125	**9,015,125**
		234,899,733	**5,382,846**	**9,015,125**	**249,297,704**
Loss allowance		(542,278)	(117,390)	(2,559,841)	**(3,219,509)**
Carrying amount		**234,357,455**	**5,265,456**	**6,455,284**	**246,078,195**
Loans and advances to customers					
Grades 1 to 4- low risk	0.04% - 0.84%	66,792,635	14,202,258	-	**80,994,893**
Grades 5+ to 5- fair risk	0.17% - 3.36%	158,841,089	31,944,688	-	**190,785,777**
Grades 6+ to 7 substandard	0.56% - 100%	168,019,210	95,253,739	4,195,666	**267,468,615**
Grade 7- to 8- doubtful	5.19% - 100%	-	36,293,229	3,950,866	**40,244,095**
Grade 9 to 10 loss	100.00%	-	-	146,804,133	**146,804,133**
		393,652,934	**177,693,914**	**154,950,665**	**726,297,513**
Loss allowance		(973,713)	(4,395,859)	(71,037,784)	**(76,407,356)**
Carrying amount		**392,679,221**	**173,298,055**	**83,912,881**	**649,890,157**
Financial assets at fair value through other comprehensive income					
Grades 1 to 4- low risk	0.01% - 0.56%	81,477,419	-	-	**81,477,419**
Carrying amount at cost		**81,477,419**	**-**	**-**	**81,477,419**
Carrying amount at fair value		**79,367,556**	**-**	**-**	**79,367,556**
Loss allowance		(91,978)	-	-	**(91,978)**
Investments at amortised cost					
Grades 1 to 4- low risk	0.84%	9,964,940	-	-	**9,964,940**
		9,964,940	**-**	**-**	**9,964,940**
Loss allowance		(179,444)	-	-	**(179,444)**
Carrying amount		**9,785,496**	**-**	**-**	**9,785,496**
Contingent liabilities					
Grades 1 to 4- low risk	0.09% - 0.31%	405,620	-	-	**405,620**
Grades 5+ to 5- fair risk	0.17% - 1.29%	367,056	-	-	**367,056**
Grades 6+ to 7 substandard	0.83% - 8.83%	3,902,482	224,669	-	**4,127,151**
Carrying amount		**4,675,158**	**224,669**	**-**	**4,899,827**
Loss allowance		(9,751)	(391)	-	**(10,142)**
Commitments					
Grades 1 to 4- low risk	0.03% - 0.83%	7,709,247	-	-	**7,709,247**
Grades 5+ to 5- fair risk	0.17% - 2.71%	83,998,738	4,649,280	-	**88,648,018**
Grades 6+ to 7 substandard	0.56% - 8.83%	69,582,655	-	-	**69,582,655**
Carrying amount		**161,290,640**	**4,649,280**	**-**	**165,939,920**
Loss allowance		(56,870)	(21,423)	-	**(78,293)**

Bank – 31 December 2020

	2020				
	12-month PD ranges	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with the Central Bank of Malta, treasury bills and cash					
Grades 1 to 4- low risk	0.08% - 0.51%	307,149,005	12,271,444	-	**319,420,449**
		307,149,005	**12,271,444**	**-**	**319,420,449**
Loss allowance		(131,651)	(21,049)	-	**(152,700)**
Carrying amount		**307,017,354**	**12,250,395**	**-**	**319,267,749**
Loans and advances to banks					
Grades 1 to 4- low risk	0.17% - 0.7%	101,823,439	-	-	**101,823,439**
Grades 6+ to 7 substandard	2.18% - 12.37%	68,841,826	2,423,043	-	**71,264,869**
Grade 9 to 10 loss	100.00%	-	-	10,192,358	**10,192,358**
		170,665,265	**2,423,043**	**10,192,358**	**183,280,666**
Loss allowance		(704,578)	(71,442)	(3,140,579)	**(3,916,599)**
Carrying amount		**169,960,687**	**2,351,601**	**7,051,779**	**179,364,067**
Loans and advances to customers					
Grades 1 to 4- low risk	0.05% - 0.8%	6,213,969	498	-	**6,214,467**
Grades 5+ to 5- fair risk	0.27% - 2.24%	388,936,722	22,669,330	-	**411,606,052**
Grades 6+ to 7 substandard	1.16% - 27.59%	184,578,519	83,770,273	-	**268,348,792**
Grade 7- to 8- doubtful	7.43% - 43.25%	-	7,396,380	-	**7,396,380**
Grade 9 to 10 loss	100.00%	-	-	164,144,690	**164,144,690**
		579,729,210	**113,836,481**	**164,144,690**	**857,710,381**
Loss allowance		(1,866,268)	(2,328,744)	(73,681,009)	**(77,876,021)**
Carrying amount		**577,862,942**	**111,507,737**	**90,463,681**	**779,834,360**
Financial assets at fair value through other comprehensive income					
Grades 1 to 4- low risk	0.02% - 0.51%	147,700,809	-	-	**147,700,809**
Carrying amount at cost		**147,700,809**	**-**	**-**	**147,700,809**
Carrying amount at fair value		**153,327,686**	**-**	**-**	**153,327,686**
Loss allowance		(71,827)	-	-	**(71,827)**
Investments at amortised cost					
Grades 1 to 4- low risk	1.35%	9,910,131	-	-	**9,910,131**
		9,910,131	**-**	**-**	**9,910,131**
Loss allowance		(70,674)	-	-	**(70,674)**
Carrying amount		**9,839,457**	**-**	**-**	**9,839,457**
Contingent liabilities					
Grades 1 to 4- low risk	0.21% - 0.34%	418,921	-	-	**418,921**
Grades 5+ to 5- fair risk	0.28% - 3.05%	43,193,696	-	-	**43,193,696**
Grades 6+ to 7 substandard	1.78% - 14.4%	634,285	-	-	**634,285**
Carrying amount		**44,246,902**	**-**	**-**	**44,246,902**
Loss allowance		(5,067)	-	-	**(5,067)**
Commitments					
Grades 1 to 4- low risk	0.17% - 0.23%	9,720,642	-	-	**9,720,642**
Grades 5+ to 5- fair risk	0.27% - 1.58%	58,717,340	-	-	**58,717,340**
Grades 6+ to 7 substandard	1.1% - 28.1%	33,268,907	3,538,877	-	**36,807,784**
Carrying amount		**101,706,889**	**3,538,877**	**-**	**105,245,766**
Loss allowance		(14,809)	(153,175)	-	**(167,984)**

Bank – 31 December 2019

	2019				
	12-month PD ranges	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with the Central Bank of Malta, treasury bills and cash					
Grades 1 to 4- low risk	0.17%	208,259,407	-	-	**208,259,407**
Carrying amount		**208,259,407**	**-**	**-**	**208,259,407**
Loans and advances to banks					
Grades 1 to 4- low risk	0.12% - 0.40%	194,741,634	-	-	**194,741,634**
Grades 6+ to 7 substandard	1.38% - 8.83%	26,325,169	5,375,248	-	**31,700,417**
Grade 9 to 10 loss	100.00%	-	-	9,015,125	**9,015,125**
		221,066,803	**5,375,248**	**9,015,125**	**235,457,176**
Loss allowance		(428,246)	(117,339)	(2,559,841)	**(3,105,426)**
Carrying amount		**220,638,557**	**5,257,909**	**6,455,284**	**232,351,750**
Loans and advances to customers					
Grades 1 to 4- low risk	0.04% - 0.84%	60,649,356	1,652	-	**60,651,008**
Grades 5+ to 5- fair risk	0.17% - 2.75%	411,376,148	29,752,975	-	**441,129,123**
Grades 6+ to 7 substandard	0.56% - 20.39%	190,707,577	36,087,959	-	**226,795,536**
Grade 7- to 8- doubtful	5.19% - 42.53%	-	12,369,192	-	**12,369,192**
Grade 9 to 10 loss	100.00%	-	-	117,035,022	**117,035,022**
		662,733,081	**78,211,778**	**117,035,022**	**857,979,881**
Loss allowance		(544,983)	(2,467,636)	(43,814,413)	**(46,827,032)**
Carrying amount		**662,188,098**	**75,744,142**	**73,220,609**	**811,152,849**
Financial assets at fair value through other comprehensive income					
Grades 1 to 4- low risk	0.01% - 0.56%	81,477,419	-	-	**81,477,419**
Carrying amount at cost		**81,477,419**	**-**	**-**	**81,477,419**
Carrying amount at fair value		**79,367,556**	**-**	**-**	**79,367,556**
Loss allowance		(91,978)	-	-	**(91,978)**
Investments at amortised cost					
Grades 1 to 4- low risk	0.84%	9,964,940	-	-	**9,964,940**
		9,964,940	**-**	**-**	**9,964,940**
Loss allowance		(179,444)	-	-	**(179,444)**
Carrying amount		**9,785,496**	**-**	**-**	**9,785,496**
Contingent liabilities					
Grades 1 to 4- low risk	0.09% - 0.31%	405,620	-	-	**405,620**
Grades 5+ to 5- fair risk	0.17% - 1.29%	57,558,292	-	-	**57,558,292**
Grades 6+ to 7 substandard	0.83% - 8.57%	3,440,073	224,669	-	**3,664,742**
Carrying amount		**61,403,985**	**224,669**	**-**	**61,628,654**
Loss allowance		(9,688)	(391)	-	**(10,079)**
Commitments					
Grades 1 to 4- low risk	0.17% - 2.19%	86,139,512	4,649,280	-	**90,788,792**
Grades 5+ to 5- fair risk	0.56% - 8.83%	52,237,635	-	-	**52,237,635**
Carrying amount		**138,377,147**	**4,649,280**	**-**	**143,026,427**
Loss allowance		(53,658)	(21,422)	-	**(75,080)**

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

Group – 31 December 2020

	2020			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Current	184,314,617	2,624,157	-	**186,938,774**
Overdue < 30 days	-	-	-	**-**
Overdue > 30 days	-	-	10,192,358	**10,192,358**
Total	**184,314,617**	**2,624,157**	**10,192,358**	**197,131,132**
Loans and advances to customers				
Current	255,311,775	98,118,764	4	**353,430,543**
Overdue < 30 days	43,140,631	81,551,810	2,093	**124,694,534**
Overdue > 30 days	-	18,751,410	196,698,141	**215,449,551**
Total	**298,452,406**	**198,421,984**	**196,700,238**	**693,574,628**

Group – 31 December 2019

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

Bank – 31 December 2020

	2020			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Current	170,665,265	2,423,043	-	**173,088,308**
Overdue < 30 days	-	-	-	**-**
Overdue > 30 days	-	-	10,192,358	**10,192,358**
Total	**170,665,265**	**2,423,043**	**10,192,358**	**183,280,666**
Loans and advances to customers				
Current	538,461,019	64,326,592	4	**602,787,615**
Overdue < 30 days	41,268,191	45,235,754	2,093	**86,506,038**
Overdue > 30 days	-	4,274,135	164,142,593	**168,416,728**
Total	**579,729,210**	**113,836,481**	**164,144,690**	**857,710,381**

Bank – 31 December 2019

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

In 2020, there were no overdue balances for 'balances with the Central Bank of Malta and treasury bills', 'financial assets at fair value through other comprehensive income' and 'investments at amortised cost' (2019: Nil).

The following table sets out information about the credit quality of 'trading assets'. The analysis has been based on Moody's and Fitch ratings.

	Group	
	2020 USD	2019 USD
Trading assets		
Rated AAA	-	-
Rated AA- to AA+	4,312,015	-
Rated A- to A+	1,300,437	2,022,080
Rated BBB+ below	255,103,459	222,394,955
Unrated	191,610,636	235,821,501
Carrying amount	**452,326,547**	**460,238,536**

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

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Conditions for treatment of such renegotiated loans are outlined in the Group's forbearance policy which is in line with the EBA/GL/2018/06 Guidelines on management on non-performing forborne exposures. Forbearance refers only to those loan modification or renegotiations in response to actual or perceived financial difficulties of a customer.

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

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

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

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

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

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

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

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

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Accounting Policy 3.10.8). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

During the financial years ended 31 December 2020 and 2019 there have been no changes in the forbearance criteria applied to renegotiated facilities. Following the impact of COVID-19 on the economy, governments of those countries in which the Group operates in, allowed institutions to apply a payment moratorium on existing facilities. These schemes are preventative in nature, are applicable to a large group of obligors and offer the same conditions to all borrowers that apply. Refer to section 7.9 of the Additional Disclosures report (unaudited) for more information on the COVID-19 moratoria applied by the Group.

Based on these criteria being fulfilled, EBA/GL/2020/02 Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis, clarifies that the application of such moratorium schemes to the Group's facilities should not change the classification of exposures under the definition of forbearance in accordance with Article 47b of Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/630 or change whether they are treated as distressed restructuring in accordance with Article 178(3)(d) of that Regulation. Accordingly, applying such a moratorium in itself should not lead to reclassification of the exposure as forborne, unless the facility was already classified as forborne.

For the Group, the aggregate amount of renegotiated and forborne loans at reporting date amounted to USD23,780,519 (2019: USD30,414,391), of which USD1,238,038 are performing (2019: USD4,095,780), whilst USD22,542,481 (2019: USD26,318,611) are non-performing with an extendible collateral value of USD234,923 (2019: USD1,805,755). Interest income recognised during 2020 in respect to renegotiated and forborne assets amounts to USD532,998 (2019: USD1,503,244).

For the Bank, the aggregate amount of renegotiated and forborne loans at reporting date amounted to USD13,957,686 (2019: USD21,815,631), of which none (2019: USD1,634,801) are performing, whilst USD13,957,686 (2019: USD20,180,830) are non-performing with an extendible collateral value of USD234,923 (2019: USD1,625,676). Interest income recognised during 2020 in respect to renegotiated and forborne assets amounts to USD195,283 (2019: USD802,839).

Movement in forbearance activity during the year is as follows:

Group – 31 December 2020

	2020		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	4,095,780	26,318,611	**30,414,391**
Additions	788,374	2,316,063	**3,104,437**
Recovered	(2,610,299)	(215,003)	**(2,825,302)**
Written-off	-	(6,913,007)	**(6,913,007)**
Reclassified	(1,035,817)	1,035,817	**-**
At 31 December	**1,238,038**	**22,542,481**	**23,780,519**

Group – 31 December 2019

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

Bank – 31 December 2020

	2020		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	1,634,801	20,180,830	**21,815,631**
Additions	-	904,866	**904,866**
Recovered	(1,634,801)	(215,003)	**(1,849,804)**
Written off	-	(6,913,007)	**(6,913,007)**
Reclassified	-	-	**-**
At 31 December	**-**	**13,957,686**	**13,957,686**

Bank – 31 December 2019

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

5.2.1.3 Measurement of ECL

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

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

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

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

LGD is the magnitude of the likely loss if there is a default. The Group uses LGD rates derived from Moody's data for the credit quality and industry in which a client is classified, while also including tailormade qualitative overlays and collateral where applicable. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

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

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

In measuring expected credit losses, the Group relies on risk and economic data and modelling techniques provided by Moody's Analytics.

Post-model adjustments

Post-model adjustments (PMAs) are short-term adjustments to the ECL balance as part of the year-end reporting process to reflect late updates to market data, known model deficiencies and expert credit judgement.

The Group has internal governance frameworks and controls in place to assess the appropriateness of all PMAs. The aim of the Group is to incorporate these PMAs into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

Total PMAs as at 31 December 2020 shifted opening stage 1 loss allowance of USD32,041 to stage 2 and increased the stage 2 loss allowance by USD51,991 (2019: nil).

5.2.1.4 Loss allowance

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

Group – 31 December 2020

	2020			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with Central Bank of Malta, Treasury Bills and Cash				
Balance at 1 January	-	-	-	**-**
Net remeasurement of loss allowance	125,521	-	-	**125,521**
New financial assets originated or purchased	6,130	21,049	-	**27,179**
Balance at 31 December	**131,651**	**21,049**	**-**	**152,700**

	2020 - continued			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Balance at 1 January	542,278	117,390	2,559,841	**3,219,509**
Transfer to Stage 1	51	(51)	-	**-**
Transfer to Stage 2	(4,564)	4,564	-	**-**
Net remeasurement of loss allowance	(80,628)	(46,390)	-	**(127,018)**
New financial assets originated or purchased	664,990	-	-	**664,990**
Financial assets that have been derecognised	(346,075)	(26)	-	**(346,101)**
Interest and fee in suspense	-	-	461,295	**461,295**
Foreign exchange and other movements	(563)	-	119,443	**118,880**
Balance at 31 December	**775,489**	**75,487**	**3,140,579**	**3,991,555**
Loans and advances to customers				
Balance at 1 January	973,713	4,395,859	71,037,784	**76,407,356**
Transfer to Stage 1	7,018	(7,018)	-	**-**
Transfer to Stage 2	(68,074)	68,074	-	**-**
Transfer to Stage 3	(2,926)	(366,741)	369,667	**-**
Net remeasurement of loss allowance	29,929	(328,070)	25,813,877	**25,515,736**
New financial assets originated or purchased	1,903,735	513,739	5,215,423	**7,632,897**
Financial assets that have been derecognised	(765,963)	(649,167)	1,854,327	**439,197**
Write-offs	-	-	(10,752,659)	**(10,752,659)**
Interest and fee in suspense	-	-	817,911	**817,911**
Foreign exchange and other movements	(7,719)	(8,329)	1,534,512	**1,518,464**
Balance at 31 December	**2,069,713**	**3,618,347**	**95,890,842**	**101,578,902**
Financial assets at fair value through other comprehensive income				
Balance at 1 January	91,978	-	-	**91,978**
Net remeasurement of loss allowance	(4,283)	-	-	**(4,283)**
New financial assets originated or purchased	71,666	-	-	**71,666**
Financial assets that have been derecognised	(87,534)	-	-	**(87,534)**
Balance at 31 December	**71,827**	**-**	**-**	**71,827**
Investments at amortised cost				
Balance at 1 January	179,444	-	-	**179,444**
New financial assets originated or purchased	70,674	-	-	**70,674**
Financial assets that have been derecognised	(179,444)	-	-	**(179,444)**
Balance at 31 December	**70,674**	**-**	**-**	**70,674**
Contingent liabilities				
Balance at 1 January	9,751	391	-	**10,142**
Net remeasurement of loss allowance	162	-	-	**162**
New financial assets originated or purchased	9,329	-	-	**9,329**
Financial assets that have been derecognised	(9,631)	(391)	-	**(10,022)**
Balance at 31 December	**9,611**	**-**	**-**	**9,611**
Commitments				
Balance at 1 January	56,870	21,423	-	**78,293**
Transfer to Stage 2	(88)	88	-	**-**
Net remeasurement of loss allowance	(16,682)	171	-	**(16,511)**
New financial assets originated or purchased	12,651	152,917	-	**165,568**
Financial assets that have been derecognised	75,153	(21,423)	-	**53,730**
Write-offs	(113,096)	-	-	**(113,096)**
Balance at 31 December	**14,808**	**153,176**	**-**	**167,984**

Group – 31 December 2019

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

Bank – 31 December 2020

	2020			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with Central Bank of Malta, Treasury Bills and Cash				
Balance at 1 January	-	-	-	**-**
Net remeasurement of loss allowance	125,521	-	-	**125,521**
New financial assets originated or purchased	6,130	21,049	-	**27,179**
Balance at 31 December	**131,651**	**21,049**	**-**	**152,700**
Loans and advances to banks				
Balance at 1 January	428,246	117,339	2,559,841	**3,105,426**
Net remeasurement of loss allowance	(70,599)	(45,871)	-	**(116,470)**
New financial assets originated or purchased	663,559	-	-	**663,559**
Financial assets that have been derecognised	(316,628)	(26)	-	**(316,654)**
Interest and fee in suspense	-	-	461,295	**461,295**
Foreign exchange and other movements	-	-	119,443	**119,443**
Balance at 31 December	**704,578**	**71,442**	**3,140,579**	**3,916,599**
Loans and advances to customers				
Balance at 1 January	544,983	2,467,636	43,814,413	**46,827,032**
Transfer to Stage 1	7,018	(7,018)	-	**-**
Transfer to Stage 2	(9,354)	9,354	-	**-**
Transfer to Stage 3	(2,926)	(297,483)	300,409	**-**
Net remeasurement of loss allowance	53,401	(30,078)	26,707,450	**26,730,773**
New financial assets originated or purchased	1,745,170	253,717	5,215,423	**7,214,310**
Financial assets that have been derecognised	(472,024)	(67,384)	411,791	**(127,617)**
Write-offs	-	-	(9,226,421)	**(9,226,421)**
Interest and fee in suspense	-	-	4,983,165	**4,983,165**
Foreign exchange and other movements	-	-	1,474,779	**1,474,779**
Balance at 31 December	**1,866,268**	**2,328,744**	**73,681,009**	**77,876,021**
Financial assets at fair value through other comprehensive income				
Balance at 1 January	91,978	-	-	**91,978**
Net remeasurement of loss allowance	(4,283)	-	-	**(4,283)**
New financial assets originated or purchased	71,666	-	-	**71,666**
Financial assets that have been derecognised	(87,534)	-	-	**(87,534)**
Balance at 31 December	**71,827**	**-**	**-**	**71,827**
Investments at amortised cost				
Balance at 1 January	179,444	-	-	**179,444**
New financial assets originated or purchased	70,674	-	-	**70,674**
Financial assets that have been derecognised	(179,444)	-	-	**(179,444)**
Balance at 31 December	**70,674**	**-**	**-**	**70,674**
Contingent liabilities				
Balance at 1 January	9,688	391	-	**10,079**
Net remeasurement of loss allowance	163	-	-	**163**
New financial assets originated or purchased	4,784	-	-	**4,784**
Financial assets that have been derecognised	(9,568)	(391)	-	**(9,959)**
Balance at 31 December	**5,067**	**-**	**-**	**5,067**
Commitments				
Balance at 1 January	53,658	21,422	-	**75,080**
Transfer to Stage 2	(88)	88	-	**-**
Net remeasurement of loss allowance	(16,432)	171	-	**(16,261)**
New financial assets originated or purchased	12,651	152,917	-	**165,568**
Financial assets that have been derecognised	78,116	(21,423)	-	**56,693**
Write-offs	(113,096)	-	-	**(113,096)**
Balance at 31 December	**14,809**	**153,175**	**-**	**167,984**

Bank – 31 December 2019

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

The following table provides a reconciliation between:

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

Group – 31 December 2020

	Balances with the Central Bank of Malta, treasury bills and cash USD	Loans and advances to banks USD	Loans and advances to customers USD	Financial assets at fair value through other comprehensive income USD	Investments at amortised cost USD	Contingent liabilities USD	Commitments USD	Other assets USD	Total USD
Net remeasurement of loss allowance	125,521	(127,018)	25,515,736	(4,283)	-	162	(16,511)	63,139	**25,556,746**
New financial assets originated or purchased	27,179	664,990	7,632,897	71,666	70,674	9,329	165,568	-	**8,642,303**
Financial assets that have been derecognised	-	(346,101)	439,197	(87,534)	(179,444)	(10,022)	53,730	725	**(129,449)**
Total	**152,700**	**191,871**	**33,587,830**	**(20,151)**	**(108,770)**	**(531)**	**202,787**	**63,864**	**34,069,600**
Recoveries of amounts previously written-off	-	-	(1,079,281)	-	-	-	-	-	**(1,079,281)**
Total	**152,700**	**191,871**	**32,508,549**	**(20,151)**	**(108,770)**	**(531)**	**202,787**	**63,864**	**32,990,319**

Group – 31 December 2019

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

Bank – 31 December 2020

	Balances with the Central Bank of Malta, treasury bills and cash USD	Loans and advances to banks USD	Loans and advances to customers USD	Financial assets at fair value through other comprehensive income USD	Investments at amortised cost USD	Contingent liabilities USD	Commitments USD	Total USD
Net remeasurement of loss allowance	125,521	(116,470)	26,730,773	(4,283)	-	163	(16,261)	**26,719,443**
New financial assets originated or purchased	27,179	663,559	7,214,310	71,666	70,674	4,784	165,568	**8,217,740**
Financial assets that have been derecognised	-	(316,654)	(127,617)	(87,534)	(179,444)	(9,959)	56,693	**(664,515)**
Total	**152,700**	**230,435**	**33,817,466**	**(20,151)**	**(108,770)**	**(5,012)**	**206,000**	**34,272,668**
Recoveries of amounts previously written-off	-	-	(268)	-	-	-	-	**(268)**
Total	**152,700**	**230,435**	**33,817,198**	**(20,151)**	**(108,770)**	**(5,012)**	**206,000**	**34,272,400**

Bank – 31 December 2019

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

5.2.1.5 Write-off policy

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

The table below shows the gross carrying value of loans written-off. Net carrying amounts of loans written-off are disclosed in Note 5.2.1.4.

	Group		Bank	
	2020	2019	2020	2019
	USD	USD	USD	USD
Loans and advances to customers				
Written-off	19,528,228	629,352	9,612,544	629,352

5.2.1.6 Collaterals

Loans are typically secured either by cash collateral, property (including shipping vessels), credit insurance cover, bank guarantees, corporate guarantees, personal guarantees, pledged goods or some combination thereof. Each collateral type is given a weighting determined by internal policy. These collaterals are reviewed periodically by management both in terms of exposure to the Bank and the Group and also to ensure the validity and enforceability of the security taken. Estimates of fair value are also updated periodically together with such reviews. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2020 and 2019.

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

Group – 31 December 2020

	Loans and advances to banks USD	Loans and advances to customers USD	Commitments outstanding USD	Contingent liabilities USD	Total USD
Cash or quasi cash	4,799,198	126,854,935	10,944,353	715,848	**143,314,334**
Property	-	91,388,359	-	-	**91,388,359**
Other	-	106,926,074	7,753,880	-	**114,679,954**
	4,799,198	**325,169,368**	**18,698,233**	**715,848**	**349,382,647**

Group – 31 December 2019

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

Bank – 31 December 2020

	Loans and advances to banks USD	Loans and advances to customers USD	Commitments outstanding USD	Contingent liabilities USD	Total USD
Cash or quasi cash	4,799,198	73,240,246	10,944,353	715,848	**89,699,645**
Property	-	91,388,359	-	-	**91,388,359**
Other	-	106,926,074	15,542,302	-	**122,468,376**
	4,799,198	**271,554,679**	**26,486,655**	**715,848**	**303,556,380**

Bank – 31 December 2019

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

5.2.1.7 Offsetting financial assets and financial liabilities

With the exception of cash collateral, as disclosed in this Note and in Notes 32 and 33, the Group and Bank do not carry financial instruments which are subject to offsetting in the Statements of Financial Position. Group entities have a legal enforceable right to offset such collaterals against the respective facilities for which the collateral is taken. At 31 December 2020 and 2019, all financial assets and respective collaterals are disclosed separately in the Financial Statements without any offsetting.

5.2.1.8 Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See Accounting Policy 3.10.8.

Significant increase in credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit risk grades

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

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

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

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

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

Grading	12-month weighted-average PD	External rating
Grades 1 to 4- low risk	0.23%	Aaa-Baa3
Grades 5+ to 5- fair risk	0.87%	Ba1-Ba3
Grades 6+ to 7 substandard	8.89%	B1-Caa2
Grades 7- to 8- doubtful	28.01%	Caa3-Ca
Grades 9 to 10 loss	100.00%	C

Generating the term structure of PD

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

Definition of default

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

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

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

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

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The Group has implemented the definition of default as per Article 178 of the CRR which stipulates that a default shall be considered to have occurred when either or both of the following criteria are present: there are material credit obligations due by the obligor which are more than 90 days past due and / or the obligor is considered as unlikely to pay its credit obligations without the realization of collateral. This definition is used for the purpose of measuring ECL and identifying assets as having undergone a significant increase in credit risk or being credit-impaired.

Incorporation of forward-looking information

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

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

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

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

The economic scenarios for the top five geographies used as at 31 December 2020 included the following key indicators for the years ending 31 December 2021 to 2025.

		Year-on-year change				
Country: Malta		2021	2022	2023	2024	2025
Equity	Base	32%	11%	0%	2%	2%
	Upside	44%	9%	-2%	0%	2%
	Downside	-5%	24%	14%	6%	4%
GDP growth	Base	15%	5%	3%	2%	2%
	Upside	18%	5%	3%	2%	2%
	Downside	10%	5%	3%	3%	3%
Country: United Arab Emirates		2021	2022	2023	2024	2025
Equity	Base	4%	10%	6%	5%	5%
	Upside	11%	8%	4%	4%	6%
	Downside	-21%	24%	16%	4%	1%
Oil price	Base	25%	16%	4%	2%	4%
	Upside	38%	16%	3%	2%	4%
	Downside	-38%	23%	44%	12%	10%
Country: Germany		2021	2022	2023	2024	2025
Equity	Base	8%	-5%	-6%	6%	6%
	Upside	24%	-7%	-9%	0%	4%
	Downside	-28%	13%	8%	10%	8%
GDP growth	Base	4%	3%	2%	2%	1%
	Upside	7%	3%	2%	2%	1%
	Downside	-1%	4%	3%	2%	2%
Country: Egypt		2021	2022	2023	2024	2025
Equity	Base	40%	12%	5%	7%	7%
	Upside	51%	13%	6%	6%	7%
	Downside	6%	12%	17%	10%	9%
GDP growth	Base	5%	6%	6%	6%	6%
	Upside	9%	6%	6%	6%	6%
	Downside	1%	6%	7%	7%	6%
Country: Italy		2021	2022	2023	2024	2025
Equity	Base	5%	0%	-1%	8%	9%
	Upside	20%	-2%	-4%	5%	8%
	Downside	-26%	14%	7%	11%	11%
Eurozone GDP	Base	5%	3%	2%	2%	2%
	Upside	8%	3%	2%	2%	2%
	Downside	0%	3%	3%	3%	2%
Eurozone unemployment	Base	0%	-7%	-6%	-3%	-2%
	Upside	-7%	-7%	-4%	-1%	-1%
	Downside	23%	-3%	-8%	-9%	-7%

Sensitivity of ECL to future economic conditions

The ECL is sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets.

The tables below show the loss allowance on loans and advances to corporate and retail customers assuming each forward-looking scenario (e.g. base case, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios. For ease of comparison, the tables also include the probability-weighted amounts that are reflected in the Financial Statements.

Group – 31 December 2020

	2020 Upside USD	Base Case USD	Downside USD	Probability-weighted USD
Gross exposure	1,480,400,820	1,480,400,820	1,480,400,820	1,480,400,820
Loss allowance	103,116,506	103,690,952	108,752,530	106,106,391
Proportion of assets in Stage 2	12.89%	13.02%	25.94%	14.65%

Group – 31 December 2019

	2019 Upside USD	Base Case USD	Downside USD	Probability-weighted USD
Gross exposure	1,444,044,465	1,444,044,465	1,444,044,465	1,444,044,465
Loss allowance	78,330,475	78,816,774	80,939,968	79,986,722
Proportion of assets in Stage 2	13.13%	13.57%	25.38%	13.02%

Bank – 31 December 2020

	2020 Upside USD	Base Case USD	Downside USD	Probability-weighted USD
Gross exposure	1,673,141,985	1,673,141,985	1,673,141,985	1,673,141,985
Loss allowance	79,610,103	80,057,579	84,310,063	82,260,870
Proportion of assets in Stage 2	7.16%	7.16%	16.40%	7.89%

Bank – 31 December 2019

	2019 Upside USD	Base Case USD	Downside USD	Probability-weighted USD
Gross exposure	1,595,684,037	1,595,684,037	1,595,684,037	1,595,684,037
Loss allowance	49,119,005	49,406,532	50,819,629	50,289,036
Proportion of assets in Stage 2	5.95%	5.95%	15.32%	5.54%

5.2.2 Concentration of credit risk

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

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

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

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

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

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

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

	Group		Bank	
	2020	2019	2020	2019
	USD	USD	USD	USD
Balances with the Central Bank of Malta, treasury bills and cash				
– Europe	319,287,524	208,277,004	319,267,749	208,259,407
Trading assets				
– Europe	106,398,354	115,805,653	-	-
– Sub-Saharan Africa	103,085,874	100,481,833	-	-
– Middle East and North Africa (MENA)	111,732,865	93,822,923	-	-
– Commonwealth of Independent States (CIS) region	12,460,725	4,021,477	-	-
– Others	118,648,729	146,106,650	-	-
Loans and advances to banks				
– Europe	138,051,074	198,548,214	137,859,088	198,407,197
– Sub-Saharan Africa	11,644,118	28,825,848	11,644,118	27,351,122
– Middle East and North Africa (MENA)	26,406,481	10,160,832	24,723,229	595,289
– Commonwealth of Independent States (CIS) region	2,244,044	5,144,917	2,194,777	5,094,100
– Others	14,793,860	3,398,384	2,942,855	904,042
Loans and advances to customers				
– Europe	257,553,603	275,792,298	517,069,974	517,630,855
– Sub-Saharan Africa	1,571,746	1,289,127	271,886	663,075
– Middle East and North Africa (MENA)	188,352,048	221,007,034	170,774,887	202,440,438
– Others	144,518,329	151,801,698	91,717,613	90,418,481
Financial assets at fair value through profit or loss				
– Europe	20,385,323	125,342,798	20,385,323	125,342,798
Financial assets at fair value through other comprehensive income				
– Europe	153,327,686	79,367,556	153,327,686	79,367,556
Investments at amortised cost				
– Middle East and North Africa (MENA)	9,839,457	9,785,496	9,839,457	9,785,496
Contingent liabilities				
– Europe	1,569,969	1,703,116	43,906,453	58,431,943
– Middle East and North Africa (MENA)	340,449	2,969,802	340,449	2,969,802
– Others	-	226,909	-	226,909
Commitments				
– Europe	59,312,946	61,297,970	67,286,011	74,940,507
– Sub-Saharan Africa	17,779,903	27,570,682	13,189,724	9,815,860
– Middle East and North Africa (MENA)	3,561,524	23,277,066	5,125,218	14,170,113
– Others	24,389,083	53,794,202	19,644,813	44,099,947
	1,847,255,714	**1,949,819,489**	**1,611,511,310**	**1,670,914,937**

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

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Balances with the Central Bank of Malta, treasury bills and cash				
– Financial intermediation	245,686,037	208,277,004	245,666,262	208,259,407
– Other services	73,601,487	-	73,601,487	-
Trading assets				
– Industrial raw materials	65,792,606	79,728,153	-	-
– Wholesale and retail trade	41,668,103	52,150,130	-	-
– Financial intermediation	232,900,663	243,651,637	-	-
– Other services	111,965,175	84,708,616	-	-
Loans and advances to banks				
– Financial intermediation	193,139,577	246,078,195	179,364,067	232,351,750
Loans and advances to customers				
– Industrial raw materials	276,957,626	314,428,716	134,351,441	154,569,590
– Shipping and transportation	2,612,759	3,387,065	156,895	950,688
– Wholesale and retail trade	172,658,864	176,029,398	151,900,007	143,599,304
– Financial intermediation	52,532,220	76,496,919	382,836,339	410,157,121
– Real estate activities	29,404,238	28,037,066	58,237,698	57,329,379
– Other services	57,830,019	51,510,993	52,351,980	44,546,767
Financial assets at fair value through profit or loss				
– Financial intermediation	20,332,246	125,289,721	20,332,246	125,289,721
– Other services	53,077	53,077	53,077	53,077
Financial assets at fair value through other comprehensive income				
– Shipping and transportation	5,008,684	-	5,008,684	-
– Financial intermediation	65,199,200	21,706,342	65,199,200	21,706,342
– Other services	83,119,802	57,661,214	83,119,802	57,661,214
Investments at amortised cost				
– Financial intermediation	9,839,457	9,785,496	9,839,457	9,785,496
Contingent liabilities				
– Industrial raw materials	613,359	579,726	613,359	579,726
– Wholesale and retail trade	396	471,358	396	416,732
– Financial intermediation	790,453	3,365,798	43,539,680	60,557,035
– Real estate activities	25,995	14,935	25,995	14,935
– Other services	480,215	468,010	67,472	60,226
Commitments				
– Industrial raw materials	38,175,330	50,890,138	44,621,725	50,013,767
– Shipping and transportation	-	-	57,646	-
– Wholesale and retail trade	21,452,255	40,612,723	19,648,317	37,896,579
– Financial intermediation	22,145,958	47,600,957	21,441,523	28,279,979
– Real estate activities	18,255,332	24,932,635	18,255,332	24,932,635
– Other services	5,014,581	1,903,467	1,221,223	1,903,467
	1,847,255,714	**1,949,819,489**	**1,611,511,310**	**1,670,914,937**

5.2.3 Counterparty credit risk

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

Use of derivatives within the Group is limited to hedging balance-sheet positions, hedging capital investments, interest rate hedging on behalf of LFC and, to a lesser extent, to satisfy customer requests (for example, for foreign exchange hedging). The Group's Treasury unit is responsible for the internal management of such instruments. In addition, LFC via ISDA (International Swaps and Derivatives Association) agreements between the Bank and selected Protection Buyers, over the years have sold Loan Credit Default Swaps ("LCDS") to enhance returns and provide additional unfunded assets to its forfaiting portfolio. During 2020 it was however decided to cease the sale of new LCDS and product was phased out by the reporting date.

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

5.2.4 Settlement risk

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

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

5.2.5 Foreign exchange lending risk

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

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

5.3 Liquidity risk

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

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

In response to the impact of COVID-19, the Group significantly increased its stock of high-quality liquid assets and from May 2020 onwards maintained its Liquidity Coverage Ratio above 200% to mitigate the risk of unexpected liquidity outflows or shortfalls; well above the regulatory minimum of 100%.

5.3.1 Management of liquidity risk

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

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

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

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

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

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

5.3.2 Exposure to liquidity risk

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

5.3.2.1 Liquidity coverage ratio ("LCR")

The LCR is a ratio of the Group's buffer of unencumbered high quality liquid assets to its net liquidity outflows over a 30 calendar day stress period. Net liquidity outflows are calculated by deducting the Group's liquidity inflows from its liquidity outflows. During a 30-day stressed period, the Group should be able to convert quickly its liquid assets into cash without recourse to central bank liquidity or public funds, which may result in its liquidity coverage ratio falling temporarily below the required minimum level. The regulatory LCR minimum requirement is 100%.

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

	2020	2019
At 31 December	241%	125%
Average for the year	217%	135%
Maximum for the year	348%	166%
Minimum for the year	111%	107%

5.3.2.2 Residual contractual maturities of financial assets and liabilities

Group - 31 December 2020

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	319,287,524	319,269,288	245,667,800	40,492,695	23,303,759	9,805,034	-	-
Trading assets	452,326,547	474,594,995	20,160,865	73,094,244	120,746,166	164,246,820	62,945,831	33,401,069
Derivative assets held for risk management	991,624	991,624	381,065	255,757	154,494	103,641	-	96,667
Loans and advances to banks	193,139,577	193,709,545	77,835,418	25,758,577	24,834,507	62,765,055	321,211	2,194,777
Loans and advances to customers	591,995,726	605,559,596	336,552,900	102,270,292	46,567,201	22,753,339	38,461,848	58,954,016
Financial assets at fair value through profit or loss	20,385,323	20,385,323	20,385,323	-	-	-	-	-
Financial assets at fair value through other comprehensive income	153,327,686	160,275,795	5,064,560	12,960,170	-	-	13,475,035	128,776,030
Investments at amortised cost	9,839,457	11,263,445	42,365	122,993	247,353	498,806	512,472	9,839,456
Total assets	**1,741,293,464**	**1,786,049,611**	**706,090,296**	**254,954,728**	**215,853,480**	**260,172,695**	**115,716,397**	**233,262,015**
Liabilities								
Derivative liabilities held for risk management	(1,629,434)	(1,629,434)	(1,132,648)	(244,993)	(150,815)	(100,978)	-	-
Amounts owed to banks	(429,443,480)	(430,887,545)	(163,498,527)	(56,955,028)	(37,119,197)	(63,488,093)	(48,668,548)	(61,158,152)
Amounts owed to customers	(1,101,570,295)	(1,104,632,613)	(606,230,681)	(231,909,341)	(101,532,513)	(160,850,140)	(3,220,960)	(888,978)
Debt securities in issue	(50,832,661)	(51,007,014)	(15,963,617)	(16,637,317)	(18,406,080)	-	-	-
Other liabilities – finance lease liabilities	(2,416,376)	(2,569,346)	(36,045)	(159,098)	(402,576)	(403,344)	(562,599)	(1,005,684)
Total liabilities	**(1,585,892,246)**	**(1,590,725,952)**	**(786,861,518)**	**(305,905,777)**	**(157,611,181)**	**(224,842,555)**	**(52,452,107)**	**(63,052,814)**
Liquidity gap			**(80,771,222)**	**(50,951,049)**	**58,242,299**	**35,330,140**	**63,264,290**	**170,209,201**

Group - 31 December 2019

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	208,277,004	208,261,619	208,261,619	-	-	-	-	-
Trading assets	460,238,536	490,022,990	25,065,329	55,206,348	112,247,451	131,632,989	106,717,069	59,153,804
Derivative assets held for risk management	142,249	142,249	86,505	-	-	-	-	55,744
Loans and advances to banks	246,078,195	248,202,568	234,773,164	425,530	4,660,818	1,961,822	922,503	5,458,731
Loans and advances to customers	649,890,157	671,335,008	279,427,397	99,306,847	79,465,509	123,077,055	32,873,864	57,184,336
Financial assets at fair value through profit or loss	125,342,798	125,342,798	125,342,798	-	-	-	-	-
Financial assets at fair value through other comprehensive income	79,367,556	82,621,895	-	-	-	19,798,111	17,446,444	45,377,340
Investments at amortised cost	9,785,496	10,737,475	-	-	-	-	-	10,737,475
Total assets	**1,779,121,991**	**1,836,666,602**	**872,956,812**	**154,938,725**	**196,373,778**	**276,469,977**	**157,959,880**	**177,967,430**
Liabilities								
Derivative liabilities held for risk management	(187,700)	(187,700)	(187,700)	-	-	-	-	-
Amounts owed to banks	(452,291,304)	(453,732,235)	(269,885,180)	(79,526,297)	(48,051,363)	(11,176,877)	-	(45,092,518)
Amounts owed to customers	(1,057,824,242)	(1,058,784,730)	(694,198,977)	(276,816,407)	(37,274,749)	(44,585,955)	(3,619,033)	(2,289,609)
Debt securities in issue	(79,550,865)	(79,919,268)	(40,581,327)	(16,872,863)	(22,465,078)	-	-	-
Other liabilities – finance lease liabilities	(2,991,633)	(3,238,625)	(43,796)	(49,923)	(332,723)	(488,853)	(880,520)	(1,442,810)
Total liabilities	**(1,592,845,744)**	**(1,595,862,558)**	**(1,004,896,980)**	**(373,265,490)**	**(108,123,913)**	**(56,251,685)**	**(4,499,553)**	**(48,824,937)**
Liquidity gap			**(131,940,168)**	**(218,326,765)**	**88,249,865**	**220,218,292**	**153,460,327**	**129,142,493**

Bank - 31 December 2020

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	319,267,749	319,249,513	245,648,025	40,492,695	23,303,759	9,805,034	-	-
Derivative assets held for risk management	1,019,288	1,019,288	408,729	255,757	154,494	103,641	-	96,667
Loans and advances to banks	179,364,067	179,930,399	64,089,061	25,758,577	24,834,507	62,732,266	321,211	2,194,777
Loans and advances to customers	779,834,360	808,734,682	473,744,363	75,208,801	27,134,682	74,703,307	45,048,056	112,895,473
Financial assets at fair value through profit or loss	20,385,323	20,385,323	20,385,323	-	-	-	-	-
Financial assets at fair value through other comprehensive income	153,327,686	160,275,795	5,064,560	12,960,170	-	-	13,475,035	128,776,030
Investments at amortised cost	9,839,457	11,263,445	42,365	122,993	247,353	498,806	512,472	9,839,456
Total assets	**1,463,037,930**	**1,500,858,445**	**809,382,426**	**154,798,993**	**75,674,795**	**147,843,054**	**59,356,774**	**253,802,403**
Liabilities								
Derivative liabilities held for risk management	(1,629,434)	(1,629,434)	(1,132,648)	(244,993)	(150,815)	(100,978)	-	-
Amounts owed to banks	(387,900,641)	(388,772,600)	(149,626,584)	(37,049,483)	(35,420,335)	(56,849,498)	(48,668,548)	(61,158,152)
Amounts owed to customers	(1,037,118,337)	(1,038,776,823)	(582,675,126)	(218,933,161)	(92,973,520)	(140,446,968)	(3,103,390)	(644,658)
Other liabilities – finance lease liabilities	(2,864,380)	(2,960,976)	(753,262)	(20,993)	(173,546)	(824,183)	(776,474)	(412,518)
Total liabilities	**(1,429,512,792)**	**(1,432,139,833)**	**(734,187,620)**	**(256,248,630)**	**(128,718,216)**	**(198,221,627)**	**(52,548,412)**	**(62,215,328)**
Liquidity gap			**75,194,806**	**(101,449,637)**	**(53,043,421)**	**(50,378,573)**	**6,808,362**	**191,587,075**

Bank - 31 December 2019

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	208,259,407	208,244,022	208,244,022	-	-	-	-	-
Derivative assets held for risk management	96,285	96,285	40,541	-	-	-	-	55,744
Loans and advances to banks	232,351,750	234,456,148	223,812,087	409,079	3,392,496	461,252	922,503	5,458,731
Loans and advances to customers	811,152,849	851,778,519	496,226,459	72,592,308	47,696,468	94,198,992	34,931,492	106,132,800
Financial assets at fair value through profit or loss	125,342,798	125,342,798	125,342,798	-	-	-	-	-
Financial assets at fair value through other comprehensive income	79,367,556	82,621,895	-	-	-	19,798,111	17,446,444	45,377,340
Investments at amortised cost	9,785,496	10,737,475	-	-	-	-	-	10,737,475
Total assets	**1,466,356,141**	**1,513,277,142**	**1,053,665,907**	**73,001,387**	**51,088,964**	**114,458,355**	**53,300,439**	**167,762,090**
Liabilities								
Derivative liabilities held for risk management	(193,691)	(193,691)	(193,691)	-	-	-	-	-
Amounts owed to banks	(405,072,025)	(405,781,969)	(244,946,232)	(66,613,053)	(45,357,260)	(3,931,701)	-	(44,933,723)
Amounts owed to customers	(978,134,002)	(979,094,652)	(642,456,007)	(264,552,634)	(25,928,589)	(40,248,780)	(3,619,033)	(2,289,609)
Other liabilities – finance lease liabilities	(3,629,816)	(3,832,990)	(56,514)	(9,609)	(170,883)	(782,904)	(1,722,969)	(1,090,111)
Total liabilities	**(1,387,029,534)**	**(1,388,903,302)**	**(887,652,444)**	**(331,175,296)**	**(71,456,732)**	**(44,963,385)**	**(5,342,002)**	**(48,313,443)**
Liquidity gap			**166,013,463**	**(258,173,909)**	**(20,367,768)**	**69,494,970**	**47,958,437**	**119,448,647**

5.4 Market risk

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

In response to the impact of COVID-19, the Group enhanced monitoring and strengthened the way these risks are managed as noted below. Furthermore, these risks are tracked by the Asset-Liability Committee on a monthly basis using various metrics and by the Board Risk Committee on a quarterly basis against the Bank's Risk Appetite Statement.

The Group's bond portfolio (other price risk) is largely comprised of investments in bonds issued by the governments of countries in the European Union and European banks. It is to be noted that the Bank's purchase of government and bank bonds is primarily for the purposes of liquidity management, albeit profit on bonds may be crystallised from time-to-time, and ECB initiatives to support the Eurozone has moderated volatility in these assets and maintained liquidity.

The forfaiting portfolio (position risk) is comprised of assets originating from banks and companies operating in many market sectors in a very broad range of countries, the majority of which are emerging markets. The Group regularly updates its mark-to-market positions and recording the unrealized and realized profits and losses. COVID-19 has introduced increased volatility, however the performance of this portfolio remained within risk parameters and well within the stress tests applied as part of the regular ICAAP process; where stresses applied in 2020 were adjusted to reflect the expected impact of COVID-19.

The Group manages its interest rate risk using an in-house Interest Rate Risk in the Banking Book ('IRRBB') model that considers the maturity mismatch for its primary currencies and the effect the 6 European Central Bank mandated interest rate shock scenarios have on Net Interest Income ('NII') and the Economic Value of Equity ('EVE'). Foreign exchange risk is managed at a Group level with a relatively low tolerance for open market positions with currency hedges purchased as necessary.

5.4.1 Foreign exchange risk

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

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

Group - 31 December 2020

All amounts are expressed in USD	In reporting currency	EUR	INR	Other currencies	Total
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	4,247	319,275,218	245	7,814	**319,287,524**
Trading assets	294,254,934	148,996,727	-	9,074,886	**452,326,547**
Loans and advances to banks	35,088,241	145,957,692	9,249,938	2,843,706	**193,139,577**
Loans and advances to customers	269,047,917	290,268,588	20,143,552	12,535,669	**591,995,726**
Financial assets at fair value through profit or loss	53,077	20,332,246	-	-	**20,385,323**
Financial assets at fair value through other comprehensive income	55,918,787	97,408,899	-	-	**153,327,686**
Investments at amortised cost	-	-	-	9,839,457	**9,839,457**
Other assets	7,026,566	2,165,000	11,331,012	889,444	**21,412,022**
Liabilities					
Amounts owed to banks	(275,097,578)	(149,502,499)	-	(4,843,403)	**(429,443,480)**
Amounts owed to customers	(257,889,811)	(829,213,854)	(110,517)	(14,356,113)	**(1,101,570,295)**
Debt securities in issue	-	(50,832,661)	-	-	**(50,832,661)**
Other liabilities	(9,436,899)	(4,701,201)	(1,050,602)	(2,223,322)	**(17,412,024)**
Net on balance sheet financial position	**118,969,481**	**(9,845,845)**	**39,563,628**	**13,768,138**	**162,455,402**
Notional amount of derivative Instruments held for risk management	**55,208,397**	**2,675,108**	**(44,800,000)**	**(13,083,505)**	**-**
Net foreign exchange exposure		**(7,170,737)**	**(5,236,372)**	**684,633**	

The USD44.8m (2019: USD40.0m) derivative instruments are held by the Bank to manage the risk of INR foreign exchange risk that occurs on consolidation.

Group - 31 December 2019

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

Bank - 31 December 2020

All amounts are expressed in USD	In reporting currency	EUR	INR	Other currencies	Total
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	-	319,265,738	-	2,011	**319,267,749**
Loans and advances to banks	32,291,779	145,850,466	-	1,221,822	**179,364,067**
Loans and advances to customers	420,765,401	348,452,118	-	10,616,841	**779,834,360**
Financial assets at fair value through profit or loss	53,077	20,332,246	-	-	**20,385,323**
Financial assets at fair value through other comprehensive income	55,918,787	97,408,899	-	-	**153,327,686**
Investments at amortised cost	-	-	-	9,839,457	**9,839,457**
Other assets	52,319	1,759,381	4,127	1,073,961	**2,889,788**
Liabilities					
Amounts owed to banks	(261,066,423)	(126,714,602)	-	(119,616)	**(387,900,641)**
Amounts owed to customers	(218,545,685)	(810,464,365)	-	(8,108,287)	**(1,037,118,337)**
Other liabilities	(3,550,538)	(3,968,296)	-	(299,705)	**(7,818,539)**
Net on balance sheet financial position	**25,918,717**	**(8,078,415)**	**4,127**	**14,226,484**	**32,070,913**
Notional amount of derivative Instruments held for risk management	**55,208,397**	**2,675,108**	**(44,800,000)**	**(13,083,505)**	**-**
Net foreign exchange exposure		**(5,403,307)**	**(44,795,873)**	**1,142,979**	

Bank - 31 December 2019

All amounts are expressed in USD	In reporting currency	EUR	INR	Other currencies	Total
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	-	208,256,185	-	3,222	**208,259,407**
Loans and advances to banks	32,069,617	198,225,444	-	2,056,689	**232,351,750**
Loans and advances to customers	456,005,434	350,991,204	-	4,156,211	**811,152,849**
Financial assets at fair value through profit or loss	105,920,550	19,422,248	-	-	**125,342,798**
Financial assets at fair value through other comprehensive income	22,419,829	56,947,727	-	-	**79,367,556**
Investments at amortised cost	-	-	-	9,785,496	**9,785,496**
Other assets	404,210	6,342,406	-	40,254	**6,786,870**
Liabilities					
Amounts owed to banks	(272,856,621)	(131,825,284)	-	(390,120)	**(405,072,025)**
Amounts owed to customers	(240,413,058)	(730,851,200)	-	(6,869,744)	**(978,134,002)**
Other liabilities	(5,441,329)	(7,016,504)	(264,923)	(451,625)	**(13,174,381)**
Net on balance sheet financial position	**98,108,632**	**(29,507,774)**	**(264,923)**	**8,330,383**	**76,666,318**
Notional amount of derivative Instruments held for risk Management	**22,065,817**	**26,391,675**	**(40,000,000)**	**(8,457,492)**	**-**
Net foreign exchange exposure		**(3,116,099)**	**(40,264,923)**	**(127,109)**	

The following exchange rates were applied during the year:

	Average rate		Reporting date mid-spot rate	
	2020	2019	2020	2019
1 EUR	1.1398	1.1195	1.2271	1.1233
1 INR	0.0135	0.0142	0.0137	0.0140

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

	Group		Bank	
	Equity USD	Profit or loss USD	Equity USD	Profit or loss USD
2020				
EUR	(501,951)	(501,951)	(378,231)	(378,231)
INR	(366,546)	-	(3,135,711)	(3,135,711)
Other currencies	47,924	47,924	80,009	80,009
2019				
EUR	(2,315)	(2,315)	(218,127)	(218,127)
INR	(89,968)	-	(2,818,545)	(2,818,545)
Other currencies	(16,782)	(16,782)	(8,898)	(8,898)

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

5.4.2 Position risk

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

5.4.3 Interest rate risk

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

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

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

Group – 31 December 2020

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets							
Balances with the Central Bank of Malta, treasury bills and cash	245,785,027	-	-	-	-	73,502,497	**319,287,524**
Trading assets	93,941,083	155,650,395	85,556,941	89,255,904	23,685,472	4,236,752	**452,326,547**
Loans and advances to banks	32,396,387	25,770,033	25,156,461	61,927,844	-	47,888,852	**193,139,577**
Loans and advances to customers	365,698,846	33,083,018	20,341,094	2,890,995	56,770	169,925,003	**591,995,726**
Financial assets at fair value through profit or loss	-	-	-	-	-	20,385,323	**20,385,323**
Financial assets at fair value through other comprehensive income	5,006,000	12,369,616	-	-	134,749,568	1,202,502	**153,327,686**
Investments at amortised cost	9,855,453	-	-	-	-	(15,996)	**9,839,457**
Other assets	-	-	-	-	-	93,744,183	**93,744,183**
Total assets	**752,682,796**	**226,873,062**	**131,054,496**	**154,074,743**	**158,491,810**	**410,869,116**	**1,834,046,023**
Liabilities							
Amounts owed to banks	84,817,155	46,317,155	36,524,926	61,616,721	110,442,999	89,724,524	**429,443,480**
Amounts owed to customers	451,946,805	201,037,001	101,183,012	143,614,995	3,631,871	200,156,611	**1,101,570,295**
Debt securities in issue	15,907,032	16,558,799	18,250,092	-	-	116,738	**50,832,661**
Other liabilities	-	-	-	-	-	19,041,458	**19,041,458**
Equity	-	-	-	-	-	233,158,129	**233,158,129**
Total liabilities and equity	**552,670,992**	**263,912,955**	**155,958,030**	**205,231,716**	**114,074,870**	**542,197,460**	**1,834,046,023**

	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	979,555,858	131,054,496	154,074,743	158,491,810	410,869,116	**1,834,046,023**
Liabilities	(816,583,947)	(155,958,030)	(205,231,716)	(114,074,870)	(542,197,460)	**(1,834,046,023)**
Interest sensitivity gap	**162,971,911**	**(24,903,534)**	**(51,156,973)**	**44,416,940**	**(131,328,344)**	**-**
Cumulative gap	**162,971,911**	**138,068,377**	**86,911,404**	**131,328,344**	**-**	**-**
Change in interest rate for the period:						
200bps increase	**2,444,579**	**(249,035)**	**(85,262)**			
200bps decrease	**(2,444,579)**	**249,035**	**85,262**			

Group – 31 December 2019

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets							
Balances with the Central Bank of Malta, treasury bills and cash	208,250,873	-	-	-	-	26,131	**208,277,004**
Trading assets	91,056,292	127,287,199	93,974,472	97,774,658	48,838,565	1,307,350	**460,238,536**
Loans and advances to banks	36,891,328	1,490,250	3,392,496	-	-	204,304,121	**246,078,195**
Loans and advances to customers	407,283,396	2,663,634	10,075,395	16,397,199	10,928,999	202,541,534	**649,890,157**
Financial assets at fair value through profit or loss	-	-	-	-	-	125,342,798	**125,342,798**
Financial assets at fair value through other comprehensive income	-	-	-	19,555,840	59,157,528	654,188	**79,367,556**
Investments at amortised cost	-	-	-	-	9,894,459	(108,963)	**9,785,496**
Other assets	-	-	-	-	-	114,050,482	**114,050,482**
Total assets	**743,481,889**	**131,441,083**	**107,442,363**	**133,727,697**	**128,819,551**	**648,117,641**	**1,893,030,224**
Liabilities							
Amounts owed to banks	129,223,635	67,292,384	46,676,183	10,785,897	45,025,223	153,287,982	**452,291,304**
Amounts owed to customers	504,040,349	248,706,428	26,097,451	39,810,052	5,711,701	233,458,261	**1,057,824,242**
Debt securities in issue	40,116,366	16,810,535	22,281,262	-	-	342,702	**79,550,865**
Other liabilities	-	-	-	-	-	22,351,211	**22,351,211**
Equity	-	-	-	-	-	281,012,602	**281,012,602**
Total liabilities and equity	**673,380,350**	**332,809,347**	**95,054,896**	**50,595,949**	**50,736,924**	**690,452,758**	**1,893,030,224**

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

Bank – 31 December 2020

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets							
Balances with the Central Bank of Malta, treasury bills and cash	245,785,027	-	-	-	-	73,482,722	**319,267,749**
Loans and advances to banks	32,347,523	25,770,033	25,156,461	61,927,844	-	34,162,206	**179,364,067**
Loans and advances to customers	629,690,759	28,578,930	15,704,363	8,812	5,030,340	100,821,156	**779,834,360**
Financial assets at fair value through profit or loss	-	-	-	-	-	20,385,323	**20,385,323**
Financial assets at fair value through other comprehensive income	5,006,000	12,369,616	-	-	134,749,568	1,202,502	**153,327,686**
Investments at amortised cost	9,855,453	-	-	-	-	(15,996)	**9,839,457**
Other assets	-	-	-	-	-	177,209,478	**177,209,478**
Total assets	**922,684,762**	**66,718,579**	**40,860,824**	**61,936,656**	**139,779,908**	**407,247,391**	**1,639,228,120**
Liabilities							
Amounts owed to banks	61,000,000	36,500,000	35,000,000	55,295,006	110,442,999	89,662,636	**387,900,641**
Amounts owed to customers	450,562,302	201,037,001	97,871,004	143,647,576	3,631,871	140,368,583	**1,037,118,337**
Other liabilities	-	-	-	-	-	9,447,973	**9,447,973**
Equity	-	-	-	-	-	204,761,169	**204,761,169**
Total liabilities and equity	**511,562,302**	**237,537,001**	**132,871,004**	**198,942,582**	**114,074,870**	**444,240,361**	**1,639,228,120**

	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	989,403,341	40,860,824	61,936,656	139,779,908	407,247,391	**1,639,228,120**
Liabilities	(749,099,303)	(132,871,004)	(198,942,582)	(114,074,870)	(444,240,361)	**(1,639,228,120)**
Interest sensitivity gap	**240,304,038**	**(92,010,180)**	**(137,005,926)**	**25,705,038**	**(36,992,970)**	**-**
Cumulative gap	**240,304,038**	**148,293,858**	**11,287,932**	**36,992,970**	**-**	**-**
Change in interest rate for the period:						
200bps increase	**3,604,561**	**(920,102)**	**(228,343)**			
200bps decrease	**(3,604,561)**	**920,102**	**228,343**			

Bank – 31 December 2019

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets							
Balances with the Central Bank of Malta, treasury bills and cash	208,250,874	-	-	-	-	8,533	**208,259,407**
Loans and advances to banks	36,493,893	-	3,392,496	-	-	192,465,361	**232,351,750**
Loans and advances to customers	672,667,443	-	-	17,211	10,882,114	127,586,081	**811,152,849**
Financial assets at fair value through profit or loss	-	-	-	-	-	125,342,798	**125,342,798**
Financial assets at fair value through other comprehensive income	-	-	-	19,555,840	59,157,528	654,188	**79,367,556**
Investments at amortised cost	-	-	-	-	9,894,459	(108,963)	**9,785,496**
Other assets	-	-	-	-	-	188,983,572	**188,983,572**
Total assets	**917,412,210**	**-**	**3,392,496**	**19,573,051**	**79,934,101**	**634,931,570**	**1,655,243,428**
Liabilities							
Amounts owed to banks	96,250,146	64,486,745	45,000,000	3,931,701	44,933,723	150,469,710	**405,072,025**
Amounts owed to customers	504,096,107	248,706,428	26,097,451	39,839,877	5,711,701	153,682,438	**978,134,002**
Other liabilities	-	-	-	-	-	13,355,978	**13,355,978**
Equity	-	-	-	-	-	258,681,423	**258,681,423**
Total liabilities and equity	**600,346,253**	**313,193,173**	**71,097,451**	**43,771,578**	**50,645,424**	**576,189,549**	**1,655,243,428**

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

Cash flow sensitivity analysis for repricing instruments

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

	Group		Bank	
	Equity USD	Profit or loss USD	Equity USD	Profit or loss USD
2020	2,110,282	2,110,282	2,456,116	2,456,116
2019	(1,706,573)	(1,706,573)	(659,289)	(659,289)

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

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally to replace or reform interbank offered rates ('IBOR') with alternative nearly risk-free rates (referred to as 'IBOR reform').

There are three main official effective dates as follows:

- As from 1 July 2021, all new contracts must have an embedded risk free rate;
- As from 1 January 2022, existing contracts linked to the following must be converted to a risk free rate; and
    - LIBOR GBP, EUR, CHF and JPY covering all tenors; and
    - LIBOR USD for one-week and 2 months
- As from 30 June 2023, existing contracts linked LIBOR USD for the remaining tenors must be converted to a risk free rate.

EURIBOR may continue to be used in new and legacy contracts.

The Group has engaged external consultants to conduct an impact assessment and provide strategic recommendations and best practice solutions on the implementation of this reform. The Group has appointed an IBOR Conversion Steering Committee to manage its transition to alternative rates, which is being led by the treasury function. The scope of this Committee covers pricing, business transitions, client contracts, IT systems, risk management and finance, and communication.

With respect to loans, whilst the absolute majority have floating rates linked to IBOR, these have short term tenors which mature before the end of 2021. At the present time, no fall-back provisions have been contracted for when IBOR ceases to exist. The majority of the Bank's financial liabilities are linked to fixed rates of interest that do not depend on IBOR.

With respect to derivative instruments, the Bank holds such positions for risk management purposes only. The Bank did not designate any derivatives as hedging instruments in cash flow hedges.

5.4.4 Price risk

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

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

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

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

	Group		Bank	
	2020 USD	2019 USD	2020 USD	2019 USD
Financial assets at fair value through profit or loss	20,385,323	125,342,798	20,385,323	125,342,798
Financial assets at fair value through other comprehensive income	153,327,686	79,367,556	153,327,686	79,367,556
Trading assets	452,326,547	460,238,536	-	-

Cash flow sensitivity analysis for market risk

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

	Group		Bank	
	Equity USD	Profit or loss USD	Equity USD	Profit or loss USD
2020	62,603,956	47,271,187	17,371,301	2,038,532
2019	66,494,889	58,558,133	20,471,035	12,534,280

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

5.5 Operational risk

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

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

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

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

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

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

5.5.1 IT risk

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

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

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

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

5.5.2 Legal risk

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

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

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

5.6 Compliance and financial crime risk

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

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

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

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

5.6.1 Conduct risk

Conduct risk is defined as the current or prospective risk of losses to an institution arising from inappropriate supply of financial services including cases of wilful or negligent misconduct. Conduct risk covers a wide range of issues and may arise from many business processes and products. Examples of conduct risk are: collusion, market manipulation, overcharging customers or not treating them fairly; selling complex products to unsophisticated clients; setting overly aggressive sales targets; and failure to manage conflicts of interest, amongst others. An employee's misconduct may lead to not only material losses but also reputational damage.

The Bank promotes a culture of openness, transparency and fairness in respect of both staff-staff and staff-client interactions in addition to having in place a number of policies and procedures to govern conduct risk. Such controls include product design and approval processes, client selection criteria, treating customers fairly guidelines, employee conduct policies and others. The Bank also ensures that there are adequate controls governing systems access and transactional approvals to ensure that all activity is appropriately authorized and in line with its expectations.

5.6.2 Reputational risk

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

Much like conduct risk, the Bank controls its reputational risk through the promotion of an internal culture that is cognisant of such risk and the existence of policies and procedures mitigating the risk. The Bank ensures that it maintains strong procedures and controls governing customer and counterparty vetting (KYC, KYCC, etc.) and makes use of market leading automated systems for mitigating risks associated with financial crime to ensure that the Bank is not inadvertently supporting criminal activity.

5.7 Capital management

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

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

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

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

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

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

	Group		Bank	
	2020	2019	2020	2019
	USD	USD	USD	USD
Own funds				
Tier 1				
Paid up capital instruments	261,221,882	261,221,882	261,221,882	261,221,882
Share premium	858,885	858,885	858,885	858,885
(Accumulated losses)/Retained earnings	(39,027,680)	10,937,616	(65,772,958)	(8,761,104)
Other reserves	9,697,570	9,465,583	8,453,359	5,361,760
Deductions:				
Goodwill accounted for as intangible asset	(5,664,745)	(8,506,084)	-	-
Other intangible assets	(1,420,907)	(4,601,797)	(1,408,920)	(4,647,642)
Deferred tax liabilities associated to other intangible assets	-	-	-	-
Deferred tax asset that rely on future profitability and arise from temporary differences	(3,287,818)	(10,316,143)	-	-
Market value of assets pledged in favour of Depositor Compensation Scheme	(5,098,388)	(4,801,655)	(5,098,388)	(4,801,655)
Value adjustments due to the requirements for prudent valuation	(628,661)	(592,231)	(328,112)	(314,195)
Other transitional adjustments	6,614,306	9,071,952	2,777,810	3,373,055
Common Equity Tier 1	**223,264,444**	**262,738,008**	**200,703,558**	**252,290,986**
Total Tier 1	**223,264,444**	**262,738,008**	**200,703,558**	**252,290,986**
Total Tier 2	**-**	**-**	**-**	**-**
Total Own Funds	**223,264,444**	**262,738,008**	**200,703,558**	**252,290,986**

6 Fair values of financial instruments

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

6.1 Valuation of financial instruments

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

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

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

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

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

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

6.2 Financial instruments measured at fair value – fair value hierarchy

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

Group – 31 December 2020

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
– foreign exchange	19	-	991,624	-	**991,624**
Trading assets	20	-	-	452,326,547	**452,326,547**
Financial assets at fair value through profit or loss	23	-	53,077	20,332,246	**20,385,323**
Financial assets at fair value through other comprehensive income	24	153,327,686	-	-	**153,327,686**
Liabilities					
Derivative liabilities held for risk management:					
– foreign exchange	19	-	1,629,434	-	**1,629,434**

Group – 31 December 2019

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
– foreign exchange	19	-	96,285	-	**96,285**
– credit default swaps	19	-	45,964	-	**45,964**
Trading assets	20	-	-	460,238,536	**460,238,536**
Financial assets at fair value through profit or loss	23	-	53,077	125,289,721	**125,342,798**
Financial assets at fair value through other comprehensive income	24	79,367,556	-	-	**79,367,556**
Liabilities					
Derivative liabilities held for risk management:					
– foreign exchange	19	-	181,596	-	**181,596**
– credit default swaps	19	-	-	6,104	**6,104**

Bank – 31 December 2020

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
– foreign exchange	19	-	991,624	-	**991,624**
– interest rate	19	-	27,664	-	**27,664**
Financial assets at fair value through profit or loss	23	-	53,077	20,332,246	**20,385,323**
Financial assets at fair value through other comprehensive income	24	153,327,686	-	-	**153,327,686**
Liabilities					
Derivative liabilities held for risk management:					
– foreign exchange	19	-	1,629,434	-	**1,629,434**

Bank – 31 December 2019

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
– foreign exchange	19	-	96,285	-	**96,285**
Financial assets at fair value through profit or loss	23	-	53,077	125,289,721	**125,342,798**
Financial assets at fair value through other comprehensive income	24	79,367,556	-	-	**79,367,556**
Liabilities					
Derivative liabilities held for risk management:					
– foreign exchange	19	-	181,597	-	**181,597**
– interest rate	19	-	12,094	-	**12,094**

6.3 Level 3 fair value measurements

6.3.1 Reconciliation

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

Group - 31 December 2020

	Trading assets USD	Financial assets at fair value through profit or loss USD	Total USD
Balance at 1 January 2020	460,238,536	125,342,798	**585,581,334**
Total gains and losses in profit or loss	(1,300,287)	(670,197)	**(1,970,484)**
Purchases	471,299,660	-	**471,299,660**
Settlements	(490,598,518)	(106,000,000)	**(596,598,518)**
Effects of movement in exchange rates	12,687,156	1,712,722	**14,399,878**
Balance at 31 December 2020	**452,326,547**	**20,385,323**	**472,711,870**

Group - 31 December 2019

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

Bank - 31 December 2020

	Financial assets at fair value through profit or loss USD
Balance at 1 January 2020	125,342,798
Total gains and losses in profit or loss	(670,197)
Purchases	-
Settlements	(106,000,000)
Effects of movement in exchange rates	1,712,722
Balance at 31 December 2020	**20,385,323**

Bank - 31 December 2019

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

6.3.2 Unobservable inputs used in measuring fair value

The below sets out information about significant unobservable inputs used at 31 December 2020 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 2020, the interest rates used range between 2.06% and 10.27% (2019: between 2.50% and 13.94%).

The effect of a one-percentage point increase/(decrease) in the interest rate on trading assets at 31 December 2020 would increase/(decrease) the Group equity by approximately USD1,115,543 (2019: USD1,188,253).

Financial assets at fair value through profit or loss

As at December 2020, 'financial assets at fair value through profit or loss' mainly represent holdings in two sub-funds, as follows:

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

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

  The effect of a ten-percentage point increase/(decrease) in the net asset value of the sub-fund at 31 December 2020 would increase/(decrease) the Bank and Group equity by approximately USD1,851,723 (2019: USD1,695,090).

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

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

  The effect of a ten-percentage point increase/(decrease) in the net asset value of the sub-fund at 31 December 2020 would increase/(decrease) the Bank and Group equity by approximately USD181,502 (2019: USD247,135).

- As at December 2019, the Group held units in an unlisted sub-fund of a local collective investment scheme regulated by the MFSA, which was independently run by an investment manager licensed and regulated by the Financial Conduct Authority in London. The sub-fund invested in trade finance instruments mainly consisting of loans and receivables. The fair value was measured by the Group using a valuation technique based on the discounted expected future principal and interest cash flows. The discount rate was an estimate based on current expected credit margin spreads and interest rates at the reporting date. Inputs to valuation technique reasonably represented market expectation and measures of risk-return factors inherent in the financial instrument.

  A ten-percentage point increase/(decrease) in the net asset value of the sub-fund at 31 December 2019 would have increased/(decreased) the Bank and Group equity by approximately USD10,586,747.

  As at December 2020, the units in this sub-fund were fully redeemed.

7 Classification of financial assets and liabilities

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

Group – 31 December 2020

	Mandatorily at fair value through profit or loss USD	Designated at fair value through profit or loss USD	Fair value through other comprehensive income debt instruments USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	-	319,287,524	**319,287,524**
Derivative assets held for risk management	991,624	-	-	-	**991,624**
Trading assets	452,326,547	-	-	-	**452,326,547**
Loans and advances to banks	-	-	-	193,139,577	**193,139,577**
Loans and advances to customers	-	-	-	591,995,726	**591,995,726**
Financial assets at fair value through profit or loss	20,332,246	53,077	-	-	**20,385,323**
Financial assets at fair value through other comprehensive income	-	-	153,327,686	-	**153,327,686**
Investments at amortised cost	-	-	-	9,839,457	**9,839,457**
Total financial assets	**473,650,417**	**53,077**	**153,327,686**	**1,114,262,284**	**1,741,293,464**
Derivative liabilities held for risk management	1,629,434	-	-	-	**1,629,434**
Amounts owed to banks	-	-	-	429,443,480	**429,443,480**
Amounts owed to customers	-	-	-	1,101,570,295	**1,101,570,295**
Debt securities in issue	-	-	-	50,832,661	**50,832,661**
Total financial liabilities	**1,629,434**	**-**	**-**	**1,581,846,436**	**1,583,475,870**

Group – 31 December 2019

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

Bank – 31 December 2020

	Mandatorily at fair value through profit or loss USD	Designated at fair value through profit or loss USD	Fair value through other comprehensive income debt instruments USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	-	319,267,749	**319,267,749**
Derivative assets held for risk management	1,019,288	-	-	-	**1,019,288**
Loans and advances to banks	-	-	-	179,364,067	**179,364,067**
Loans and advances to customers	-	-	-	779,834,360	**779,834,360**
Financial assets at fair value through profit or loss	20,332,246	53,077	-	-	**20,385,323**
Financial assets at fair value through other comprehensive income	-	-	153,327,686	-	**153,327,686**
Investments at amortised cost	-	-	-	9,839,457	**9,839,457**
Total financial assets	**21,351,534**	**53,077**	**153,327,686**	**1,288,305,633**	**1,463,037,930**
Derivative liabilities held for risk Management	1,629,434	-	-	-	**1,629,434**
Amounts owed to banks	-	-	-	387,900,641	**387,900,641**
Amounts owed to customers	-	-	-	1,037,118,337	**1,037,118,337**
Total financial liabilities	**1,629,434**	**-**	**-**	**1,425,018,978**	**1,426,648,412**

Bank – 31 December 2019

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

At 31 December 2020 and 31 December 2019, the fair value of the financial assets measured at amortised cost is approximately equal to the carrying amount. The approximate fair value is based on the following:

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

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

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

  The Group's debt securities in issue are subject to fixed and variable interest rates. Interest rates on debt securities are further disclosed in Note 34.

8 Operating segments

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

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

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

8.1 Information about operating segments

Group – 2020

	Trade finance USD	Forfaiting USD	Factoring USD	Real estate USD	Treasury USD	Total USD
External revenue						
Interest income	3,813,627	20,568,391	8,768,549	4,967,958	1,068,750	**39,187,275**
Net fee and commission income	2,001,284	4,645,973	3,394,903	881,770	682,226	**11,606,156**
Net trading results	-	-	-	-	(121,164)	**(121,164)**
Net gain from other financial instruments	-	-	-	-	277,137	**277,137**
Dividend income	240,817	-	-	-	-	**240,817**
	6,055,728	**25,214,364**	**12,163,452**	**5,849,728**	**1,906,949**	**51,190,221**
Reportable segment (loss)/profit before income tax	(34,110,787)	5,365,965	(5,185,365)	2,123,915	(2,260,476)	**(34,066,748)**
Reportable segment assets	230,740,331	459,398,105	322,815,443	93,693,321	651,047,518	**1,757,694,718**
Reportable segment liabilities	76,380,384	90,020,926	75,157,615	-	1,323,043,782	**1,564,602,707**

Group – 2019

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

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

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

Group

	2020 USD	2019 USD
Revenues		
Total revenue for reportable segments	51,190,221	83,560,061
Consolidated adjustments	(3,543,716)	(8,656,948)
Other revenue	4,824,761	655,470
Consolidated revenue	**52,471,266**	**75,558,583**
Profit or loss		
Total profit for reportable segments	(34,066,748)	18,973,123
Other loss	(1,585,424)	(5,243,076)
	(35,652,172)	**13,730,047**
Profit on disposal of property and equipment	-	5,029
Effect of other consolidation adjustments on segment results	(157,762)	(6,472,952)
Consolidated (loss)/profit before tax	**(35,809,934)**	**7,262,124**

	2020 USD	2019 USD
Assets		
Total assets for reportable segments	1,757,694,718	1,753,521,470
Other assets	76,125,320	134,456,985
	1,833,820,038	**1,887,978,455**
Effect of other consolidation adjustments on segment results	225,985	5,051,769
Consolidated assets	**1,834,046,023**	**1,893,030,224**
Liabilities		
Total liabilities for reportable segments	1,564,602,707	1,544,639,010
Other liabilities	38,476,799	67,944,357
	1,603,079,506	**1,612,583,367**
Effect of other consolidation adjustments on segment results	(2,191,612)	(565,745)
Consolidated liabilities	**1,600,887,894**	**1,612,017,622**

8.3 Geographical areas

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

Group

	External revenues and net trading results	
	2020 USD	2019 USD
Malta	9,716,486	14,373,445
India	5,648,251	10,848,380
Other countries (individually less than 10%)	37,106,528	50,336,758
	52,471,265	**75,558,583**

Group

	Malta		Other countries		Total	
	2020 USD	2019 USD	2020 USD	2019 USD	2020 USD	2019 USD
Non-current assets	54,539,884	56,617,264	4,549,087	7,500,906	**59,088,971**	**64,118,170**

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

9 Net interest income

	Group		Bank	
	2020 USD	2019 USD	2020 USD	2019 USD
Interest income				
On loans and advances to banks	1,309,013	2,692,773	919,556	2,509,733
On loans and advances to customers	19,083,222	25,946,842	13,529,312	17,724,068
On loans and advances to subsidiary companies	-	-	7,022,253	8,845,008
	20,392,235	**28,639,615**	**21,471,121**	**29,078,809**
On forfaiting assets	20,568,088	20,659,660	-	-
On financial assets at fair value through other comprehensive income	745,196	386,304	745,196	386,304
On investments at amortised cost	410,919	512,388	410,919	512,388
On other trade finance activities	94,488	333,732	94,488	333,732
	42,210,926	**50,531,699**	**22,721,724**	**30,311,233**
Interest expense				
On amounts owed to banks	3,903,190	7,433,213	2,899,533	5,176,958
On amounts owed to customers	7,570,083	7,386,406	7,570,084	7,386,407
On debt securities in issue	1,086,043	2,123,505	-	150,052
On amounts owed to subsidiary companies	-	-	402	6,230
On Central Bank of Malta funding	311,648	1,091,268	311,648	1,091,268
On negative interest treasury balances	586,072	60,955	586,072	60,955
On lease liability	110,740	115,119	114,262	165,990
	13,567,776	**18,210,466**	**11,482,001**	**14,037,860**
Net interest income	**28,643,150**	**32,321,233**	**11,239,723**	**16,273,373**

Included in Group and Bank are 'interest income' and 'interest expense' payable to the parent company and other related companies (see Note 43).

10 Net fee and commission income

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Fee and commission income				
Credit related fees and commission	1,675,458	2,007,547	1,675,458	2,007,547
On letters of credit	759,873	1,245,275	758,789	1,231,611
On factoring	4,298,371	6,038,821	1,179,592	2,025,699
On forfaiting activities	5,530,736	6,608,921	-	-
On IT Solutions	95,000	10,000	-	-
Other fees	1,897,331	2,515,547	1,753,028	2,488,286
	14,256,769	**18,426,111**	**5,366,867**	**7,753,143**
Fee and commission expense				
Credit related fees	410,551	390,709	410,551	390,709
Correspondent banking fees	602,791	767,355	541,759	701,386
On forfaiting activities	1,177,298	1,152,469	-	-
Other fees	3,096,448	3,635,056	1,599,968	1,986,188
	5,287,088	**5,945,589**	**2,552,278**	**3,078,283**
Net fee and commission income	**8,969,681**	**12,480,522**	**2,814,589**	**4,674,860**

Included in Group and Bank are 'fee and commission income' and 'fee and commission expense' payable to the parent company and other related companies (see Note 43).

11 Net trading results

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Net trading income from assets held for trading	(680,804)	3,897,058	-	-
Foreign exchange rate results	1,809,201	2,141,477	2,145,012	2,172,499
Net results on derivatives held for risk management	(1,249,561)	(201,292)	(2,976,256)	(1,249,880)
	(121,164)	**5,837,243**	**(831,244)**	**922,619**

12 Net gain from other financial instruments carried at fair value

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Investment securities				
Equity investments at fair value through profit or loss	(1,030,938)	(218,431)	(1,030,938)	(218,431)
Debt investments at fair value through other comprehensive income	1,308,075	2,403,747	1,308,075	2,403,747
	277,137	**2,185,316**	**277,137**	**2,185,316**

13 Dividend income

	Group		Bank	
	2020	2019	2020	2019
	USD	USD	USD	USD
Dividend income from equity investments at fair value through profit or loss	240,817	3,591,794	240,817	3,591,794
Dividend income from subsidiary undertaking	-	-	7,000,000	40,000,000
	240,817	**3,591,794**	**7,240,817**	**43,591,794**

14 Other operating income

	Group		Bank	
	2020	2019	2020	2019
	USD	USD	USD	USD
Rental income from leased property	770,609	808,076	-	-
Profit on disposal of property and equipment	2,533	5,029	-	-
Other non-trading income	120,727	118,904	120,725	118,904
	893,869	**932,009**	**120,725**	**118,904**

15 Administrative expenses

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

	Group		Bank	
	2020	2019	2020	2019
	USD	USD	USD	USD
Personnel expenses	24,914,693	23,146,353	14,766,236	13,348,480
Expenses relating to short-term leases and leases of low-value assets	203,973	377,493	89,159	373,235
Other administrative expenses	10,491,410	10,232,647	8,951,061	6,667,639
Recharge of services rendered by subsidiaries	-	-	(83,653)	(83,653)
	35,610,076	**33,756,493**	**23,722,803**	**20,305,701**

Included in 'expenses relating to short-term leases and leases of low-value assets' for the Bank is an amount of USD2,872 (2019: USD2,072) payable to subsidiary companies.

Included in 'other administrative expenses' of the Bank and Group for the financial year ended 31 December 2020 are the following fees charged by the Group Statutory Auditors:

	Audit services		Other assurance services		Tax advisory services		Other non-audit services	
	2020	2019	2020	2019	2020	2019	2020	2019
	USD	USD	USD	USD	USD	USD	USD	USD
By the auditors of the parent	323,796	355,742	174,566	94,577	9,658	4,681	14,880	18,880
By the auditors of subsidiaries	322,990	212,806	51,648	69,096	2,770	13,189	485	2,630

All fees are inclusive of indirect taxes.

15.2 Personnel expenses incurred during the year

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Directors' emoluments	388,320	417,249	359,977	417,249
Staff costs:				
- wages, salaries and allowances	23,190,904	21,424,693	13,833,820	12,377,049
- defined contribution costs	1,335,469	1,304,411	572,439	554,182
	24,914,693	**23,146,353**	**14,766,236**	**13,348,480**

15.3 Average number of employees

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

	Group 2020 No. of employees	Group 2019 No. of employees	Bank 2020 No. of employees	Bank 2019 No. of employees
Executive and senior managerial	40	38	22	20
Other managerial, supervisory and clerical	296	297	162	168
Other staff	9	11	2	1
	345	**346**	**186**	**189**

15.4 Executive share option schemes

FIMBank

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

During 2020 and 2019 the Bank has not awarded shares under the Employee Share Award Scheme.

India Factoring

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

At 31 December 2020, the company had 2,152,800 (31 December 2019: 2,152,800) outstanding share options, at an exercise price of INR10/option (31 December 2019: INR10/option).

16 Taxation

16.1 Amounts recognised in profit or loss

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Current tax	(1,010,351)	(1,250,569)	(566,776)	(423,981)
Deferred tax				
- deferred tax assets	(10,212,470)	(1,481,452)	(6,000,000)	(341,452)
Taxation	**(11,222,821)**	**(2,732,021)**	**(6,566,776)**	**(765,433)**

16.2 Amounts recognised in other comprehensive income

Group – 31 December 2020

	Before tax USD	Tax (expense)/ benefit USD	Net of tax USD
Items that are or may be reclassified subsequently to profit or loss			
Movement in translation reserve:			
- Foreign currency translation differences for foreign operations	(2,878,066)	-	(2,878,066)
	(2,878,066)	**-**	**(2,878,066)**
Movement in fair value reserve (debt instruments):			
- Net change in fair value			
Fair value movement	5,916,567	(420,207)	5,496,360
Amortisation	(2,111,785)	-	(2,111,785)
Loss allowance	(20,152)	-	(20,152)
	3,784,630	**(420,207)**	**3,364,423**
- Net amount reclassified to profit or loss			
Fair value movement	(1,308,075)	-	(1,308,075)
	(1,308,075)	**-**	**(1,308,075)**
	(401,511)	**(420,207)**	**(821,718)**

Group – 31 December 2019

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

Bank – 31 December 2020

	Before tax USD	Tax (expense)/ benefit USD	Net of tax USD
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value reserve (debt instruments):			
- Net change in fair value			
Fair value movement	5,916,567	(420,207)	5,496,360
Amortisation	(2,111,785)	-	(2,111,785)
Loss allowance	(20,152)	-	(20,152)
	3,784,630	**(420,207)**	**3,364,423**
- Net amount reclassified to profit or loss			
Fair value movement	(1,308,075)	-	(1,308,075)
	(1,308,075)	**-**	**(1,308,075)**
	2,476,555	**(420,207)**	**2,056,348**

Bank – 31 December 2019

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

16.3 Reconciliation of effective tax rate

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
(Loss)/Profit before tax	**(35,809,934)**	**7,262,124**	**(49,409,826)**	**30,354,377**
Tax income using the domestic income tax rate of 35%	**12,533,477**	**(2,541,743)**	**17,293,439**	**(10,624,032)**
Tax effect of:				
Non-deductible expenses	522,173	304,772	(74,326)	(8,641)
Non-deductible capital loss	(940,450)	-	(3,259,900)	-
Non-taxable income	90,488	1,257,500	2,534,286	15,257,127
Unrecognised temporary differences	(24,754,878)	(4,090,225)	(22,690,463)	(5,114,300)
Investment tax credit	22,762	24,088	-	-
Different tax rates in foreign jurisdictions	1,303,607	2,368,341	(369,812)	(275,587)
Under provision of taxation in prior years	-	(54,754)	-	-
Taxation	**(11,222,821)**	**(2,732,021)**	**(6,566,776)**	**(765,433)**

17 Earnings per share

Basic (loss)/earnings per share

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

Profit attributable to ordinary shareholders

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
(Loss)/Profit attributable to Equity Holders of the Bank	(46,898,575)	4,419,144	(55,976,602)	29,588,944

Weighted average number of ordinary shares

	2020 No. of shares	2019 No. of shares
Weighted average number of ordinary shares at 31 December (basic)	522,443,763	514,567,598

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

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Cash	26,531	26,131	6,756	8,533
Balances with the Central Bank of Malta	245,785,027	208,250,873	245,785,027	208,250,874
Treasury bills	73,628,666	-	73,628,666	-
Loss allowance	(152,700)	-	(152,700)	-
	319,287,524	**208,277,004**	**319,267,749**	**208,259,407**

‘Balances with the Central Bank of Malta and treasury bills’ include a reserve deposit of EUR9,131,084 (USD11,205,159) (2019: EUR9,353,897 (USD10,507,635)) in terms of Regulation (EC) No: 1745/2003 of the European Central Bank. At 31 December 2020, ‘treasury bills’ included assets with a carrying amount of USD56,448,644 (2019: Nil) pledged in favour of third parties under reverse-repos or borrowing arrangements.

19 Derivatives held for risk management

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Derivative assets held for risk management				
- foreign exchange	991,624	96,285	991,623	96,285
- interest rate	-	-	27,665	-
- credit default swaps	-	45,964	-	-
	991,624	**142,249**	**1,019,288**	**96,285**
Derivative liabilities held for risk management				
- foreign exchange	(1,629,434)	(181,596)	(1,629,434)	(181,597)
- interest rate	-	-	-	(12,094)
- credit default swaps	-	(6,104)	-	-
	(1,629,434)	**(187,700)**	**(1,629,434)**	**(193,691)**

20 Trading assets

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

At 31 December 2020, there were no 'trading assets' pledged in favour of third parties under reverse-repos or borrowing arrangements (2019: Nil).

21 Loans and advances to banks

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Repayable on call and at short notice	38,558,675	214,594,915	32,298,834	203,520,278
Term loans and advances	44,245,546	29,962,282	36,654,921	27,196,392
	82,804,221	**244,557,197**	**68,953,755**	**230,716,670**
Pledged in favour of third parties	114,326,911	4,740,508	114,326,911	4,740,506
Gross loans and advances to banks	**197,131,132**	**249,297,705**	**183,280,666**	**235,457,176**
Loss allowance	(3,991,555)	(3,219,510)	(3,916,599)	(3,105,426)
Net loans and advances to banks	**193,139,577**	**246,078,195**	**179,364,067**	**232,351,750**

At 31 December 2020, 'pledged in favour of third parties' is comprised exclusively of assets pledged in favour of third parties under reverse-repos or borrowing arrangements (2019: USD4,739,844). At 31 December 2019, 'pledged in favour of third parties' included blocked funds pursuant to US Sanctions amounting to USD113,096.

See Note 43 for balances due from related parties.

22 Loans and advances to customers

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Repayable on call and at short notice	387,390,649	457,780,691	192,412,375	226,557,429
Term loans and advances	300,689,617	268,227,556	300,663,190	268,180,666
	688,080,266	**726,008,247**	**493,075,565**	**494,738,095**
Pledged in favour of third parties	5,494,363	289,266	5,494,363	289,270
Amounts owed by subsidiary companies	-	-	359,140,454	362,952,516
Total loans and advances to customers	**693,574,629**	**726,297,513**	**857,710,382**	**857,979,881**
Loss allowance	(101,578,903)	(76,407,356)	(77,876,022)	(46,827,032)
Net loans and advances to customers	**591,995,726**	**649,890,157**	**779,834,360**	**811,152,849**

'Pledged in favour of third parties' include an amount of USD328,797 (2019: USD239,373) pledged in favour of the Single Resolution Fund and USD5,098,385 pledged in favour of the Depositor Compensation Scheme. At December 2019, amount pledged in favour of the Depositor Compensation Scheme was presented with 'other assets' (see Note 31).

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

See Note 43 for balances due from other related parties.

23 Financial assets at fair value through profit or loss

At reporting date, the Group and Bank held an investment in two unlisted sub-funds of a local collective investment scheme regulated by the MFSA, which is independently run by an investment manager licensed and regulated by the Financial Conduct Authority in London. An investment amounting to USD18,517,229 (2019: USD16,950,898) in Sustainable Investment Fund, a sub-fund that invests in sustainable energy plants with returns generated throughout the life of each plant and an investment amounting to USD1,815,017 (2019: USD2,471,349) in Global Opportunities Fund, a sub-fund that invests in a variety of investments, with relative complex structures and limited liquidity.

At reporting date, the Group and Bank holds more than 50% of the units in Sustainable Investment Fund. However, these shares do not carry any voting rights in relation to management and control of the sub-fund. The Group and Bank do not have the power to direct the relevant activities of the sub-fund or to affect the amount of own returns. As a result, the Group and Bank is not consolidating the investment and is measuring it at fair value through profit or loss.

At December 2019, the Group and Bank also held an investment of USD105,867,474 in Trade Finance Fund, a sub-fund of a local unlisted collective investment scheme, which is independently run by an investment manager licensed and regulated by the Financial Conduct Authority in London.

The Group and Bank, through its various entities, was offering/selling trade finance transactions to the sub-fund. Since the Group did not have the power to direct the relevant activities of the sub-fund or to affect the amount of own returns, it was not consolidating this investment and was measuring it at fair value through profit or loss.

During 2020, the Group and Bank has redeemed all the units in Trade Finance Fund. As part of the redemption process, the Bank has bought back the trade finance assets from the sub-fund, which were originally sold to the sub-fund by the Bank. This redemption has resulted in a realised loss of USD360,741 for the Bank and the Group.

24 Financial assets at fair value through other comprehensive income

'Financial assets at fair value through other comprehensive income' is comprised exclusively of debt instruments.

At 31 December 2020, 'financial assets at fair value through other comprehensive income' included assets with a carrying amount of USD127,809,734 (2019: USD56,947,725) pledged in favour of third parties under reverse-repos or borrowing arrangements.

25 Investments at amortised cost

	Group		Bank	
	2020 USD	2019 USD	2020 USD	2019 USD
Debt investments at amortised cost	9,910,131	9,964,940	9,910,131	9,964,940
Loss allowance	(70,674)	(179,444)	(70,674)	(179,444)
	9,839,457	**9,785,496**	**9,839,457**	**9,785,496**

26 Investments in subsidiaries

26.1 Movement in carrying amount

	Bank	
	2020 USD	2019 USD
At 1 January	147,948,385	102,595,614
Additional investment in London Forfaiting Company Limited	7,000,000	40,000,000
Additional investment in India Factoring and Finance Solutions Private Limited	-	5,010,328
Additional investment in FIMFactors B.V.	1,801,829	342,443
Movement in impairment of investments	(9,314,000)	-
At 31 December	**147,436,214**	**147,948,385**

Name of company	Country of incorporation	Nature of business	Equity interest 2020 %	Equity interest 2019 %	Bank 2020 USD	Bank 2019 USD
FIM Business Solutions Limited	Malta	IT services provider	100	100	5,000	5,000
FIM Property Investment Limited	Malta	Property management	100	100	1,005,749	1,005,749
London Forfaiting Company Limited	United Kingdom	Forfaiting	100	100	94,366,435	87,366,435
The Egyptian Company for Factoring S.A.E.	Egypt	Factoring	100	100	11,664,983	11,664,983
FIMFactors B.V.	Netherlands	Holding company	100	100	40,394,046	47,906,217
FIM Holdings (Chile) S.p.A.	Chile	Holding company	100	100	1	1
					147,436,214	**147,948,385**

The carrying amount of the 'investments in subsidiaries' is stated net of impairment, amounting to USD49,968,070 (2019: USD40,654,070), in relation to FIMFactors B.V., The Egyptian Company for Factoring S.A.E. and FIM Holdings (Chile) S.p.A.

The Bank, indirectly through FIMFactors B.V. controls India Factoring and Finance Solutions Private Limited, incorporated in India, to carry out the business of factoring in India. As at December 2020, the Bank held 88.16% (2019: 87.19%) shareholding.

The Bank, indirectly through London Forfaiting Company Limited controls London Forfaiting International Limited, a holding company incorporated in the United Kingdom. As at December 2020, the Bank held 100% (2019: 100%) shareholding.

In turn, London Forfaiting International Limited controls the following subsidiaries:

Name of company	Country of incorporation	Nature of business	Equity interest 2020 %	Equity interest 2019 %
London Forfaiting Americas Inc.	United States of America	Marketing	100	100
London Forfaiting do Brasil Ltda.	Brazil	Marketing	100	100

26.2 Impairment assessment

At each reporting date the Bank carries out an impairment assessment to calculate the recoverable amounts of its investment in subsidiaries and determine the possibility of an impairment loss. At reporting date this was particularly important in light of the wide-ranging impact of the COVID-19 pandemic. The Bank has carried out the assessment to detect any indication of impairment with the existing and possible pandemic effects in mind. In performing this assessment, the Bank considered the expected drops in business volumes and other adverse impacts the pandemic could have on the subsidiaries and the industries, geographies and economies they operate it. This assessment was carried out on the basis of the underlying performance of each subsidiary. The resulting net impairment losses for the year amounted to USD9,314,000 (2019: Nil).

India Factoring and Finance Solutions Private Limited

At reporting date, an impairment assessment was carried on the carrying amount (at cost) of the investment in India Factoring (through FIMFactors). The assumptions and methodology applied in determining the recoverable amount of this CGU are disclosed in Note 29.2.1. As a result of this assessment, an impairment loss of USD9,314,000 representing the excess net carrying amount over the recoverable amount of the investment, was recognised in 'impairment of investments in subsidiaries' in the Bank's Statement of Profit or Loss.

27 Property and equipment

27.1 Reconciliation of carrying amount

Group

	Freehold Land USD	Buildings USD	Computer system USD	Improvement to premises USD	Computer equipment USD	Others USD	Total USD
Cost							
At 1 January 2019	7,737,203	22,589,897	1,955,011	733,338	3,919,340	3,187,920	**40,122,709**
Reclassification	-	-	-	200,563	-	(200,563)	**-**
Recognition of right-of-use asset on initial application of IFRS 16	-	2,129,259	-	-	-	-	**2,129,259**
Additions	21,885	1,827,056	-	525,765	292,820	146,895	**2,814,421**
Disposals	-	-	-	(161,564)	(53,864)	(117,620)	**(333,048)**
Effect of movement in exchange rates	-	-	-	(4,108)	(4,819)	(3,320)	**(12,247)**
At 31 December 2019	**7,759,088**	**26,546,212**	**1,955,011**	**1,293,994**	**4,153,477**	**3,013,312**	**44,721,094**
At 1 January 2020	7,759,088	26,546,212	1,955,011	1,293,994	4,153,477	3,013,312	**44,721,094**
Additions	-	469,044	-	63,994	189,302	80,413	**802,753**
Disposals	-	-	-	-	(26,911)	(8,368)	**(35,279)**
Lease modifications that decrease the scope of the lease	-	(389,108)	-	-	-	-	**(389,108)**
Effect of movement in exchange rates	-	(15,587)	-	(4,927)	(6,342)	(4,001)	**(30,857)**
At 31 December 2020	**7,759,088**	**26,610,561**	**1,955,011**	**1,353,061**	**4,309,526**	**3,081,356**	**45,068,603**
Depreciation							
At 1 January 2019	-	701,207	1,955,011	462,389	3,232,278	2,660,055	**9,010,940**
Reclassification	-	-	-	16,503	-	(16,503)	**-**
Charge for the year	-	1,666,875	-	132,992	330,769	132,774	**2,263,410**
Disposals	-	-	-	(161,564)	(50,199)	(117,348)	**(329,111)**
Effects of movement in exchange rates	-	(2,705)	-	(1,241)	(3,722)	(2,946)	**(10,614)**
At 31 December 2019	**-**	**2,365,377**	**1,955,011**	**449,079**	**3,509,126**	**2,656,032**	**10,934,625**
At 1 January 2020	-	2,365,377	1,955,011	449,079	3,509,126	2,656,032	**10,934,625**
Charge for the year	-	1,733,562	-	202,863	312,867	121,080	**2,370,372**
Disposals	-	-	-	-	(26,911)	(8,040)	**(34,951)**
Lease modifications that decrease the scope of the lease	-	(358,371)	-	-	-	-	**(358,371)**
Effects of movement in exchange rates	-	(1,949)	-	(1,042)	(3,940)	(2,957)	**(9,888)**
At 31 December 2020	**-**	**3,738,619**	**1,955,011**	**650,900**	**3,791,142**	**2,766,115**	**12,901,787**
Carrying amounts							
At 1 January 2019	7,737,203	21,888,690	-	270,949	687,062	527,865	**31,111,769**
At 31 December 2019	7,759,088	24,180,835	-	844,915	644,351	357,280	**33,786,469**
At 31 December 2020	**7,759,088**	**22,871,942**	**-**	**702,161**	**518,384**	**315,241**	**32,166,816**
Carrying amount had the assets been carried at cost							
At 31 December 2020	**5,081,644**	**16,485,038**	**-**	**702,161**	**516,535**	**305,610**	**23,090,988**

As at 31 December 2020, 'buildings' includes right-of-use assets of USD2,189,052 (2019: USD2,910,720) related to leased branches and office premises (see Note 42).

Bank

	Buildings USD	Computer system USD	Improvement to premises USD	Computer equipment USD	Others USD	Total USD
Cost						
At 1 January 2019	-	1,955,011	571,772	3,026,986	2,011,499	**7,565,268**
Recognition of right-of-use asset on initial application of IFRS 16	5,402,900	-	-	-	-	**5,402,900**
Additions	412,193	-	139,049	202,670	30,939	**784,851**
Disposals	-	-	-	(5,014)	-	**(5,014)**
At 31 December 2019	**5,815,093**	**1,955,011**	**710,821**	**3,224,642**	**2,042,438**	**13,748,005**
At 1 January 2020	5,815,093	1,955,011	710,821	3,224,642	2,042,438	**13,748,005**
Additions	110,340	-	-	126,548	16,196	**253,084**
Disposals	(44,278)	-	-	-	-	**(44,278)**
At 31 December 2020	**5,881,155**	**1,955,011**	**710,821**	**3,351,190**	**2,058,634**	**13,956,811**
Depreciation						
At 1 January 2019	-	1,955,011	300,825	2,545,137	1,795,823	**6,596,796**
Charge for the year	1,581,687	-	42,922	222,969	76,034	**1,923,612**
Disposals	-	-	-	(1,462)	-	**(1,462)**
At 31 December 2019	**1,581,687**	**1,955,011**	**343,747**	**2,766,644**	**1,871,857**	**8,518,946**
At 1 January 2020	1,581,687	1,955,011	343,747	2,766,644	1,871,857	**8,518,946**
Charge for the year	1,603,720	-	49,544	219,327	57,765	**1,930,356**
At 31 December 2020	**3,185,407**	**1,955,011**	**393,291**	**2,985,971**	**1,929,622**	**10,449,302**
Carrying amounts						
At 1 January 2019	-	-	270,947	481,849	215,676	**968,472**
At 31 December 2019	4,233,406	-	367,074	457,998	170,581	**5,229,059**
At 31 December 2020	**2,695,748**	**-**	**317,530**	**365,219**	**129,012**	**3,507,509**

As at 31 December 2020, 'buildings' is comprised exclusively of right-of-use assets related to leased branches and office premises (see Note 42).

27.2 Measurement of fair values

Land and buildings are revalued by an independent, professionally qualified architect in accordance with Accounting Policy 3.17.1. Valuations of land and buildings are done using the 'investment income approach' whereby market value is derived by capitalising at an appropriate yield rate, the annual income produced, should the property be leased out to third parties. The income is based on actual rental income as per current lease agreements. To determine the reasonableness of the actual rates being used a comparison is then drawn between the actual rates and rental rates of other properties, taking cognisance of the location, size, layout, and planning and energy performance considerations.

The land and premises were revalued on 31 December 2020.

The 31 December 2020 valuation contains a 'valuation uncertainty' clause as defined in the European Valuation Standards 2016, and in line with the 'Kamra tal-Periti' Valuation Standards COVID-19 Guidance Note (May 2020), due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is more uncertainty than under normal market conditions. Accordingly, the valuer cannot attach as much weight as usual to previous market evidence for comparison purposes, and there is an increased risk that the price realised in an actual transaction would differ from the value conclusion.

Property fair value measurement is classified as Level 3 (see Note 2.4.2.1). Significant unobservable inputs used in the valuation of these properties is the rental income and the percentage capitalisation rate which indicates the multiplier relationship between net rental income and property value. Further details about these significant inputs are summarised in the table below:

	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Office space	Investment income approach	Rental value per square metre	€284 to €588	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	6.25%	The higher the capitalisation rate the lower the fair value
Parking space	Investment income approach	Rental value per square metre	€65 to €150	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	7.5%	The higher the capitalisation rate the lower the fair value
Stores and ancillary	Investment income approach	Rental value per square metre	€85 to €160	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	9.0%	The higher the capitalisation rate the lower the fair value

28 Investment property

28.1 Reconciliation of carrying amount

	Group 2020 USD	Group 2019 USD
Cost		
At 1 January	17,223,820	17,223,820
Fair value movements	-	-
At 31 December	**17,223,820**	**17,223,820**
Carrying amounts		
Cost	7,049,357	7,049,357
Net fair value gains	10,174,463	10,174,463
Carrying amount	**17,223,820**	**17,223,820**

'Investment property' comprises a number of areas within the Group Head Office building in St. Julian's, Malta which are available for rent to third parties.

28.2 Measurement of fair values

Investment property is revalued by an independent professionally qualified architect in accordance with Accounting Policy 3.18. The valuation of investment property as at December 2020 was prepared using only the 'investment income approach', whilst the 'comparative value approach' was only considered as a validation technique. The valuation as at December 2019 was prepared using a combination of the 'investment income approach' and the 'comparative value approach'.

Under the 'investment income approach', the market value is derived by capitalising at an appropriate yield rate, the annual income produced, should the property be leased out to third parties. The income is based on actual rental income as per current lease agreements. To determine the reasonableness of the actual rates being used a comparison is then drawn between the actual rates and rental rates of other properties, taking cognisance of the location, size, layout, and planning and energy performance considerations.

Under the 'comparative value approach' the market value of the property is estimated by selecting an appropriately adjusted price per unit (€/square metre) based on transactions in comparable properties located in proximity to the property.

The investment property was last revalued on 31 December 2020.

The 31 December 2020 valuation contains a 'valuation uncertainty' clause as defined in the European Valuation Standards 2016, and in line with the 'Kamra tal-Periti' Valuation Standards COVID-19 Guidance Note (May 2020), due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is more uncertainty than under normal market conditions. Accordingly, the valuer cannot attach as much weight as usual to previous market evidence for comparison purposes, and there is an increased risk that the price realised in an actual transaction would differ from the value conclusion.

Property fair value measurement is classified as Level 3 (see Note 2.4.2.1). Significant unobservable inputs used in the valuation of these properties is the rental income, the sales price and the percentage capitalisation rate which indicates the multiplier relationship between net rental income and property value. Further details about these significant inputs are summarised in the table below:

	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Office space	Investment income approach	Rental value per square metre	€284 to €588	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	6.25%	The higher the capitalisation rate the lower the fair value
Retail space	Investment income approach	Rental value pe square metre	€230 to €300	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	7.5% to 8.5%	The higher the capitalisation rate the lower the fair value
Stores and ancillary	Investment income approach	Rental value per square metre	€85 to €160	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	9.0%	The higher the capitalisation rate the lower the fair value

29 Intangible assets and goodwill

29.1 Reconciliation of carrying amount

Group

	Goodwill USD	Software USD	Total USD
Cost			
At 1 January 2019	15,211,796	9,887,027	**25,098,823**
Additions	-	951,219	**951,219**
Effects of movement in exchange rates	(267,910)	(3,601)	**(271,511)**
At 31 December 2019	**14,943,886**	**10,834,645**	**25,778,531**
At 1 January 2020	14,943,886	10,834,645	**25,778,531**
Additions	-	488,096	**488,096**
Effects of movement in exchange rates	(310,195)	(4,169)	**(314,364)**
At 31 December 2020	**14,633,691**	**11,318,572**	**25,952,263**
Accumulated amortisation and impairment losses			
At 1 January 2019	6,572,413	5,236,009	**11,808,422**
Charge for the year	-	999,795	**999,795**
Effects of movement in exchange rates	(134,611)	(2,956)	**(137,567)**
At 31 December 2019	**6,437,802**	**6,232,848**	**12,670,650**
At 1 January 2020	6,437,802	6,232,848	**12,670,650**
Charge for the year	-	1,055,796	**1,055,796**
Impairment loss	2,687,000	-	**2,687,000**
Effects of movement in exchange rates	(155,857)	(3,661)	**(159,518)**
At 31 December 2020	**8,968,945**	**7,284,983**	**16,253,928**
Carrying amounts			
At 1 January 2019	8,639,383	4,651,018	13,290,401
At 31 December 2019	8,506,084	4,601,797	13,107,881
At 31 December 2020	**5,664,746**	**4,033,589**	**9,698,335**

Bank

	Software USD
Cost	
At 1 January 2019	7,632,289
Additions	951,219
At 31 December 2019	**8,583,508**
At 1 January 2020	8,583,508
Additions	393,096
At 31 December 2020	**8,976,604**
Accumulated amortisation	
At 1 January 2019	2,962,947
Charge for the year	972,919
At 31 December 2019	**3,935,866**
At 1 January 2020	3,935,866
Charge for the year	1,032,013
At 31 December 2020	**4,967,879**
Carrying amounts	
At 1 January 2019	4,669,342
At 31 December 2019	4,647,642
At 31 December 2020	**4,008,725**

29.2 Impairment testing for CGUs containing goodwill

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

	Group 2020 USD	Group 2019 USD
India Factoring		
- cost, net of exchange differences	12,502,691	12,812,886
- accumulated impairment, net of exchange differences	(8,968,945)	(6,437,802)
Egypt Factors		
- cost	2,131,000	2,131,000
	5,664,746	**8,506,084**

In 2020, the CGUs have been affected by the COVID-19 pandemic, which resulted in an impairment of USD2,687,000 (2019: Nil) on one of the CGUs. When calculating the recoverable amount the additional uncertainty and adverse impact of COVID-19 were taken into account by adjusting the expected cash flows. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make.

29.2.1 India Factoring and Finance Solutions (Private) Limited

The recoverable amount of this CGU was based on its value-in-use, determined using the 'income approach' to business valuations. This approach provides an estimate of the present value of the monetary benefits expected to flow to the owners of the business. It requires projection of the cash flows that the business is expected to generate. These cash flows are then converted to their present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risk in the investment. The value of the business, or recoverable amount, is the sum of the discounted cash flows.

At reporting date, the recoverable amount was determined to be lower than the carrying amount of the CGU and USD2,687,000 of goodwill was written-off.

Financial projections

Financial projections for a ten-year period form the basis for the discounted cash flow analysis used to determine value-in-use. These projections were based on expectations of future outcomes, taking into account past experience adjusted for the anticipated revenue cumulative annual growth rate of 23.9% (2019: 28.8%). Revenue growth was projected taking into account the updated business model of the entity and the estimated growth over the projection period. Management has approved the forecasts, relating to the business carried out by India Factoring, which are based on a strategy to grow the business in a changing market landscape, whilst ensuring an effective operational and control environment.

Terminal value

In 2020, the terminal value or the value attributed to the CGU beyond the explicit forecast period, was estimated using a 'gordon growth model'. This determination assumed a long-term growth rate ("LTGR") of 5.0% (2019: 5.0%), which is considered appropriate considering the industry and economy growth estimates.

Discount rate

The 'income approach' requires the application of an appropriate discount rate that reflects the risks of the cash flows. As the valuation discounts cash flows available to equity shareholders, the valuation model adopts the 'cost of equity' as the discount rate.

IAS 36 - Impairment of Assets, requires pre-tax cash flows to be discounted using pre-tax discount rate. The pre-tax discount rate cannot be obtained by grossing up the post-tax discount rate by the standard rate of tax, as the pre-tax rate needs to take into account the post-tax discount rate, the timing of the future cash flows and the useful life of the asset or CGU. The pre-tax discount rate is estimated by an iterative process which is used to solve for a rate that, when applied to the pre-tax cash flows, results in the same total invested capital value of the CGU as estimated based on the post-tax cash flows.

As at 31 December 2020, the pre-tax and post-tax discount rate for the CGU were 20.0% (2019: 21.1%) and 16.5% (2019: 16.5%) respectively. The post-tax discount rate (representing the cost of equity) applied on valuation date is based on the rate of 10-year government bonds issued by the Government in India and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific entity.

Valuation risks

The key assumptions described above may change as economic, political and market conditions change. An adverse movement in a key assumption may lead to an impairment of goodwill. The break-even post tax discount rate, that is the rate at which the recoverable amount would be equal to the carrying amount of the CGU, is 16.5% (2019: 17.3%). At the constant discount rate used the break-even long-term growth rate that would reduce the recoverable amount to the carrying amount of the CGU is 5.0% (2019: 3.2%).

Whilst it is inherent that actual results may differ from those budgeted, and such variations may be significant, the Directors believe that the business plan can be supported, such that the Group will recover the recoverable amount of goodwill post impairment charges, as recognised at 31 December 2020.

29.2.2 Egypt Factors

The recoverable amount of this CGU was based on its value-in-use in accordance with the requirements of IAS 36. This approach provides an estimate of the present value of the monetary benefits expected to flow to the owners of the business. It requires projection of the cash flows that the business is expected to generate. These cash flows are then converted to their present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risk in the investment. The value of the business, or recoverable amount, is the sum of the discounted cash flows.

At reporting date, the recoverable amount was determined to be higher than the carrying amount of the CGU and the carrying amount of goodwill was deemed to be appropriate.

Financial projections

Financial projections for a five-year period form the basis for discounted cash flow analysis used to determine value-in-use. These projections were based on expectations of future outcomes based on past experience, adjusted for a revenue cumulative annual growth rate of 16.9%. Revenue growth was projected by taking into consideration the updated business model of the entity and the estimated growth over the projection period. Management has approved the forecasts, relating to the business carried out by Egypt Factoring, which are based on a strategy to grow the business in a changing market landscape, whilst ensuring an effective operational and control environment. In 2019, cash flows of ten years were included in the discounted cash flow model using a revenue cumulative growth rate of 20.5%.

Terminal value

The terminal value, or the value attributed to the CGU beyond the explicit forecast period, was estimated assuming a long-term growth rate ("LTGR") of 3.0% (2019: 5.0%), which is considered appropriate considering the industry and economy growth estimates.

Discount rate

The value-in-use estimate requires the application of an appropriate discount rate that reflects the risks of the cash flows. As the valuation discounts cash flows available to equity shareholders, the valuation model adopts the "cost of equity" as the discount rate. IAS 36 requires pre-tax cash flows to be discounted using pre-tax discount rate. As Egypt Factors is a free-trade zone entity which profits are exempt from tax, the pre-tax and post-tax discount rates are identical.

As at 31 December 2020, the discount rate for the CGU was 12.0%. The discount rate (representing the cost of equity) applied on valuation date is based on the rate of the Central Bank of Egypt, representing the functional currency and equity of the company, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific entity. In 2019, the discount rate used in the calculation of value-in-use was 12.5%.

Valuation risks

The key assumptions described above may change as economic, political and market conditions change. Whilst the recoverable amount is higher than the carrying amount, an adverse movement in a key assumption may lead to an impairment of goodwill. The break-even post tax discount rate, that is the rate at which the recoverable amount would be equal to the carrying amount of the CGU, is 16.0% (2019: 17.9%). At the constant discount rate used on 31 December 2020, the break-even long-term growth rate that would reduce the recoverable amount to the carrying amount of the CGU is -3.7% (2019: 0%).

Whilst it is inherent that actual results may differ from those budgeted, and such variations may be significant, the Directors believe that the business plan can be supported, such that the Group will recover such goodwill at least at the amount stated.

30 Deferred taxation

30.1 Analysis of deferred taxation

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Deferred tax assets				
Tax effect of temporary differences relating to:				
- excess of capital allowances over depreciation	(666,297)	(676,579)	(735,325)	(738,483)
- allowances for uncollectibility	6,955,456	21,961,237	6,810,121	12,810,123
- changes in fair value of financial instruments	662,584	1,036,186	662,584	1,036,186
- unabsorbed capital allowances	622,026	625,183	622,026	625,183
- unabsorbed tax losses	18,216,009	13,694,999	8,145,593	8,145,593
- other temporary differences	85,956	132,560	85,956	132,560
Total deferred tax assets	**25,875,734**	**36,773,586**	**15,590,955**	**22,011,162**
Deferred tax liabilities				
Tax effect of temporary differences relating to:				
- fair valuation of property and equipment	2,837,170	2,837,170	-	-
- fair valuation of investment property	1,377,905	1,377,905	-	-
Total deferred tax liabilities	**4,215,075**	**4,215,075**	**-**	**-**

In 2020, the Bank's growth was impacted by the final stages of the de-risking process, which had started in 2019, as well as the COVID-19 pandemic. After the Bank has assessed the probability of future taxable profits, the Bank has derecognised USD6.0 million of deferred tax asset. The Bank believes that it will generate enough future taxable profits to absorb the remaining balance of recognised tax losses and temporary differences.

During 2020 a subsidiary has also recognised a USD2.8 million deferred tax asset write-off related to the recoverability of tax losses having a finite expiry date. This is a result of the disruptions caused by the COVID-19 pandemic on the subsidiary's operations, with impact on the prospects of future taxable profits and the eventual recoverability before the expiry date.

30.2 Unrecognised deferred taxation

At financial reporting date, the Bank had unutilised tax losses and temporary differences that were unrecognised, amounting to USD108.7 million. In addition, other Group entities had unutilised tax losses and tax credits that were unrecognised, amounting to USD14.8 million and USD0.8million respectively. Unrecognised unabsorbed tax losses amounting to USD5.7 million carried in a group entity, have an expiry period ranging between 31 March 2024 to 31 March 2025.

30.3 Movements in temporary differences during the year

30.3.1 Deferred tax assets

Group

	Opening balance USD	Recognised in other comprehensive income USD	Recognised in profit or loss USD	Effect of movement in exchange rates USD	Closing balance USD
2020					
Excess of capital allowances over depreciation	(676,574)	-	11,653	(1,376)	**(666,297)**
Allowances for uncollectibility	21,961,232	-	(14,655,489)	(350,287)	**6,955,456**
Changes in fair values of financial instruments	1,036,187	(420,207)	46,604	-	**662,584**
Unabsorbed capital allowances	625,183	-	(3,157)	-	**622,026**
Unabsorbed tax losses	13,694,998	-	4,434,523	86,488	**18,216,009**
Other temporary differences	132,560	-	(46,604)	-	**85,956**
	36,773,586	**(420,207)**	**(10,212,470)**	**(265,175)**	**25,875,734**
2019					
Excess of capital allowances over depreciation	(553,247)	-	(165,495)	42,168	**(676,574)**
Allowances for uncollectibility	22,277,844	-	(81,805)	(234,807)	**21,961,232**
Changes in fair values of financial instruments	2,245,381	(246,427)	(962,767)	-	**1,036,187**
Unabsorbed capital allowances	-	-	625,183	-	**625,183**
Unabsorbed tax losses	14,724,126	-	(1,029,128)	-	**13,694,998**
Other temporary differences	-	-	132,560	-	**132,560**
	38,694,104	**(246,427)**	**(1,481,452)**	**(192,639)**	**36,773,586**

Bank

	Opening balance USD	Recognised in other comprehensive income USD	Recognised in profit or loss USD	Effect of movement in exchange rates USD	Closing balance USD
2020					
Excess of capital allowances over depreciation	(738,479)	-	3,157	(3)	**(735,325)**
Allowances for uncollectibility	12,810,116	-	(6,000,000)	5	**6,810,121**
Changes in fair values of financial instruments	1,036,187	(420,207)	46,604	-	**662,584**
Unabsorbed capital allowances	625,183	-	(3,157)	-	**622,026**
Unabsorbed tax losses	8,145,595	-	-	(2)	**8,145,593**
Other temporary differences	132,560	-	(46,604)	-	**85,956**
	22,011,162	**(420,207)**	**(6,000,000)**	**-**	**15,590,955**
2019					
Excess of capital allowances over depreciation	(572,984)	-	(165,495)	-	**(738,479)**
Allowances for uncollectibility	12,891,921	-	(81,805)	-	**12,810,116**
Changes in fair values of financial instruments	2,245,381	(246,427)	(962,767)	-	**1,036,187**
Unabsorbed capital allowances	-	-	625,183	-	**625,183**
Unabsorbed tax losses	8,034,723	-	110,872	-	**8,145,595**
Other temporary differences	-	-	132,560	-	**132,560**
	22,599,041	**(246,427)**	**(341,452)**	**-**	**22,011,162**

30.3.2 Deferred tax liabilities

Group

	Opening balance USD	Recognised in other comprehensive income USD	Recognised in profit or loss USD	Closing balance USD
2020				
Changes in fair value of property and equipment	(4,215,075)	-	-	**(4,215,075)**
2019				
Changes in fair value of property and equipment	(4,215,075)	-	-	**(4,215,075)**

31 Other assets

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Accounts receivable and prepayments	4,068,509	4,665,425	3,304,376	2,477,343
Accrued income	85,470	95,649	60,925	78,733
Indirect taxation	1,624,916	1,591,422	1,532,250	1,452,127
Pledged in favour of the Depositor Compensation Scheme	-	4,801,655	-	4,801,655
Other assets	611,406	15,699	673,011	14,295
	6,390,301	**11,169,850**	**5,570,562**	**8,824,153**

As per regulatory guidance, as at December 2020, assets 'pledged in favour of the Depositor Compensation Scheme' was presented with 'loans and advances to customers' (see Note 22).

32 Amounts owed to banks

	Group 2020 USD	Group 2019 USD	Bank 2020 USD	Bank 2019 USD
Term loans and deposits	340,866,049	306,902,225	299,323,210	262,339,655
Repayable on demand	88,577,431	145,389,079	88,577,431	142,732,370
	429,443,480	**452,291,304**	**387,900,641**	**405,072,025**

See Note 43 for balances due to related parties.

The Group includes balances amounting to USD16,478,809 (2019: USD16,991,870) and the Bank includes balances amounting to USD16,478,809 (2019: USD16,161,194) held as collateral for irrevocable commitments. Pledges are generally conducted under terms that are usual and customary for standard borrowing contracts.

33 Amounts owed to customers

	Group		Bank	
	2019	2019	2019	2019
	USD	USD	USD	USD
Term deposits	788,095,645	646,773,808	788,095,646	646,773,808
Repayable on demand	313,474,650	411,050,434	247,803,193	329,555,743
	1,101,570,295	**1,057,824,242**	**1,035,898,839**	**976,329,551**
Amounts owed to subsidiaries	-	-	1,219,498	1,804,451
	1,101,570,295	**1,057,824,242**	**1,037,118,337**	**978,134,002**

The Group and the Bank has deposits amounting to USD50,430,746 (2019: USD15,266,234) held as collateral for irrevocable commitments. Pledges are generally conducted under terms that are usual and customary for standard borrowing contracts.

See Note 43 for balances due to related parties.

'Amounts owed to subsidiaries' include facilities that are interest-free, unsecured and repayable on demand.

34 Debt securities in issue

	2020	2019
	USD	USD
Opening Balance	79,550,865	72,575,583
Drawdowns	122,720,858	152,885,722
Repayments	(151,439,062)	(145,910,440)
Closing Balance	**50,832,661**	**79,550,865**

'Debt securities in issue' comprise of promissory notes with a tenor of up to one year. The Group's effective interest rate ranges between 1.00% and 1.75% (2019: 1.00% and 3.69%).

35 Provision for liabilities and charges

	Group		Bank	
	2020	2019	2020	2019
	USD	USD	USD	USD
Expected credit loss provision on contingent liabilities	9,611	10,142	5,067	10,079
Expected credit loss provision on commitments	167,984	78,293	167,984	75,080
Provision for restoration costs	98,294	-	-	-
	275,889	**88,435**	**173,051**	**85,159**

36 Other liabilities

	Group		Bank	
	2020	2019	2020	2019
	USD	USD	USD	USD
Creditors and accruals	9,006,242	10,052,718	4,186,288	6,902,207
Deferred fee income	618,860	1,552,079	108,064	92,411
Indirect taxation	112,029	294,703	56,924	72,195
Lease liabilities	2,416,376	2,991,633	2,864,380	3,629,816
Other liabilities	429,828	2,380,500	429,832	2,380,499
	12,583,335	**17,271,633**	**7,645,488**	**13,077,128**

37 Equity

37.1 Share capital

	2020 Shares of 50 US cents		2019 Shares of 50 US cents	
	Shares	USD	Shares	USD
Authorised				
Ordinary shares at 31 December	1,000,000,000	500,000,000	1,000,000,000	500,000,000
Issued and fully paid up				
Ordinary shares at 31 December	522,443,763	261,221,882	522,443,763	261,221,882

	Ordinary shares 2020	
	2020 No of shares	2019 No of shares
On issue at 1 January	522,443,763	505,440,214
Bonus issue of shares	-	16,853,044
Exercise of share options	-	150,505
On issue at 31 December	**522,443,763**	**522,443,763**

37.2 Bonus issue

During 2020 the Bank has not issued any new shares. In May 2019, the Annual General Meeting approved a 1 for 30 bonus issue of shares through the capitalisation of the share premium reserve. The shares were issued and listed on the Malta Stock Exchange on 20 June 2019.

37.3 Share premium

The share premium represents the excess, net of issue costs, over the nominal value of shares, received through a number of capital raising initiatives including new equity from strategic shareholders, rights issues, scrip dividend and allotment of shares under the executive share option schemes. This reserve is non-distributable.

37.4 Reserve for general banking risks

The reserve for general banking risks is a regulatory reserve created by virtue of Banking Rule 9 - Measures Addressing Credit Risks Arising from the Assessment of the Quality of Asset Portfolios of Credit Institutions authorised under the Banking Act 1994. Under this Rule, banks are required to calculate a regulatory allocation which would be equal to their level of non-performing exposures (gross of any collateral but reduced for suspended interest) reduced by the specific impairment allowance as calculated and disclosed in these Financial Statements. An amount ranging between 2.5% and 5.0% of the regulatory allocation is then appropriated to the 'reserve for general banking risks'.

37.5 Currency translation reserve

The currency translation reserve consists of exchange differences arising on the translation of the net investment in foreign operations and the fair value changes on the hedging of net investment in foreign operations.

37.6 Fair value reserve

The fair value reserve comprises:

- the cumulative net change in the fair value of revalued property; and
- the cumulative net change in the fair value of debt securities measured at fair value through other comprehensive income until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance.

Amounts recognised in fair value reserve are net of deferred tax.

37.7 Other reserve

The reserve consists of amounts representing the difference between the net proceeds received on the sale of own shares, net of the relative acquisition costs and the share issue costs by a subsidiary undertaking.

37.8 Dividends

No dividends were declared or paid during the year (2019: Nil). As none of the reserves are available for distribution, the Board of Directors will not be recommending the payment of a dividend for the financial year ended 31 December 2020.

37.9 Retained Earnings

The transfer between reserves represents amounts transferred from retained earnings to the 'reserve for general banking risks' and 'other reserves' in accordance with regulatory requirements, and a restatement of the amounts attributed over the years to 'non-controlling interest' consequent to dilution of holdings in India Factoring.

37.10 Availability of reserves for distribution

At 31 December 2020, the Bank had accumulated losses of USD65,772,958 (2019: USD8,761,104).

38 Non-controlling interest

The following table summarises the information relating to the Group's subsidiary that has a material non-controlling interest ("NCI"), before any intra-group eliminations:

31 December 2020

	India Factoring
Acquisition date	31 March 2014
NCI percentage	11.84%
	USD
Total assets	145,466,659
Total liabilities	(104,220,150)
Net assets	**41,246,509**
Carrying amount of NCI	**407,472**
Loss for the year	(1,133,283)
Loss allocated to NCI	**(134,180)**
Net increase in cash and cash equivalents	**10,237,823**

31 December 2019

	India Factoring
Acquisition date	31 March 2014
NCI percentage	12.81%
	USD
Total assets	169,028,329
Total liabilities	(130,506,952)
Net assets	**38,521,377**
Carrying amount of NCI	**(1,471,364)**
Profit for the year	866,188
Profit allocated to NCI	**110,959**
Net increase in cash and cash equivalents	**3,410,166**

'Non-controlling interest' includes a restatement from 'retained earnings' of the amounts attributed over the years, consequent to dilution of holdings in India Factoring.

39 Contingent liabilities

'Contingent liabilities' comprise of guarantee obligations incurred on behalf of third parties. Guarantees issued to subsidiaries amount to USD42,749,228 (2019: USD57,191,237).

As at December 2020, an expected credit loss allowance, determined in accordance with IFRS 9, amounting to USD9,611 (2019: USD10,142) for the Group and USD5,067 (2019: USD10,079) for the Bank, was recognised and presented within 'provision for liabilities and charges'.

40 Commitments

	Group		Bank	
	2020 USD	2019 USD	2020 USD	2019 USD
Commitments to purchase assets				
Undrawn credit facilities	73,013,249	98,846,154	72,221,019	95,968,633
Confirmed letters of credit	13,321,329	8,531,163	21,267,521	8,992,355
Documentary credits	3,103,424	16,600,724	3,103,424	31,760,698
Risk participations	-	1,954,026	-	1,954,026
Factoring commitments	-	-	8,653,802	4,350,715
Commitment to purchase assets	15,605,454	20,267,222	-	-
Credit default swaps	-	21,233,431	-	-
Commitments to sell assets				
Commitment to sell assets	-	(1,492,800)	-	-
	105,043,456	**165,939,920**	**105,245,766**	**143,026,427**

The Group has total sanctioned limits to customers amounting to USD1,942,816,642 (2019: USD2,069,759,913).

During the year subsidiary companies had no confirmed documentary credits in favour of the Bank (2019: USD15,159,974).

As at December 2020, an expected credit loss allowance, determined in accordance with IFRS 9, amounting to USD167,984 (2019: USD79,293) for the Group and USD167,984 (2019: USD75,080) for the Bank, was recognised and presented within 'provision for liabilities and charges'.

See Note 43 for 'commitments' to related parties.

41 Cash and cash equivalents

Balances of cash and cash equivalents as shown on the Statements of Financial Position are analysed as follows:

	Group		Bank	
	2020 USD	2019 USD	2020 USD	2019 USD
Balances with the Central Bank of Malta, treasury bills and cash	319,440,224	208,277,004	319,420,449	208,259,407
Loans and advances to banks	59,511,564	206,532,295	51,882,865	195,466,582
Amounts owed to banks	(137,027,939)	(269,639,288)	(103,393,628)	(239,839,048)
Cash and cash equivalents at end of year	**241,923,849**	**145,170,011**	**267,909,686**	**163,886,941**
Adjustment to reflect balances with contractual maturity of more than three months	(158,940,228)	(143,106,116)	(157,178,511)	(128,347,809)
As per statements of financial position	**82,983,621**	**2,063,895**	**110,731,175**	**35,539,132**
Analysed as follows:				
Balances with the Central Bank of Malta, treasury bills and cash	319,287,524	208,277,004	319,267,749	208,259,407
Loans and advances to banks	193,139,577	246,078,195	179,364,067	232,351,750
Amounts owed to banks	(429,443,480)	(452,291,304)	(387,900,641)	(405,072,025)
	82,983,621	**2,063,895**	**110,731,175**	**35,539,132**

42 Leases

42.1 Leases as lessee

The Group leases a number of branch and office premises that are accounted for in accordance with IFRS 16 provisions. The leases run for a period ranging from two to sixteen years. Some leases have an option to renew the lease after that date. Some leases provide for additional rent payments that are based on changes in local price indices.

The Group also leases some other office premises, motor vehicles and IT equipment, which are low in value and/or short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets relate to leased office premises that are presented within 'property and equipment' (see Note 27).

	Group		Bank	
	office premises 2020 USD	office premises 2019 USD	office premises 2020 USD	office premises 2019 USD
Balance at 1 January	2,910,720	2,133,717	4,233,406	5,402,900
Depreciation charge for the year	(1,002,665)	(947,838)	(1,603,720)	(1,581,687)
Additions	325,372	1,729,299	110,340	412,193
Lease modifications that decrease the scope of the lease	(30,737)	-	(44,278)	-
Effect of movement in exchange rates	(13,637)	(4,458)	-	-
Balance at 31 December	**2,189,053**	**2,910,720**	**2,695,748**	**4,233,406**

The Bank's right-of-use assets include the lease of office premises from a subsidiary.

Lease liabilities

	Group		Bank	
	office premises 2020 USD	office premises 2019 USD	office premises 2020 USD	office premises 2019 USD
Balance As at 1 January	2,991,633	2,133,717	3,629,816	5,402,900
Additions	325,372	1,729,299	110,340	412,193
Lease modifications that decrease the scope of the lease	(30,737)	-	(45,771)	-
Lease termination costs transferred to provision for restoration cost	(98,294)	-	-	-
Interest expense	110,740	115,119	115,756	165,990
Payments	(967,167)	(982,044)	(997,729)	(2,356,576)
Effect of movement in exchange rates	84,829	(4,458)	51,968	5,309
Balance at 31 December	**2,416,376**	**2,991,633**	**2,864,380**	**3,629,816**

The Bank's lease liabilities include the lease of office premises from a subsidiary.

Amounts recognised in profit or loss

	Group		Bank	
	2020 USD	2019 USD	2020 USD	2019 USD
Interest on lease liabilities	110,740	115,119	114,262	165,990
Expenses relating to short-term leases	186,882	377,493	70,534	373,235
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	17,091	-	18,625	-

Extension options

Some leases of office premises contain extension options exercisable by the Group up to twelve months before the end of the non-cancellable contract period. Some extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

42.2 Leases as lessor

Operating lease

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 28 sets out information about the operating leases of investment property.

Rental income recognised by the Group during the year ended 31 December 2020 was USD0.89 million (2019: USD0.92 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	Group		Bank	
	2020 USD	2019 USD	2020 USD	2019 USD
Less than one year	703,312	505,190	150,350	77,202
Between one and five years	601,106	189,476	250,583	-
Total	**1,304,418**	**694,666**	**400,933**	**77,202**

43 Related parties

43.1 Identity of related parties

The Bank has a related party relationship with its significant shareholders, subsidiaries, directors, executive officers and companies forming part of the KIPCO Group. For the purpose of this Note, significant shareholders include all shareholders (and their connected parties) holding at least five percent of the issued share capital of the Bank.

43.2 Parent, shareholder having significant influence and other related companies

The aggregate values of transactions and outstanding balances related to the parent and subsidiaries of the parent company were as follows:

		Parent		Subsidiaries of parent	
		2020	2019	2020	2019
	Note	USD	USD	USD	USD
Assets					
Derivative assets held for risk management	19	-	-	96,667	55,744
Loans and advances to banks	21	-	-	-	3,085
Loans and advances to customers	22	45,650,284	53,240,400	-	-
Investments at amortised cost	25	9,910,131	9,964,940	-	-
Other assets	31	-	-	-	12,538
Liabilities					
Amounts owed to customers	33	41,404,324	460,389	2,658	2,658
Statements of profit or loss					
Interest income	9	2,117,999	2,248,949	-	2,506
Interest expense	9	(9,342)	-	-	-
Fee and commission income	10	315	90	-	-
Fee and commission expense	10	(6,156)	-	-	-
Net trading results	11	-	-	40,923	133,845
Administrative expenses	15	-	-	(232,392)	(169,792)

The aggregate values of transactions and outstanding balances related to the shareholder having significant influence, subsidiary of shareholder having significant influence and other related companies were as follows:

		Shareholder having significant influence		Subsidiary of shareholder having significant influence		Other related companies	
		2020	2019	2020	2019	2020	2019
	Note	USD	USD	USD	USD	USD	USD
Assets							
Loans and advances to banks	21	115,255	14,055	22,542,889	-	-	-
Loans and advances to customers	22	-	-	-	-	40,738,038	20,041,341
Liabilities							
Amounts owed to banks	32	-	-	22,550,135	10,001,194	-	-
Amounts owed to customers	33	-	-	-	-	18,904	21,475,147
Statements of profit or loss							
Interest income	9	-	-	43,949	461,927	1,073,397	663,670
Interest expense	9	-	(723,097)	(260,323)	(1,194)	(14)	(453)
Fee and commission income	10	-	-	-	20,670	49,092	150,190
Fee and commission expense	10	(99)	(197)	-	-	-	-
Net trading results	11	216,016	-	-	-	-	-
Administrative expenses	15	(11,095)	(196,088)	-	-	-	-

43.3 Transactions with key management personnel

	Note	Directors 2020 USD	Directors 2019 USD	Executive officers 2020 USD	Executive officers 2019 USD
Assets					
Loans and advances to customers	22	-	-	8,647	32,607
Other assets	31	-	18	1,446	8,842
Liabilities					
Amounts owed to customers	33	595,528	349,745	709,525	561,627
Statements of profit or loss					
Interest income	9	-	-	111	204
Interest expense	9	(7,145)	(7,053)	(2,550)	(4,169)
Fee and commission income	10	44	4	115	-
Fee and commission expense	10	-	-	-	(205)
Administrative expenses - remuneration	15	(360,760)	(396,124)	(2,979,087)	(2,958,049)
Administrative expenses - other long-term benefits	15	(963)	(370)	(757,123)	(855,202)
Administrative expenses - short-term employee benefits	15	-	-	(46,855)	(279)
Administrative expenses - others	15	(11,173)	(48,939)	(20,970)	(100,183)

Directors of the Group control less than 1 per cent of the voting shares of the Bank (2019: less than one per cent).

43.4 Other related party transactions

	Note	Other related parties 2020 USD	Other related parties 2019 USD
Liabilities			
Amounts owed to customers	33	369,028	1,230,418
Statements of profit or loss			
Interest expense	9	(16,241)	(25,620)
Fee and commission income	10	4	4

Other related party transactions relate to family members of Directors and Executive Officers of the Group.

43.5 Related party balances

Information on amounts related to subsidiary companies are reported in Notes 9, 10, 11, 13, 15, 21, 22, 31, 32, 33 and 40 of these Financial Statements.

44 Capital commitments

At financial reporting date the Group had the following commitments:

	2020 USD	2019 USD
Authorised and contracted	711,000	518,012
Authorised but not contracted	138,729	8,569
	849,729	**526,581**

45 Financial commitments

At financial reporting date the Group had the following commitments:

	2020 USD	2019 USD
Authorised and contracted	4,834,532	5,000,000
Authorised but not contracted	959,141	-
	5,793,673	**5,000,000**

46 Subsequent events

In March 2021, the Bank received a cash dividend of USD3.1 million from its wholly owned subsidiary London Forfaiting Company Limited and a cash dividend of USD1.1 million from a financial asset classified at fair value through profit or loss.

47 Ultimate parent company

The ultimate parent company of FIMBank p.l.c. is Kuwait Projects Company (Holding) K.S.C.P. ("KIPCO") a company registered in Kuwait. The registered address is KIPCO Tower, Khalid Bin Al Waleed Street, Sharq, Kuwait City.

The immediate parent company is United Gulf Holding Company B.S.C. ("UGH"), a holding company licensed by the Ministry of Industry, Commerce and Tourism in Bahrain. The registered address is PO Box 5565, Diplomatic Area, UGB Tower, Manama, Kingdom of Bahrain.

Statement by the directors pursuant to Listing Rule 5.68

For the year ended 31 December 2020

We, the undersigned, declare that to the best of our knowledge, the Financial Statements set out on pages 26 to 147 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 7 April 2021 by:

John C. Grech
Chairman

Masaud M.J. Hayat
Vice Chairman

KPMG

Independent auditors' report

To the shareholders of FIMBank p.l.c.

1 Report on the audit of the financial statements

Opinion

We have audited the financial statements of FIMBank p.l.c. (the "Bank" or the "Company") and of the Group of which the Company is the parent, which comprise the statements of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

a. give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and

b. have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") and the Banking Act, 1994 (Chapter 371, Laws of Malta) (the "Banking Act") and, additionally, specifically in relation to those of the Group, with the requirements of article 4 of the Regulation on the application of IFRS as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period (selected from those communicated to the audit committee), and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters, together with our response by way of the audit procedures we performed to address that matter in our audit, and key observations arising with respect to such risks of material misstatement.

Independent auditors' report
To the shareholders of FIMBank p.l.c.

Assessment of the carrying amounts of goodwill at group level and investment in subsidiaries at company level

Accounting policy notes 2.4.2, 3.1.1, 3.1.2, 3.16, 3.19 and 3.20 to the financial statements and notes 26 and 29 for further disclosures.

Goodwill' (Group: USD5,664,746); and 'Investment in subsidiaries' (Company: USD147,436,214).

'Investment in subsidiaries' includes, among others, the investment in The Egyptian Company for Factoring S.A.E. (referred to as "Egypt Factors") and, indirectly through FIM Factors B.V., the investment in India Factoring and Finance Solutions Private Limited (referred to as "India Factoring"), to which the key audit matter relates.

The Group

The Group holds goodwill relating to the acquisition of the interests in Egypt Factors and India Factoring (the "components"). Both components are separately identified by the Group as cash generating units ("CGU" or "CGUs"), in line with the applicable financial reporting framework, as they generate cash-inflows for the Group that are largely independent of the cash inflows generated by other assets or groups of assets.

At Group level, an assessment of each CGU is required annually by the relevant financial reporting framework to establish whether the recoverable amount is at least equal to the carrying amount, and therefore, whether any impairment should be recorded. Significant judgement is required in determining the recoverable amount of each CGU, namely due to the (i) inherent uncertainty in forecasting the future cash flows; and the (ii) judgement required in determining the appropriate discount rates and expected long term growth rates applied to those cash flows in arriving at the value-in-use (being the basis on which the carrying amount is determined). The impact of COVID-19 has resulted in unprecedented economic conditions, which in turn heightens the level of judgement required to determine the inputs used in calculating the recoverable amount of each CGU.

The Company

'Investments in subsidiaries' are carried at cost less any impairment losses in the Company's statement of financial position. That financial statement caption includes the components to which those CGUs relate (Egypt Factors and India Factoring). Any impairment relating to those CGUs may result in the Company's investment in subsidiaries being impaired should such impairment result in the recoverable amount of the related investment being lower than its carrying amount.

Our response

For each of the CGUs, as part of our procedures:

- we evaluated the reasonableness of the data used in the preparation of the cash flow forecasts (in the main, projected factoring volumes and margins) with reference to our understanding of the components' historical trends and the impact of COVID-19 during the year;

- we involved our valuation specialist to assist us in assessing the valuation of India Factoring and of Egypt Factors (performed by experts engaged by the Group in the respective jurisdiction). Involvement included assessing (i) the appropriateness of the selected valuation model; and (ii) whether the discount rates and the expected long-term growth rates applied to the cash flow forecasts were within a reasonable range by comparison with market data consisting mainly of the respective country Gross Domestic Product growth rate and rate of inflation;

- we assessed the impact of reasonable possible changes in the key assumptions in the valuation model including discount rates and expected long term growth rates used for estimating the recoverable amounts of each CGU in concluding on the impairment assessment, and assessed whether there were any indicators of management bias in the selection of those assumptions; and

- we compared the Group's and Company's 2020 budgets with the actual performance for the reporting period, and made enquiries as to the reasons for any significant variations identified and assessed the reasonableness of the explanations provided, by corroborating these against our knowledge of the Group and, specifically in the case of India Factoring, by also evaluating the sales pipeline and evidencing a significant shift towards lower risk factoring business.

We have no key observations to report, specific to this matter.

Independent auditors' report
To the shareholders of FIMBank p.l.c.

Recoverability of recognised deferred tax assets

Accounting policy note 2.4.2 and 3.9 to the financial statements and note 30 for further disclosures.

'Deferred tax assets' (Group: USD25,875,734 and Company: USD15,590,955).

The Group and the Company recognised deferred tax assets in respect of the future benefit of net deductible temporary differences and accumulated tax losses. In accordance with the applicable financial reporting framework, the recognition of those deferred tax assets is permitted to the extent that it is probable that future taxable profits will be available against which these assets can be used. Such restrictions are more pronounced in certain jurisdictions, in which the Group operates, where the carry forward of losses to future periods are time-barred. The recognition of deferred tax assets, therefore, requires significant judgement in estimating future profitability (and the extent of taxable profits) based on business plans drawn up by the directors. Due to estimation uncertainty, the projected relief of the tax losses, for which the deferred tax assets are recognised, might be materially different from the amount ultimately relieved.

Our response

As part of our procedures:

- we assessed the applicability of enacted and substantively enacted tax laws that support the recognition of the deferred tax assets;

- we evaluated the assumptions underlying the Company's and its subsidiaries' projections used to support the recognition of the deferred tax asset having regard to (i) our understanding of the respective jurisdiction and applicable fiscal legislation; and (ii) the current pipeline of new business;

- specifically in relation to carry forward losses subject to time-barring, we also assessed the impact of reasonable possible changes in the underlying assumptions of the forecasts, including the impact of COVID-19, on the Group's ability to utilise the losses before their expiry; and

- we compared the Group's and Company's 2020 budgets with the actual performance for the reporting period, and made enquiries as to the reasons for any significant variations identified and assessed the reasonableness of the explanations provided, by corroborating these against our knowledge of the Group and by evaluating the sales pipeline and evidencing a significant shift in lower risk business as a result of the Group's continued de-risking process.

We have no key observations to report, specific to this matter.

Independent auditors' report
To the shareholders of FIMBank p.l.c.

Measurement of impairment allowances on loans and advances measured at amortised cost, including off-balance sheet elements of the allowance

Accounting policy note 3.10.8 to the financial statements and notes 2.4.1, 2.4.2, 5.2.1.1, 5.2.1.4, 21, 22, and 35 for further disclosures.

Expected credit loss allowance on loans and advances to banks at amortised cost (Group: USD197,131,132 and Company: USD183,280,666) amounted to USD3,991,555 - Group and USD3,916,599 - Company.

Expected credit loss allowance on loans and advances to customers at amortised cost (Group: USD693,574,629 and Company: USD857,710,382) amounted to USD101,578,903 - Group and USD77,876,022 - Company.

Expected credit loss provision on off-balance sheet credit exposures (Group: USD106,953,874 and Company: USD149,492,668) amounted to USD177,595 - Group and USD173,051 - Company.

Subjective estimate

The calculation of Expected Credit Loss ("ECL") involves significant judgement and estimates. Of all the Group's financial instruments, the most significant impact in terms of complexities around the measurement of the ECL and of the materiality of the resultant allowances was in relation to the Group's lending activities to banks and customers (and the related off-balance sheet elements). In that regard, our key areas of audit focus in the Group's calculation of the ECL were the following:

- Model estimation - Inherently judgmental modelling is used to estimate ECLs which involve determining 'Probabilities of Default' ("PD"), 'Loss Given Default' ("LGD"), and 'Exposures at Default' ("EAD"). In particular, the PD models are the key drivers of the Group's ECL calculation and are therefore the most significant judgmental element of the Group's ECL modelling approach.

- Economic scenarios - Significant judgment is applied in determining the selection of (i) forward-looking macroeconomic scenarios, (ii) the associated scenario probabilities and (iii) the material economic variables which drive the scenarios and the related weightings, especially when considering the current uncertain economic environment as a result of COVID-19.

- Qualitative adjustments to the model driven ECL raised by the Group to address known impairment model limitations or emerging trends as well as risks not captured by the model. These adjustments are inherently uncertain and significant judgement is involved in the estimation process especially in relation to economic uncertainty as a result of COVID-19.

- Identification of a significant increase in credit risk ("SICR") is also a key area of judgement within the Group's ECL calculation, which is heightened as a result of COVID-19 as the application of the SICR criteria determines whether a twelve month or lifetime provision is recorded.

- Individually assessed as stage 3 exposures may be materially misstated if individual impairments are not appropriately identified and estimated. The calculation of expected credit losses includes a range of estimates of future cash flows and valuation of collateral, which are inherently uncertain and judgemental.

The disclosures regarding the application of IFRS 9 are key to explaining the key judgements made, as referred to in this key audit matter, and inputs used to generate the IFRS 9 ECL results.

Independent auditors' report
To the shareholders of FIMBank p.l.c.

Our response

As part of our procedures:

- we assessed the design and implementation as well as the operating effectiveness of controls within the ECL process with respect to (a) the approval of the credit application by the Credit Committee or the delegated authority (depending on monetary value); and (b) the review of ECL provision levels and movements by the Head of Finance and the Chief Risk Officer;

- we involved our financial risk modelling specialists in evaluating:
  - the appropriateness of the Group's selected IFRS 9 impairment methodologies within the ECL model by reference to the sensitivity analysis as performed by the Group with respect to the ECL model results; and
  - the appropriateness of the SICR criteria used;

- we involved our economics specialists to assist in assessing:
  - the appropriateness of the Group's methodology for determining the macroeconomic scenarios used and the reasonableness of the probability weightings applied to them;
  - the relevance of the key macroeconomic variables used in the ECL model; and
  - the reasonableness of the Group's consideration of the ECL impact of the economic environment due to COVID-19.

Specifically in relation to a sample of performing loans ('stage 1' and 'stage 2'), we:

- performed testing over key data elements (EAD, PD and LGD) impacting the ECL calculations to assess the accuracy of information used; and
- performed tests to determine whether a significant increase in credit risk was appropriately identified by the Group, including 'days past due'.

Specifically in relation to a sample of loans and advances discussed in the Board Risk Committee and the Credit Committee (the "focus exposures"), including those not otherwise automatically captured by the ECL model as non-performing loans ('stage 3'):

- we performed credit reviews focusing on the borrowers' ability to repay from normal operations, the performance history of the account and receipts after the financial reporting date; and

- in the case of non-performing loans, we evaluated the appropriateness of the inputs, particularly the LGD and discount rates used in the ECL model. In cases where the LGD involved the realisation of collateral, we corroborated the extendible value of collateral with external data sources.

We assessed the post model adjustments with a focus mainly on COVID-19 related overlays, in order to assess the reasonableness of the adjustments.

We assessed whether the disclosures in relation to IFRS 9 adequately explain the key judgements made and significant inputs used in the recognition of expected credit losses as at the end of the financial reporting period.

We have no key observations to report, specific to this matter.

Independent auditors' report

To the shareholders of FIMBank p.l.c.

Valuation of unquoted assets measured at fair value

Accounting policy notes 2.4.2, 3.10.9 and 3.12 to the financial statements and notes 20 and 23 for further disclosures.

Shares in two sub-funds of a local unlisted collective investment scheme (Bank and Group: USD20,332,246) included within 'Financial assets designated at fair value through profit or loss'; and 'Trading assets' (Group: USD452,326,547).

The fair value of certain financial assets held by the Group is determined through the application of valuation techniques that involve the exercise of judgement, and the use of assumptions based on limited observable market data. Covid-19 has resulted in markets being more volatile. The level of judgement surrounding the valuation of unquoted assets increased due to the heightened market volatility. These unquoted assets relate primarily to:

the equity instruments in the form of shares (classified as financial assets at fair value through profit or loss) held in two sub-funds of a local unlisted collective investment scheme ('the Funds') which hold assets that cannot be valued through observable market data; and
the trading assets, held by London Forfaiting Company Limited ("LFC"), that represent forfaiting assets (discounted receivables generated from an export contract) whose valuation incorporates significant unobservable inputs.

Our response

For equity instruments held in the Funds we performed the following:

- we assessed the audited financial information of the Funds and quarterly net asset value as published by the fund administrator;
- we evaluated available financial information in relation to direct exposures held by the Funds and assessed replies to further enquiries in relation to these direct exposures; and
- we considered other relevant publicly available information.

In relation to forfaiting financial assets, as part of our procedures:

- we assessed the design and implementation as well as the operating effectiveness of the following controls:
  - Approval levels for all deals;
  - Authorisation of accounting instructions;
  - Management review control – Review of rationale of risk margin;
  - Automated discounted value calculation; and
  - Automated controls over the daily updates of interest and LIBOR rates on the forfaiting system.
- we involved our valuation specialist to independently reprice a sample of fixed and floating forfaiting assets in order to determine a range of the fair value, for the purpose of testing LFC's methodology. The final sample included counterparties and contracts covering each country and industry in the forfaiting assets portfolio where exposure was material;
- we tested a sample of exposures covering all countries and industries within the residual population, by challenging LFC as to the validity of the assumptions used in setting the risk premium within the discount rate by assessing consistency with publicly available information and information from other sources;
- we tested the accuracy of the LIBOR rates and other inputs (such as the average life at value date, average LIBOR) employed by LFC by comparing the LIBOR rates with information available to the public from tested sources, and other inputs to data within the forfaiting system; and
- we also back tested a sample of disposals during the year to determine the appropriateness of the prior period valuations. This was achieved by comparing the disposal price of the asset with the latest fair value, at end of the month prior to sale of the asset to determine whether those fair values were appropriate.

Key observation

Specifically in relation to the calculation of the fair values of the Funds, we have engaged in discussions with the Group in respect of enhancements to formalise the documentation of the control over the review of the key inputs and assumptions underlying such calculation.

Independent auditors' report
To the shareholders of FIMBank p.l.c.

Other information

The directors are responsible for the other information which comprises:

- the 'Chairman's Statement to the Shareholders';
- the 'FIMBank Group Performance 2020';
- the 'Directors' Report';
- the 'Statement of Compliance with the Principles of Good Corporate Governance';
- the 'Remuneration Report';
- the 'Statement by the Directors Pursuant to Listing Rule 5.68'; and
- the 'Schedules to the annual report'

but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, other than in the case of the directors' report on which we report separately below in our 'Opinion on the directors' report', we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act and the Banking Act, and, additionally, specifically in relation to those of the Group, with the requirements of article 4 of the Regulation on the application of IFRS as adopted by the EU. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and/or the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the financial reporting process.

Independent auditors' report
To the shareholders of FIMBank p.l.c.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority, as well as legal correspondence. As with fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditors' report
To the shareholders of FIMBank p.l.c.

2 Report on other legal and regulatory requirements

Opinion on the directors' report

The directors are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act and other applicable legal requirements, and is to include a statement that the Company is a going concern with supporting assumptions or qualifications as necessary, as required by Listing Rule 5.62 issued by the Listing Authority in Malta.

We are required to consider whether the information given in the directors' report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

Pursuant to article 179(3) of the Act, we are also required to:

- express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and
- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

Pursuant to Listing Rule 5.62 of the Listing Rules issued by the Listing Authority in Malta, we are required to review the directors' statement in relation to going concern.

In such regards:

- in our opinion, the directors' report has been prepared in accordance with the applicable legal requirements;
- we have not identified material misstatements in the directors' report; and
- we have nothing to report in relation to the statement on going concern.

Matters on which we are required to report by the Act, specific to public-interest entities

Pursuant to article 179B(1) of the Act, we report as under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

- we were first appointed as auditors on 8 November 1994 by the Board of Directors and subsequently reappointed by the shareholders at the Company's general meetings for each financial year thereafter. The period of total uninterrupted engagement is twenty-six years;
- our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act); and
- we have not provided any of the prohibited services as set out in the APA.

KPMG

Independent auditors' report

To the shareholders of FIMBank p.l.c.

Matters on which we are required to report by the Banking Act and by exception by the Act

Pursuant to article 31(3)(a), (b) and (c) of the Banking Act, in our opinion:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- proper books of account have been kept by the Bank so far as appears from our examination thereof; and
- the Bank's financial statements are in agreement with the books of account.

Furthermore, we have nothing to report in respect of the above matters, where the Act requires us to report to you by exception pursuant to articles 179(10) and 179(11).

Pursuant to article 31(3)(d) of the Banking Act, in our opinion and to the best of our knowledge and belief and, on the basis of the explanations given to us, the financial statements give the information required by law in force in the manner so required.

The Principal authorised to sign on behalf of KPMG on the audit resulting in this independent auditors' report is Noel Mizzi.

KPMG
Registered Auditors

7 April 2021

KPMG

Independent auditors' report

To the shareholders of FIMBank p.l.c.

Report required by Listing Rules 5.98 and 12.26N issued by the Listing Authority in Malta

We were engaged by the Directors to report on specific disclosures in the Corporate Governance Statement and the Remuneration Report (the "Disclosures") of FIMBank p.l.c. (the "Bank") as at 31 December 2020 as to whether these are in compliance with corporate governance regulations and information to be provided in the remuneration report set out in the Listing Rules issued by the Listing Authority, the Malta Financial Services Authority (the "Listing Rules"). We are required to report in the form of an independent reasonable assurance conclusion as to whether:

a. in light of our knowledge and understanding of the Bank and its environment obtained during the course of the statutory audit, we have identified material misstatements with respect to the information requirements referred to in Listing Rule 5.97.4, and for issuers of securities that carry voting rights that are subject to the requirements of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, the information referred to in Listing Rule 5.97.5. Where material misstatements are identified in relation to the requirements of Listing Rules 5.97.4 and 5.97.5, as applicable, we shall, in addition to our opinion, provide an indication of the nature of such misstatements;

b. the Disclosures include the other information required by Listing Rule 5.97, insofar as it is applicable to the Bank; and

c. the Disclosures include the information required by Appendix 12.1 under Chapter 12 of the Listing Rules, insofar as it is applicable to the Bank.

Responsibilities of the Directors

The Directors are responsible for the compliance of the Bank, and of the Disclosures, with the Listing Rules.

The Directors are also responsible for preparing and presenting the Disclosures that are free from material misstatement and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Disclosures that is free from material misstatement whether due to fraud or error. It also includes ensuring that the Bank complies with the Listing Rules, selecting and applying policies and procedures in relation to both financial and non-financial information, making estimates and judgement that are reasonable in the circumstances and for maintaining adequate records in relation to the Disclosures.

The Directors are also responsible for preventing and detecting fraud and for identifying and ensuring that the Bank complies with laws and regulations applicable to its activities.

The Directors are also responsible for ensuring that staff involved with the preparation and presentation of the Disclosures are properly trained, information systems are properly updated and that any changes in reporting encompass all significant reporting units relevant to the Disclosures encompass all significant business units. This responsibility also includes informing us of any changes in the Bank's operations since the date of the Disclosures and since the date of our most recent assurance report on the Disclosures.

Our Responsibilities

Our responsibility is to examine the Disclosures and to report thereon in the form of a reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board.

That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Disclosures are properly prepared and presented, in all material respects, in accordance with the requirements set out in the relevant Listing Rules.

The firm applies International Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our assurance engagement in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Disclosures whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Disclosures in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of Bank's internal control over the preparation and presentation of the Disclosures. Our engagement also included assessing the appropriateness of the Disclosures, the suitability of the criteria, being the relevant Listing Rules, in preparing and presenting the Disclosures in the circumstances of the engagement and evaluating the appropriateness of the method used in the preparation and the overall presentation of the Disclosures. Reasonable assurance is less than absolute assurance.

We are not required to, and we do not, consider whether the directors' statements on internal control and risk management systems cover all the risks and controls in relation to the financial reporting process or form an opinion on the effectiveness of the Bank's corporate governance procedures or its risks and control procedures, nor on the ability of the Bank to continue in operational existence. Our opinion in relation to the disclosures pursuant to Listing Rules 5.97.4 and 5.97.5 is based solely on our knowledge and understanding of the Bank and its environment obtained in forming our opinion on the audit of the financial statements. We have not performed any procedures by way of audit, verification or review on the underlying information from which the other disclosures required by Listing Rule 5.97 is derived.

We also read the other information included in the Annual Report in order to identify any material inconsistencies with the Disclosures.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion:

a. in light of the knowledge and understanding of the Bank and its environment obtained during the course of our statutory audit, we have not identified material misstatements with respect to the information requirements referred to in Listing Rule 5.97.4, and for issuers of securities that carry voting rights that are subject to the requirements of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, the information referred to in Listing Rule 5.97.5;

b. the Disclosures include the other information required by Listing Rule 5.97 insofar as it is applicable to the Bank; and,

c. the Disclosures include the information required by Appendix 12.1 under Chapter 12 of the Listing Rules, insofar as it is applicable to the Bank.

The Principal authorised to sign on behalf of KPMG on the work resulting in this assurance report is Noel Mizzi.

KPMG
Registered Auditors **7 April 2021**

Schedule I

Statements of profit or loss

Five-year summary - Bank

	2020 USD	2019 USD	2018 USD	2017 USD	2016 USD
Interest income	22,721,724	30,311,233	35,303,561	28,323,748	24,663,531
Interest expense	(11,482,001)	(14,037,860)	(19,139,771)	(17,738,857)	(16,542,171)
Net interest income	**11,239,723**	**16,273,373**	**16,163,790**	**10,584,891**	**8,121,360**
Fee and commission income	5,366,867	7,753,143	12,849,903	11,048,533	10,021,804
Fee and commission expense	(2,552,278)	(3,078,283)	(2,799,252)	(2,482,765)	(2,009,569)
Net fee and commission income	**2,814,589**	**4,674,860**	**10,050,651**	**8,565,768**	**8,012,235**
Net trading results	(554,107)	3,107,935	2,632,452	(3,031,664)	2,310,309
Dividend income	7,240,817	43,591,794	17,660,271	10,446,343	5,455,550
Other operating income	120,725	118,904	125,068	87,088	407,520
Operating income before net impairment losses	**20,861,747**	**67,766,866**	**46,632,232**	**26,652,426**	**24,306,974**
Net impairment (charge)/reversal on financial assets	(34,272,400)	(14,210,257)	(15,514,849)	1,790,863	2,726,301
Impairment of investments in subsidiaries	(9,314,000)	-	(1,455,270)	(2,558,752)	(5,037,875)
Operating (loss)/income	**(22,724,653)**	**53,556,609**	**29,662,113**	**25,884,537**	**21,995,400**
Administrative expenses	(23,722,803)	(20,305,701)	(23,787,047)	(24,785,664)	(20,727,352)
Depreciation and amortisation	(2,962,370)	(2,896,531)	(1,022,470)	(922,457)	(869,126)
Total operating expenses	**(26,685,173)**	**(23,202,232)**	**(24,809,517)**	**(25,708,121)**	**(21,596,478)**
(Loss)/Profit before tax	**(49,409,826)**	**30,354,377**	**4,852,596**	**176,416**	**398,922**
Taxation	(6,566,776)	(765,433)	(1,115,249)	(60,598)	(58,539)
(Loss)/Profit for the year	**(55,976,602)**	**29,588,944**	**3,737,347**	**115,818**	**340,383**

Schedule II

Statements of financial position

Five-year summary - Bank

	2020 USD	2019 USD	2018 USD	2017 USD	2016 USD
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	319,267,749	208,259,407	151,891,005	208,147,513	33,165,601
Derivative assets held for risk management	1,019,288	96,285	109,727	722,256	19,302,604
Loans and advances to banks	179,364,067	232,351,750	321,550,241	203,552,663	438,799,241
Loans and advances to customers	779,834,360	811,152,849	730,708,445	581,529,952	589,579,473
Financial assets at fair value through profit or loss	20,385,323	125,342,798	173,438,374	-	-
Financial assets at fair value through other comprehensive income	153,327,686	79,367,556	87,468,166	-	-
Investments at amortised cost	9,839,457	9,785,496	9,923,499	-	-
Investments available-for-sale	-	-	-	261,244,798	327,075,827
Investments in subsidiaries	147,436,214	147,948,385	102,595,614	94,050,884	86,305,594
Property and equipment	3,507,509	5,229,059	968,472	1,035,490	1,305,432
Intangible assets	4,008,725	4,647,642	4,669,342	2,736,599	2,467,630
Current tax assets	76,225	226,886	-	1,052,348	1,052,348
Deferred tax assets	15,590,954	22,011,162	22,599,041	23,303,267	23,335,459
Other assets	5,570,563	8,824,153	7,352,443	9,005,794	2,613,913
Prepayments and accrued income	-	-	-	7,054,755	6,148,570
Total assets	**1,639,228,120**	**1,655,243,428**	**1,613,274,369**	**1,393,436,319**	**1,531,151,692**
Liabilities and equity					
Liabilities					
Derivative liabilities held for risk management	1,629,434	193,691	2,928,925	723,454	8,834,092
Amounts owed to banks	387,900,641	405,072,025	398,815,757	393,247,791	426,137,477
Amounts owed to customers	1,037,118,337	978,134,002	961,292,743	815,812,570	915,367,604
Debt securities in issue	-	-	14,849,948	-	-
Subordinated liabilities	-	-	-	50,000,000	50,000,000
Provision for liabilities and charges	173,051	85,159	269,784	-	-
Other liabilities	7,645,488	13,077,128	5,708,599	793,060	535,339
Accruals and deferred income	-	-	-	7,818,090	7,422,362
Total liabilities	**1,434,466,951**	**1,396,562,005**	**1,383,865,756**	**1,268,394,965**	**1,408,296,874**
Equity					
Share capital	261,221,882	261,221,882	252,720,107	157,265,562	155,239,263
Share premium	858,885	858,885	9,275,773	173,113	2,101,335
Reserve for general banking risks	3,358,738	2,323,486	1,242,511	608,284	764,792
Fair value reserve	2,413,581	357,233	758,254	81,501	(1,891,140)
Other reserve	2,681,041	2,681,041	2,681,041	2,681,041	2,681,041
Accumulated losses	(65,772,958)	(8,761,104)	(37,269,073)	(35,768,147)	(36,040,473)
Total equity	**204,761,169**	**258,681,423**	**229,408,613**	**125,041,354**	**122,854,818**
Total liabilities and equity	**1,639,228,120**	**1,655,243,428**	**1,613,274,369**	**1,393,436,319**	**1,531,151,692**
Memorandum items					
Contingent liabilities	**44,246,902**	**61,628,654**	**67,466,612**	**57,601,096**	**19,782,148**
Commitments	**105,245,766**	**143,026,427**	**158,386,020**	**254,253,843**	**120,282,416**

Schedule III

Cash flow statements

Five-year summary - Bank

	2020 USD	2019 USD	2018 USD	2017 USD	2016 USD
Net cash flows from/(used in) operating activities	**61,848,191**	**28,447,866**	**(115,353,903)**	**20,694,088**	**211,100,534**
Cash flows from investing activities					
Payments to acquire financial assets at fair value through profit or loss	-	(2,469,245)	(18,092,429)	-	-
Payments to acquire financial assets at fair value through other comprehensive income	(109,616,706)	(84,984,922)	-	-	-
Payments to acquire financial assets at amortised cost	-	-	(9,881,423)	-	-
Payments to acquire available-for-sale financial assets	-	-	-	-	(30,187,210)
Payments to acquire shares in subsidiary companies	(1,801,829)	(5,352,772)	-	(10,304,042)	(6,359,342)
Payments to acquire shares in other investments	-	-	(35,210)	-	(25,317,000)
Payments to acquire property and equipment	(142,744)	(372,658)	(344,451)	(195,368)	(307,742)
Payments to acquire intangible assets	(393,096)	(951,219)	(2,543,743)	(727,136)	(1,672,306)
Proceeds on disposal of financial assets at fair value through profit or loss	105,639,259	50,000,000	-	-	-
Proceeds on disposal of financial assets at fair value through other comprehensive income	49,246,582	93,035,159	15,000,000	-	-
Proceeds on disposal of available-for-sale financial assets	-	-	-	62,397,260	-
Proceeds from maturity of investments held-to-maturity	-	-	-	27,543,320	7,800,000
Proceeds on disposal of property and equipment	-	3,551	-	2,674	550,255
Receipt of dividend	240,817	4,628,411	7,472,717	10,207,806	5,455,550
Cash flows generated from/(used in) investing activities	**43,172,283**	**53,536,305**	**(8,424,539)**	**88,924,514**	**(50,037,795)**
Cash flows from financing activities					
Issue of share capital	-	84,887	54,557,207	98,077	-
Net movement in debt securities	-	(14,834,943)	14,834,942	-	(20,000,000)
Payment of lease liabilities	(997,729)	(2,354,026)	-	-	-
Net cash flows (used in)/from financing activities	**(997,729)**	**(17,104,082)**	**69,392,149**	**98,077**	**(20,000,000)**
Increase/(Decrease) in cash and cash equivalents	104,022,745	64,880,089	(54,386,293)	109,716,679	141,062,739
Cash and cash equivalents at beginning of year	163,886,941	99,006,852	153,393,145	43,676,466	(97,386,273)
Cash and cash equivalents at end of year	**267,909,686**	**163,886,941**	**99,006,852**	**153,393,145**	**43,676,466**

Schedule IV

Accounting ratios

Five-year summary - Bank

	2020 %	2019 %	2018 %	2017 %	2016 %
Net interest income and other operating income to total assets	1.43	4.28	3.06	2.09	1.72
Operating expenses to total assets	(1.63)	(1.40)	(1.54)	(1.84)	(1.41)
(Loss)/Profit before tax to total assets	(3.01)	1.83	0.30	0.01	0.03
Pre-tax return on capital employed	(24.13)	11.73	2.12	0.14	0.32
(Loss)/Profit after tax to equity	(27.34)	11.44	1.63	0.09	0.28

	2020	2019	2018	2017	2016
Weighted average number of shares in issue (000's) *	522,444	514,568	459, 637	329,878	326,883
Net assets per share (US cents) *	39.19	50.27	49.91	37.91	37.58
Basic earnings per share (US cents) *					
Basic	(10.71)	5.75	0.81	0.04	0.10
Diluted	(10.71)	5.75	0.81	0.04	0.10

' * ' Weighted average number of shares in issue and ratios for 2016 to 2018 have been restated to reflect the number of shares in issue as a result of the 2017 and 2019 bonus issue of shares.

Schedule V

Additional regulatory disclosures (Pillar III)

In terms of Banking Rule (BR/07) 'Publication of Annual Report and audited Financial Statements of credit institutions authorised under the Banking Act, 1994'

For the year ended 31 December 2020

1 Introduction

1.1 Background

This document comprises the Pillar III regulatory disclosures required by BR/07 as at 31 December 2020 for FIMBank p.l.c. (the "Bank") and its subsidiary undertakings (the "Group").

These disclosures reflect the requirements of Articles 431 to 455 of 'Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012' ("Capital Requirements Regulation", or "CRR"), the European Banking Authority's ("EBA") 'Final Report on the Guidelines on Disclosure Requirements under Part Eight of Regulation (EU) No 575/2013' (EBA/GL/2016/11 version 2) and of the applicable European Commission's implementing and delegated regulations, as well as the EBA Guidelines, including:

- Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regards to disclosure of own funds requirements for institutions;
- Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions;
- European Banking Authority Guidelines on Disclosure of Encumbered and Unencumbered Assets EBA/GL/2014/03;
- Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile;
- Commission Delegated Regulation (EU) 2015/1555 of 28 May 2015 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer in accordance with Article 440;
- EBA guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22);
- EBA Final Report on the Guidelines on LCR disclosure to complements the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013 (EBA/GL/2017/01);
- EBA guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Article 432(1), 432(2) and 433 of Regulation (EU) No 575/2013 (EBA/GL/2014/14);
- EBA guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds (EBA/GL/2018/01);
- EBA guidelines on disclosure of non-performing and forborne exposures (EBA/GL/2018/10); and
- EBA guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07).

1.2 Basis and frequency of disclosures

These disclosures are based on 31 December 2020 year-end data. The disclosures are updated on an annual basis taking into consideration the requirements under EBA/GL/2014/14 in relation to materiality and frequency of disclosures.

1.3 Publication and verification

The Pillar III disclosures are not subject to external audit, except to the extent that any such disclosures are also required for the purpose of the preparation of the Group's International Financial Reporting Standards Financial Statements. Nonetheless, these disclosures have been internally reviewed by the Group as well as independently checked by KPMG. The Pillar III disclosures have been approved by the Bank's Audit Committee and the Board of Directors (the "Board").

The Pillar III disclosures document is also published on the Bank's corporate website. This can be found at www.fimbank.com.

2 Scope of application of applicable consolidated requirements

Both the Bank and the Group are supervised on a solo and consolidated basis, by the Malta Financial Services Authority ("MFSA"), in terms of the general provisions under Part 1 of the CRR.

The structure and principal activities of the Bank and the Group are disclosed in the Directors' Report. As at 31 December 2020, the following entities are fully consolidated within the Group's Financial Statements on a line-by-line basis: London Forfaiting Company Limited; FIM Business Solutions Limited; FIM Property Investment Limited; FIM Holdings (Chile) S.p.A.; The Egyptian Company for Factoring S.A.E.; FIMFactors B.V.; India Factoring and Finance Solutions Private Limited. In addition, BrasilFactors S.A. is included within the Group's Financial Statements as a discontinued operation held-for-sale, with its financial performance disclosed separately in the Statement of Profit or Loss.

There are no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

3 Risk governance

3.1 Risk management function

The Board is ultimately responsible for the identification and evaluation of key risks applicable to the different business and support areas of the Group, and for ensuring that proper systems of internal control are in place. The Group's risk management framework is designed to support the delivery of the strategic objectives determined by the Board. The Board has delegated to Committees and management the task of creating an effective control environment to the highest possible standards. In line with the Bank's Articles of Association, the Board has established the following Committees in order to assist Directors in the oversight of its functions:

- Board Review and Implementation Committee ("BRIC")
- Audit Committee
- Board Risk Committee ("BRC")
- Nomination and Remuneration Committee
- Board Credit Committee ("BCC")
- Corporate Governance Committee

Details of the composition and responsibilities of these Committees are laid out in the Statement of Compliance with the Principles of Good Corporate Governance.

The Group adopts a three lines of defence model for risk management, with the first line of defence being represented by the business origination units. The second line of defence is represented by (i) the Risk Management Department, which reports to an independent Group Chief Risk Officer ("GCRO") and oversees all risks within the Group, and (ii) the Compliance Department. The third line of defence is constituted by Internal Audit, being the function which provides independent assurance to the Board on the processes and procedures employed by the Bank. The three lines of defence model attributes responsibility for risk management at all levels within the Group.

The GCRO reports directly to the Chairman of the Board Risk Committee, with a dotted reporting line to the Group's Chief Executive Officer ("GCEO"). Currently the GCRO is Ronald Haverkorn, who was appointed to this role in May 2015.

The Risk Management Department is a Group function and oversees and manages risks for the Bank and all consolidated subsidiaries of the Group. The department includes a wide range of professionals with a degree of specialisation in certain areas of risk (credit, market, operational, funding and liquidity risks) and is supported by risk specialists located at the different subsidiaries of the Group, who report directly to the Group's central Risk Management Department. The risk profile of the Group is defined in the Risk Appetite Statement endorsed by the Board and gathers key risk metrics on a Group level, encompassing credit, market, liquidity, operational and reputational risk metrics. Overall the risk profile is a mirror of the Group's business model; that is to provide: short-term finance solutions, with risk diversification across several geographies; multiple trade finance products (structured trade finance, forfaiting, factoring etc.) to customers operating in several sectors; correspondent banking services; and real estate finance to commercial customers in Malta. The risk dimension of the various portfolios is managed by risk professionals both locally and in the markets where the Group has presence. The overall Risk Appetite Statement for the Group is presented by the GCRO for approval to the Board Risk Committee and the Board on (at a minimum) an annual basis.

The Group's business model and risk appetite is primarily focused on the support of international trade, which is typically facilitated by way of short term, self-liquidating structures. The Group monitors its risk profile using a number of metrics covering capital & liquidity, profitability, asset quality and market-based indicators, which are tracked against a mixture of regulatory and internally set thresholds. These metrics comprise the Group's overall Risk Appetite Statement. These measures are tracked by various business lines and Committees and are reported quarterly to the Board Risk Committee and presented to the Board. The Group has an escalation policy governing these risk parameters to ensure that breaches are raised to senior management and beyond so that corrective action is taken as necessary.

3.2 Adequacy of risk management systems

The risk management framework and processes in place reflect the business strategy being followed by the Group. The Bank's Board acknowledges that such processes need to be robust to safeguard against inherent risks faced in the markets in which it operates, including those of political and economic nature. Trade flows may also be affected by market downturns in supply and demand, whether cyclical, economic or seasonal that may impact significantly on the business. The Group continuously endeavours to upgrade its risk management processes to meet such developments. The risk management processes cascade down to all entities within the Group and are monitored and controlled at various levels. Members of the Bank's executive team form part of the respective Boards of each local entity and are tasked with maintaining control over the respective operations' key business decisions. Business reviews of each entity are presented to the Board Risk Committee by the GCRO via reports and dashboards that monitor the entities performance in line with the set Group risk appetite.

The Risk Appetite Statement defines the acceptable field of play of the Group and is integrated in business decision making and management of the various risks the Group faces given the nature of diversified trade finance products provided globally. The Risk Appetite Statement sets out acceptable risk levels and has been endorsed by the Board – being presented for review on a quarterly basis and revisited and refined annually or as the need arises. Risk levels vis-a-vis the set thresholds are reported to the Board Risk Committee and Board in each meeting. Exposure and portfolio management takes place on a continuous basis. Usage of all approved limits is monitored centrally through a number of different systems and platforms. All credit proposals, except in limited cases where a delegated authority has been granted, are reviewed and approved at Head Office level.

3.3 Risk management profile

As a general rule, the risk profile of the Group is presented, analysed and discussed at each Board Risk Committee meeting. Deviations from the Risk Appetite Statement (within the risk tolerance set by the management body) are approved and/or ratified as appropriate.

The below table and commentary summarise the risk profile of the Group at two different reporting dates:

	2020 USD million	2019 USD million
Gross portfolio (on-balance sheet)	1,813.1	1,725.5
Gross portfolio (off-balance sheet)	107.0	172.3
Total gross portfolio	**1,920.1**	**1,897.8**
Impaired portfolio (net of suspended interest and collateral) *	133.7	130.5
Impaired portfolio/gross portfolio	**6.96%**	**6.88%**
Loan loss reserves **	71.5	56.1
Loan loss reserves/impaired portfolio	**53.48%**	**42.99%**

' * ' Impaired Portfolio includes trading assets which were subject to fair value adjustments
' ** ' Loan Loss Reserves includes fair value adjustments on trading book. General reserves are excluded.

During the year under review, notwithstanding the continuous efforts to recover a number of impaired assets, the impaired portfolio increased slightly to USD133.7million (2019: USD130.5million) representing 6.96% of the Group's gross portfolio (2019: 6.88%). As at the end of the year, the loan loss reserves increased from USD56.1million (2019) to USD71.5 million (2020) as a result of additional impairment provisions being taken during the year. This strengthened the loan loss reserve's coverage, closing at 53.48% at year-end (2019: 42.99%).

3.4 Board and senior management

The management body of the Group is deemed to be the Board of Directors, which is appointed in accordance with the Bank's Articles of Association. At 31 December 2020, the Board of Directors consisted of:

	Number of directorships held in: other corporates
John C. Grech (Chairman)	5
Masaud M. J. Hayat (Vice Chairman)	11
Edmond Brincat	6
Hussain Abdul Aziz Lalani	2
Majed Essa Ahmed Al-Ajeel	3
Mohamed Fekih Ahmed	5
Osama Talat Al-Ghoussein	4
Rabih Soukarieh	2
Rogers David LeBaron	-
Abdel Karim Kabariti	4

The MFSA had no objection to the list of directorships held by the Chairman of the Board of Directors. The directorships held by the rest of the Directors in non-EU entities are not subject to MFSA approval.

As disclosed in Principle 8 of the Statement of Compliance with the Principles of Good Corporate Governance , in 2015 the Board had set up a Nomination and Remuneration Committee which was granted the power to lead the process for the Board and Board Committee appointments. This Committee can amongst others, present recommendations to the Board regarding nomination to the Board's membership in accordance with approved policies, standards, and instructions on nomination regulations for the Board of Director's membership. Prior to making its recommendations for appointment, this Committee evaluates the balance of knowledge, skills, diversity and experience of candidates for the Board to ensure that they have the requisite experience, personal abilities, integrity and that they adhere to sound professional practices. Furthermore, it prepares a description of the roles and capabilities for a particular appointment and assesses the time commitment expected for the execution of duties related to the role.

The knowledge, skills and expertise of the Board are disclosed in the Statement of Compliance with the Principles of Good Corporate Governance. The Committee is empowered to perform an annual review of the needs required in regard to suitable skills for board membership and prepare a description of the skills and qualifications required for board membership. The relative assessment of the knowledge, skill and experience of the individual members of the Board is exercised by the Nomination and Remuneration Committee on an annual basis and in adherence of the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU (EBA/GL/2017/12); and Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2012/06).

The Board has established separate Risk and Credit Committees with specific responsibilities on risk management and governance across the Group. Further details on the duties, composition and number of times these Committees have met during the year are disclosed in Principle 8 of the Statement of Compliance with the Principles of Good Corporate Governance.

Board Risk Committee

The Board Risk Committee ("BRC") has an oversight responsibility for all material risks in all business functions and subsidiaries of the Group. As a result, the BRC ensures that the material risks and cases which might affect the Group are duly identified. In addition, the BRC oversees the updating and monitoring of the Group's Risk Appetite Framework. The Committee's responsibilities also include, but are not limited to, the following matters:

a. Overseeing risk management and governance structures;
b. Monitoring Risk Appetite and Risk Tolerance limits for credit, market and product risk;
c. Reviewing updates to the Risk Appetite Statement;
d. Providing updates on limits as approved by the Board Credit Committee;
e. Reviewing and proposing recommendations to the Board on Funding Risk (Capital and Liquidity);
f. Reviewing and monitoring the Group's overall process for risk assessment, ranking and management/mitigation, as well as ensuring that the Board is fully informed and updated on all major potential risks;
g. Reviewing and monitoring the Group's Operational Risk Framework; and
h. Reviewing, assessing and determining Key Operational Risk indicators.

The Chairman of the BRC reports the outcome of all its meetings to the Board of Directors by means of a presentation during Board meetings. The report highlights the key emerging risks related to credit, market, operational and reputation and key changes to the Group's risk profile (including developments on new and existing Non-Performing Assets). The Secretary (Head of Risk Management) prepares and maintains minutes of all meetings of the Committee.

The BRC appoints, terminates and sets remuneration of the GCRO, who in turn reports on a day-to-day basis to the GCEO. The BRC meets at least four (4) times a year, with authority to convene additional meetings, as circumstances require. For the composition and the number of times the BRC has met during 2020, please refer to Principle 8 of the Statement of Compliance with the Principles of Good Corporate Governance.

Board Credit Committee

The Board Credit Committee ("BCC") is the main body (subject to specified delegated authorities to management) with the powers and duties to review credit applications and approve credit limits and specific transactions up to the legal lending limit of the Bank, and within the guidelines specified in the Group's credit policy procedures. The BCC records the outcome of all its meetings by keeping record of the approved minutes of meetings held, which are available to BCC members and the Bank's internal auditors, and by issuing a circular – shortly after each meeting - to management and to the key business origination officers, highlighting the main credit decisions taken by the BCC. The BCC shall meet as frequently as exigencies dictate, and meetings are normally expected to be convened every two weeks. For the composition and frequency of meetings held in 2020, please refer to Principle 8 of the Statement of Compliance with the Principles of Good Corporate Governance.

4 Identification of risks

The Group identified the following risks, assessed under Pillar I and under the economic perspective, as being significant:

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

In the following sections, we lay out the manner in which the Group manages and mitigates the above-mentioned risks, indicating whether such risks are allocated a capital charge under Pillar I and under the economic perspective.

4.1 Credit risk

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

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

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

4.1.1 Credit risk management strategy and processes

Strict credit assessment and control procedures are in place in order to monitor credit exposures. The Board Credit Committee is responsible for implementing the Group's credit policy within the risk parameters identified by the Board, for approving individual limits for institutions and corporates within its delegated parameters of authority as set out in the Statement of Compliance with the Principles of Good Corporate Governance.

All on- and off- balance sheet exposures are approved after a thorough review of the counterparties' creditworthiness. Whilst any external rating of the counterparty by established Credit Rating Agencies is taken into account, an internal rating is given to each obligor and credit support provider through an internal rating system provided by Moody's. The Group has implemented Moody's RiskAnalyst (and will be migrating to Moody's CreditLens during 2021) software to establish internal ratings. In addition to this, a credit review is also done by means of other assessment criteria, including but not limited to, financial statements review, analysis of relevant markets and sectors, commodity prices outlook, structure of proposed transactions and market position of the relevant counterparties.

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

The Group maintains a prudent provisioning policy in accordance with the applicable laws and regulations to ensure that losses are immediately recognised in the Statement of Profit or Loss. Efforts at recovering losses incurred in past financial periods are continuous. To this purpose, legal proceedings have been undertaken in the courts of competent jurisdictions.

4.1.2 Credit risk limit setting and monitoring

The Group has established policies requiring limits on counterparties and countries, and controls in relation to concentration to specific sectors, and industries, thus ensuring a more diversified on- and off- balance sheet lending portfolios. Refer to Note 5.2.2 and Section 4.1.5 below.

Credit risk exposure by region

The geographic distribution of the Group exposures as at 31 December 2020, broken down in significant areas by exposure classes is set out in Note 5.2.2 to the Financial Statements.

Credit risk exposure by sector

Note 5.2.2 to the Financial Statements also sets out the distribution of the Group's exposures as at 31 December 2020 by sector.

Credit risk exposures by maturity

The residual maturity breakdown of the Group's exposures as at 31 December 2020, broken down by exposure classes is set out in Note 5.3.2.2 to the Financial Statements.

4.1.3 Default risk

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

4.1.4 Minimum capital requirements under Pillar I: credit risk

The Group calculates the overall minimum capital requirement for credit risk using the Standardised Approach to credit expressed as 8% of the risk weighted exposure amounts for each of the Standardised Credit Risk Exposure Classes. The table below illustrates the capital requirement for each of the exposure classes as at 31 December 2020.

Type of exposure	Risk weighted amount 2020 USD	Minimum capital requirement (8%) 2020 USD
Central governments or central banks	4,999,954	399,996
Public sector entities	2,996,926	239,754
Institutions	65,155,279	5,212,422
Corporates	274,523,915	21,961,913
Retail	8,815,154	705,212
Secured by mortgages on immovable property	6,593,122	527,450
Exposures in default	91,625,440	7,330,035
Items associated with particular high risk	111,935,221	8,954,818
Covered bonds	1,158,363	92,669
Collective investments undertakings (CIU)	20,332,246	1,626,580
Equity	53,077	4,246
Other items	130,812,201	10,464,976
	719,000,898	**57,520,071**

The above exposures relate solely to those exposures subject to credit risk and exclude those exposures subject to counterparty risk. The exposure type 'other items' includes cash balances, property and equipment (net of depreciation), current tax recoverable, deferred tax asset and other remaining assets.

The 2020 Risk Weighted Amount decreased by USD331.2 million when compared to that disclosed in 2019 (USD1,050,157,563) reflecting the decrease in the Group's Total Assets and the Group's continuous focus on managing this amount. As at 31 December 2020, the Group diversified further its securities by holding securities of central and regional governments, public sector entities and covered bonds. In addition, when compared to 2019, the Group decreased its exposure to collective investments undertakings through its disposal of its holding in a fund and managed further its real estate portfolio by enhancing the quality of immovable property held as security and reducing the risk of high risk speculative immovable property by strengthening the conditions of such exposures.

4.1.5 Concentration risk

In addition to policies aimed at managing credit risk and concentrations within credit portfolios as set out in Note 5.2 to the Financial Statements and this section within the Additional Regulatory Disclosures, the Group estimates the capital requirements for concentration risk a part of the economic perspective. Quantification of concentration risk is based on Section 6 of the PRA's methodologies for setting Pillar 2 capital dated February 2020, whereby the Herfindhal-Hirschmann index (HHI) is used to calculate concentration across the three portfolio classifications; i) Individual concentration; ii) Sectoral concentration; and iii) Geographical concentration.

4.1.6 Counterparty credit risk

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

Minimum capital requirements under Pillar I: counterparty credit risk

Type of exposure	Risk weighted amount 2020 USD	Minimum capital requirement (8%) 2020 USD
Institutions	1,178,043	94,243
Retail	34,734	2,779
Corporate	143,500	11,480
	1,356,277	**108,502**

Use of derivatives within the Group is limited to hedging balance-sheet positions, hedging capital investments, interest rate hedging on behalf of LFC and to a lesser extent to satisfy customer requests (for example, for foreign exchange hedging). The Group's Treasury unit is responsible for the internal management of such instruments. Such a risk is monitored through the setting up of counterparty limits to capture the position and settlement risks associated with forward and other derivative instruments. The Group has in place operational procedures to mitigate these risks. Counterparty credit risk is assigned a capital charge using the mark-to-market method, based on the residual maturities of the contracts. During 2020, exposures to derivatives were held with institutions and other financial companies (2019: all exposures to derivates were held with institutions).

Credit derivatives

Apart from the positions entered into by the Treasury department, the Group, through its subsidiary LFC (Protection Seller), enters into agreements, typically with top-tier investment grade rated institutions (Protection Buyer) on an unfunded basis. As at December 2020, the amount of Loan Credit Default Swaps stood at USD nil (2019: USD21.2 million). During 2020, the Group decided to cease the sale of new Loan Credit Default Swaps. Transactions are entered into primarily on the strength of the referenced entity under a deliverable obligation (restricted to loans to investment grade institutions that are approved in accordance to the Group's Credit Risk Policies). The credit derivative is structured as a contractual agreement pursuant to which the Protection Seller agrees with the Protection Buyer to take on risk of a default or non-performance of a specified entity (Reference Entity), with a specific loan as the only deliverable obligation. Following the occurrence of a default or non-performance, the Protection Seller is required to make a payment to the Protection Buyer (at a pre-determined price). In return for the protection offered, the Protection Buyer pays the Protection Seller a fixed premium at pre-determined intervals up to the termination of the LCDS.

4.1.7 Settlement risk

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

In order to mitigate against this risk, the Group has in place settlement lines where a limit is placed on the maximum settlement exposure against a single counterparty as explained in Note 5.2.4.

The capital requirements for settlement risk are nil under Pillar I as prescribed by Article 378 of Title V of Part Three of CRR.

4.1.8 Foreign Exchange Lending Risk

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

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

The Group quantifies its capital requirements for foreign exchange lending risk under the economic perspective as explained in Note 5.2.5.

4.2 Credit and market risk from equities not included in the trading book

The only Group's exposure to equities is in its non-trading book and such equities are held in unlisted entities. The accounting and valuation methodologies differ depending on the percentage holding and marketability of the instruments. All interests in equity investments are in line with the Group's strategic objectives of investing in trade finance related companies to be able to carry out trade finance activities.

4.2.1 Equity investments less than 10%

Equity investments comprising less than 10% of the investee company's capital are classified as 'financial assets at fair value through profit or loss'. None of the equity securities carried by the Group are listed on an exchange and there is no readily available active market. These unquoted securities are carried at fair value, with fair value movement being in the Income Statement.

The Group calculates the overall minimum capital requirement for equity investments representing less than 10% of the ownership of the investee, using the Standardised Approach for credit risk expressed as 8% of the risk weighted exposure amount, as shown in the table below:

	Balance sheet value 2020 USD	Fair value 2020 USD	Risk weighted exposure amount 2020 USD	Minimum capital requirement 2020 USD
Credit risk	**53,077**	**53,077**	**53,077**	**4,246**

4.2.2 Equity investments between 10% and 50%

Equity investments comprising between 10% and 50% of the investee company's capital are generally classified as 'investments in equity-accounted investees' and are accounted for using the equity method, recognised at cost less impairment allowances.

The Consolidated Financial Statements include the Group's share of the income and expenses and equity movement of equity-accounted investees, after adjustments to align the Accounting Policies with those of the Group. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. This accounting treatment is also applied on those investments where the Group has joint control (50%) over the strategic, financial and operational decisions of the investee.

All interests in equity-accounted investees are allocated (a) a 'specific risk' charge by multiplying the overall position by 8% and (b) a 'general risk' charge which also requires multiplying the overall position by 8%, under market risk. As at 31 December 2020, the balance sheet value and the fair value of such interests was nil, resulting in a USD nil risk weighted exposure and no minimum capital requirement.

4.2.3 Equity investments exceeding 50%

Equity investments exceeding 50% of the investee company's capital are classified as 'subsidiaries' and are fully consolidated in the Group results and financial position. The equity investment in the Group's Financial Statements is therefore replaced by the financial result and position of the subsidiaries, net of any minority interests.

4.2.4 Unit investments in collective investment schemes

Unit investments in collective investment schemes are classified as 'financial assets at fair value through profit or loss'. These unit investments are not listed on an exchange and there is no readily available active market. Fair value for the collective investment schemes is determined by reference to the funds' net asset values, with fair value movement being recognised in the Statement of Profit or Loss.

The Group calculates the overall minimum capital requirement for unit investments in collective investment schemes using the standardised approach for credit risk expressed as 8% of the risk weighted exposure amount, as shown in the table below:

	Balance sheet value 2020 USD	Fair value 2020 USD	Risk weighted exposure amount 2020 USD	Minimum capital requirement 2020 USD
Credit risk	**20,332,246**	**20,332,246**	**20,332,246**	**1,626,580**

During 2020, the Group's holding in one of the sub-funds of a collective investment scheme was redeemed. This resulted in 1,060,860.107 unit investments being redeemed, with a total realised loss of USD360,741 being recorded in the Statement of Profit or Loss. In addition, a total unrealised loss of USD802,723 and a total revaluation loss of USD1,264,248 were realised on two other sub-funds that the Group holds in the same collective investment scheme.

4.3 Market risk

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

4.3.1 Management and mitigation of market risk

The Group has implemented policies, established limits and maintains currency and interest derivative contracts to mitigate market risks.

4.3.2 Foreign exchange risk

Foreign exchange risk is attached to those monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the Group. Transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement.

Note 5.4.1 describes the mitigation process around this risk.

Minimum capital requirement: foreign exchange risk

When calculating its capital requirements under Pillar I, the Group considers its net open foreign currency position in terms of Article 352 of the CRR. Through this approach, each net currency position is analysed and a capital charge is taken on the net short or long currency exposure (whichever is the higher).

At 31 December 2020, the Group took a foreign exchange capital charge as follows:

	Long position USD equivalent	Short position USD equivalent
Foreign currency		
Euro	-	7,170,734
Pound Sterling	-	764,649
Indian Rupee	-	5,240,448
Egyptian Pound	233,679	-
Other foreign currencies	244,367	137,514
Total position	**478,046**	**13,313,345**
Notional risk weighted amount		**13,313,345**
8% capital requirement		**1,065,068**

4.3.3 Interest rate risk in the banking book

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

Note 5.4.3 to the Financial Statements details the methodology for computation of the interest rate risk, showing the effect to the Group's assets and liabilities due to a +/- 200 basis point change in interest rates. Currently, there is no behaviouralisation applied to assets or liabilities. Non-maturity deposits fall into the overnight bucket. The Bank has Risk Appetite parameters for Earnings at Risk and Economic Value of Equity and generates six different outcomes on the basis of applying the EBA's six interest rate shock scenarios. Currency specific breakdowns are derived for USD, EUR and GBP.

Notwithstanding that no capital charge is taken under the Pillar I framework, the Group calculates its capital requirements as part of its assessment for capital requirements under the economic perspective.

4.3.4 Position risk

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

The Group has non-securitised debt instruments for which a capital charge under Pillar I is considered. Such assets are allocated a) a 'specific risk' charge based on the percentage risk weight which would be attributable to the assets under the Standardised Approach for credit risk in line with Article 336 of the CCR and b) a 'general risk' charge based on the maturity profile of the asset in line with Article 339 of the CCR.

At 31 December 2020, the Group took a position risk capital charge as follows:

	Risk weighted amount 2020 USD	Minimum capital requirement 2020 USD
Specific risk		
Debt securities which would receive the following risk weight under the standardised approach for credit risk:		
- 20% or 50% risk weight with a residual term <= 6 months	2,766,724	221,338
- 20% or 50% risk weight with a residual term > 6 months and <= 24 months	5,013,100	401,048
- 20% or 50% risk weight with a residual term > 24 months	-	-
- 100% risk weight	308,931,146	24,714,492
- 150% risk weight	15,665,138	1,253,211
General risk		
Zone one - debt securities with a residual term <= 12 months	20,554,705	1,644,376
Zone two - debt securities with a residual term > 1 year and <= 4 years	12,586,468	1,006,917
Zone three - debt securities with a residual term > 4 years	563,526	45,082
	366,080,807	**29,286,464**

4.3.5 Price risk

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

As set out in Note 5.4.4 to the Financial Statements, the Group is exposed to price risk which arises from debt and equity investments measured at Fair Value Through Other Comprehensive Income (FVOCI), as well as investments measured at Fair Value Through Profit or Loss (FVPL).

The Group assesses the requirement for a capital allocation against other price risk under the economic perspective.

4.4 Operational risk

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

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

Note 5.5 to the Financial Statements further details the monitoring and processes in place to manage this risk.

Two key components of Operational Risk are IT risk and Legal risk. In view of their importance they are considered separately as detailed in Note 5.5.1 and 5.5.2 to the Financial Statement.

The Group assesses the capital requirements for operational risk under Pillar I by reference to the Basic Indicator Approach in line with Article 315 of the CRR. Moreover, the Bank undertakes an additional assessment on Operational Risk capital requirements under the economic perspective in line with the Standardised Measurement Approach ('SMA') as per Article 317 of the CRR to assess whether there is an underestimation of risk in applying the Basic Indicator Approach.

4.4.1 Minimum capital requirement: operational risk

Presently the Group uses the Basic Indicator Approach, as detailed in the CRR, in order to calculate its capital charge. Under this approach, the capital requirement for operational risk is equal to 15% of the relevant indicator, being the average over the last three years of the sum of Operating Income before net impairment. At 31 December 2020, the Group took an operational risk capital charge of USD8,545,965 as disclosed below.

	2020 USD
Gross income	
Financial year ending 31/12/2019	57,348,117
Financial year ending 31/12/2018	64,692,890
Financial year ending 31/12/2017	48,878,302
Average gross income	**56,973,103**
Capital requirement (15%)	**8,545,965**
Notional risk weighted amount	**106,824,563**

4.4.2 Reputational and conduct risk

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

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

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

A key source of Reputational risk is financial crime for which specific policies, procedures and tools are in place to mitigate the risk. Note 5.6.2 to the Financial Statement describes the Group's approach in more detail.

4.4.3 Strategic and business risk

Strategic risk is the risk associated with the Bank's future business plans and strategies. As overarching considerations this risk category includes: (a) the general economic landscape for the products the Bank offers and the markets in which the Bank operates; (b) plans for entering new business lines and markets; (c) plans for expanding existing products and services through acquisitions and/or joint-ventures; (d) competitive, regulatory and reputational issues; as well as (e) plans for enhancing its operating infrastructure (e.g. new technology, etc.). Poor strategic choices or ineffective implementation of strategic decisions or lack of responsiveness to changes in the economic environment, are all examples of how strategic risk can have a significant impact on prospective profit and capital results. As the Group is mainly engaged in trade finance business, this risk category is intimately connected with the overall performance of international trade in the global economy, and in particular to the level of cross-border trade between countries and in markets that are typically in the developing stages of their economic development and political stability.

Closely linked with the above, business risk is the risk associated with the particular business and operating circumstances of the Bank, and which may be more within the control of decisions taken by Management but which nevertheless can have a significant impact on operating and business results.

The Group adopts various means to mitigate strategic and business risks. Primarily, the Group has in place a 'corporate governance' structure composed of both executive and non-executive officials as detailed in the Statement of Compliance with the Principles of Good Corporate Governance. Based on their remit and charters, the various board appointed 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 timely manner. The Board and Committees are assisted by a team of executives and senior management, who have focused on-the ground expertise in their various areas of responsibility. Executive and senior management hold periodical meetings in order to discuss major business decisions, business and economic trends, as well as implement decisions taken by the Board or any of its Committees. Through these meetings, the collective expertise of the management team is brought together and is a determinant factor in the success of identifying and exploiting business opportunities.

The Group's strategic and business risk is assessed through a sensitivity analysis for capital adequacy. The Group performs a capital adequacy assessment using projections based on both a 'Base Case' and at least one stress scenario, which take into consideration strategic and business risks. The stress scenario assessment is based on assumptions that the Group will not meet its projections such as the Group's inability to restrain or reduce impairment losses and the inability of the Group to limit the cost-to-income ratio to projected levels. This enables an assessment of the resilience of the Group's capital base under business-as-usual and severe but plausible stress conditions.

4.5 Liquidity risk

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

4.5.1 Management and mitigation of liquidity risk

Liquidity risk is managed by maintaining significant levels of liquid funds and identifying and monitoring changes in funding required to meet business goals driven by management. The Group's Asset-Liability Committee is responsible for establishing appropriate asset and liability management policies, monitoring their application and reviewing financial information on the basis of which investment and funding decisions are taken. The daily application of the asset and liability management policies rests with the Treasury unit of the Group. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In addition to the number of policies, procedures and internal controls which the Group has in place to manage its liquidity and funding risks, in line with Article 86 of Directive 2013/36/EU, prepares an Internal Liquidity Adequacy Assessment Process ("ILAAP") report on an annual basis. The ILAAP forms part of the Group's management processes. The ILAAP is designed to demonstrate the Group's robust funding and liquidity risk management strategies whilst also to ensure that the Group has adequate liquidity to meet its liabilities both in normal and stressed conditions. Liquidity Risk Management is described in detail in Note 5.3.1 to the Financial Statements.

The following Group numbers represent the values and figures reported as at the end of the most recent four calendar quarters irrespective of currency denomination. The 'liquidity buffer' is the total high-quality liquid assets after the application of haircuts and any applicable cap, whilst the 'total net cash outflows' is calculated after the application of the cap on inflows as prescribed in the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions.

Quarter ending on	Total adjusted value 31 March 2020 USD million	Total adjusted value 30 June 2020 USD million	Total adjusted value 30 September 2020 USD million	Total adjusted value 31 December 2020 USD million
Liquidity buffer	135.3	219.3	265.3	302.2
Total net cash outflows	152.0	100.1	96.2	125.5
Liquidity coverage ratio (%)	**89.0%**	**219.0%**	**275.8%**	**240.9%**

During 2020, the Group continued to monitor the Liquidity Coverage Ratio (LCR) on a daily basis maintaining an average daily LCR of 217%, which is comfortably in excess of the regulatory minimum of 100% and the internal threshold of 125% as set in the Group's Risk Appetite Statement. While the Group consistently maintained a daily LCR above the minimum 100% threshold, as at 31 March 2020 two factors contributed to a drop in the ratio: (1) expected inflows from a disposal of units in a collective investment scheme were delayed and (2) expected inflows from exposures considered as defaulted at the end of the first quarter were excluded from the net cash outflows as required by the delegated regulation. This position was immediately rectified through the replenishment of the liquidity buffer.

Note 5.3 to the Financial Statements set out the Group's policies, tools and other mitigants used in managing liquidity risk.

In line with the delegated regulation on liquidity coverage requirements the Group seeks to maintain a proper diversification of High Quality Liquid Assets (HQLAs) held as part of the Bank's liquidity buffer at all times. The Group also seeks to maintain stability in its funding by maintaining a diversified deposit base, ensuring an adequate presence of longer dated deposits and a mix in size of relationships. In managing the funding position the Treasury Function seeks to avail itself of committed and uncommitted lines from related as well unrelated parties, that is, upstream and downstream institutions, and retail funding. A key indicator used to monitor concentration is a basic risk metric, namely customer funding compared to the Group's total funding. An internal threshold is set in line with the Group's risk appetite and strategy to maintain a well-diversified and broad mix of funding base.

Intraday liquidity risk management is an important component of the Group's broader liquidity management strategy and critical to implementing the Group's longer-term growth strategy. Primary responsibility of intraday liquidity management is the Treasury unit.

The Group's Pillar 1 liquidity buffer requirements are determined on the basis of LCR in line with the requirements of the Delegated Regulation, with a binding minimum requirement of 100%. Consequently, the Group considers the LCR as its most relevant liquidity monitoring tool. The Group sets an internal threshold higher than the minimum requirement, intended as an additional management buffer (during the review period this was set at 25% over the LCR minimum regulatory requirement) based on the assessment under the economic approach.

The Group also performs an assessment of its funding on the basis of Net Stable Funding Requirement ('NSFR') over the projected period. CRR II introduces a binding NSFR requirement for institutions set at 100% (rules are still not applicable to date). The Group maintains an NSFR threshold of 5% higher than the minimum requirement of 100% prescribed by the regulations.

5 External credit assessment institutions (ECAI)

The Group complies with the standard association of exposure ratings to credit quality steps as detailed in Part Three, Title II, Chapter 2 of the CRR. The Group applies the ratings of the following External Credit Assessment Institutions ("ECAIs") in determining the appropriate credit quality step:

- Fitch Ratings; or
- Moody's; or
- A.M. Best

Fitch Ratings is used as the primary reference agency and if a particular exposure is not rated by Fitch Ratings, reference would subsequently be made to one of the other agencies. In instances where the counterparty is rated by more than one nominated ECAI, reference would be made to the appropriate rating following the approach outlined in the CRR.

The rating of each ECAI is linked to each exposure using the credit quality steps and risk weights prescribed in Part Three, Title II, Chapter 2 of the CRR. The Group applies the ECAI ratings to the following exposure classes:

- Central governments or central banks
- Public sector entities
- Institutions
- Corporates

As at 31 December 2020, the Group classified it's on- and off- balance sheet exposures subject to credit risk under the following exposure classes as defined in the CRR. The risk weights noted in the table below encompass those assigned to the relevant credit quality step in Article 113 to Article 134 in Part Three, Title II, Chapter 2 of the CRR. The following table represents the substitution of the exposure due to credit risk mitigation ("CRM") factors as a result of unfunded credit protection (guarantees). This substitution allows institutions to transfer the risk of an exposure from the counterparty to the protection provider. The total exposure value subject to credit risk that is covered by all eligible collateral for each exposure class as defined in CRR is provided in section 6 of this report.

	Risk weightings %	Exposure value USD	Substitution of the exposure due to CRM USD	Exposure value after substitution of the exposure due to CRM USD
Exposure class				
Central governments or central banks	0%	399,467,949	-	399,467,949
	20%	24,999,772	-	24,999,772
		424,467,721	**-**	**424,467,721**
Regional governments or local authorities	0%	7,753,153	-	7,753,153
		7,753,153	**-**	**7,753,153**
Public sector entities	0%	32,844,283	-	32,844,283
	20%	2,510,880	-	2,510,880
	50%	4,989,500	-	4,989,500
		40,344,663	**-**	**40,344,663**
International organisations	0%	5,302,743	-	5,302,743
		5,302,743	**-**	**5,302,743**
Institutions	20%	122,352,012	6,924,477	129,276,489
	50%	32,220,348	(2,848,540)	29,371,808
	100%	26,624,148	-	26,624,148
	150%	87,424	-	87,424
		181,283,932	**4,075,937**	**185,359,869**
Corporates	20%	-	1,372,708	1,372,708
	50%	5,951,288	2,848,540	8,799,828
	100%	378,630,548	(4,484,107)	374,146,441
	150%	7,720,170	-	7,720,170
		392,302,006	**(262,859)**	**392,039,147**
Retail	35%	186,983	-	186,983
	75%	19,536,204	-	19,536,204
		19,723,187	**-**	**19,723,187**
Secured by mortgages on immovable property	35%	2,505,135	-	2,505,135
	50%	11,432,650	-	11,432,650
		13,937,785	**-**	**13,937,785**
Exposures in default	100%	79,439,597	(3,813,078)	75,626,519
	150%	23,979,810	-	23,979,810
		103,419,407	**(3,813,078)**	**99,606,329**
Items associated with particular high risk	150%	74,844,147	-	74,844,147
		74,844,147	**-**	**74,844,147**
Covered bonds	10%	11,583,630	-	11,583,630
		11,583,630	**-**	**11,583,630**
Claims in the form of CIU	100%	20,332,246	-	20,332,246
		20,332,246	**-**	**20,332,246**
Equity exposures	100%	53,077	-	53,077
		53,077	**-**	**53,077**
Other items	0%	26,530	-	26,530
	100%	72,659,638	-	72,659,638
	250%	23,261,025	-	23,261,025
		95,947,193	**-**	**95,947,193**

The Group's exposures value subject to credit risk decreased to USD1,391,294,890 from USD1,518,559,467 (2019). This is attributable to the Group's focus on the monitoring and management of its risk weighted assets and its total capital ratio. The exposure value under the exposure types Multilateral development banks was nil.

6 Credit risk mitigation

The Group also makes use of different types of collateral, all aimed at mitigating credit risk within on- and off- balance sheet credit facilities.

Main types of collateral and concentrations in credit risk mitigations

FIMBank seeks to secure, when possible, its exposure to both financial institutions and corporate clients either by property (including shipping vessels), cash collateral, credit insurance cover, personal or bank guarantees or by pledged goods. For financial collateral, the main counterparties would be reputable credit institutions, financial institutions, or credit insurers. Procedures are in place to limit the market and credit risk concentrations of collateral, including the regular monitoring of commodity market prices and assessment of credit worthiness of collateral counterparties.

The collateral policies are reviewed periodically by management both in terms of exposure to the Bank and the Group and to ensure the validity and enforceability of the security taken. Investment securities are not usually held as collateral, and no such collateral was held at 31 December 2020. The table below provides an estimate of the fair value of collateral and other security enhancements held against the Group's loan portfolio (some items of collateral are not being extended a value for regulatory purposes).

When goods are pledged the value of goods representing collateral for such facilities is determined by monitoring the market prices of such commodities. Screen prices are readily available on most commodities exchanges and are monitored on a regular basis. Collateral management is performed on FIMBank's behalf by specialised companies (SGS, Bureau Veritas, Control Union, etc.) appointed ad hoc for a particular transaction. Collateral management agreements are usually tri-partite agreements (between FIMBank, the borrower and the collateral manager) and where applicable, also give FIMBank title to the goods held as collateral, in addition to physical control.

The Group's provision of collateral to third parties is mainly limited to Group funding arrangements with a contractual maturity generally not exceeding 12 months. Given the short nature of such transactions, the Group does not expect a material change to its collateral value as a result of a downgrade in the credit rating of the counterparty.

The table below shows the total exposure value subject to credit risk that is covered by eligible collateral for each exposure class as defined in CRR:

	Exposure value covered by cash 2020 USD	Exposure value covered by guarantees 2020 USD	Exposure value covered by residential immovable property 2020 USD	Exposure value covered by commercial immovable property 2020 USD	Exposure value for uncovered assets 2020 USD
Central governments or central banks	-	-	-	-	424,467,721
Regional governments	-	-	-	-	7,753,153
Public sector entities	-	-	-	-	40,344,663
International organisations	-	-	-	-	5,302,743
Institutions	14,550,824	391,013	-	-	166,342,095
Corporate	100,218,291	7,362,867	2,421,204	11,319,205	270,980,439
Retail	4,474,371	-	83,931	113,445	15,051,439
Secured by mortgages on immovable property	-	-	-	-	13,937,785
Items associated with particular high risk	220,666	-	-	-	74,623,481
Exposures in default	23,850,181	-	-	-	79,569,226
Covered bonds	-	-	-	-	11,583,630
Claims in the form of CIU	-	-	-	-	20,332,246
Equity exposures	-	-	-	-	53,077
Other items	-	-	-	-	95,947,193
	143,314,333	**7,753,880**	**2,505,135**	**11,432,650**	**1,226,288,891**

7 Credit risk adjustments

Specific credit risk adjustments

The Group reviews its exposures on an on-going basis on an individual basis. For those exposures where no individual impairment is identified, the Group calculates an expected credit loss in line with the requirements of IFRS 9. An identification of a facility which breaches its terms and conditions would trigger an impairment process and a possible charge to the credit reserve. The basis of allocating amounts to the specific credit reserve is dependent on the grading of non-performing exposures assigned in accordance with Banking Rule 09 and EBA/GL/2018/10.

In addition, these are measured on the basis of the adopted policy that is noted under Accounting Policy 3.10.8 of the Financial Statements following the implementation of IFRS 9. Further information on how expected credit losses and loss allowances resulting from this review are measured is provided under Notes 5.2.1.3 to 5.2.1.8. Whilst the impaired portfolio on the total portfolio, as mentioned earlier stands at 6.96%, the Group's two-year average non-performing loans, calculated solely on the loan book (excluding any other assets), exceeded the threshold as specified in the rule itself. The Group remains in regular contact with the MFSA in this regard and has not been requested to submit a non-performing loans reduction plan in 2020.

Past due and impaired facilities

Impaired facilities are exposures for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). On the other hand, 'past due but not impaired' facilities are exposures where contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

The following tables (7.1 to 7.5) provide details of the Group's exposures subject to credit risk, broken down by geography, industry and residual maturity as at 31 December 2020:

7.1 Credit risk exposures by geography

	Europe USD	Sub-Saharan Africa USD	Middle East and North Africa (MENA) USD	Commonwealth of Independent States (CIS) USD	Others USD	**Total USD**
Exposure class						
Central governments or central banks	424,467,721	-	-	-	-	**424,467,721**
Regional governments or local authorities	7,753,153	-	-	-	-	**7,753,153**
Public sector entities	40,344,663	-	-	-	-	**40,344,663**
Multilateral development banks	-	-	-	-	-	**-**
International organisations	5,302,743	-	-	-	-	**5,302,743**
Institutions	126,046,344	11,552,457	26,766,955	2,175,178	14,742,998	**181,283,932**
Corporate	106,018,681	1,300,823	151,320,618	-	133,661,884	**392,302,006**
Retail	11,012,644	271,909	2,678,046	-	5,760,588	**19,723,187**
Secured by mortgages on immovable property	13,937,785	-	-	-	-	**13,937,785**
Items associated with particular high risk	74,844,147	-	-	-	-	**74,844,147**
Exposures in default	46,177,599	7,240,071	42,233,729	-	7,768,008	**103,419,407**
Covered bonds	11,583,630	-	-	-	-	**11,583,630**
Claims in the form of CIU	20,332,246	-	-	-	-	**20,332,246**
Equity exposures	53,077	-	-	-	-	**53,077**
Other items	-	-	-	-	95,947,193	**95,947,193**
	887,874,433	**20,365,260**	**222,999,348**	**2,175,178**	**257,880,671**	**1,391,294,890**

7.2 Credit risk exposures by industry

Exposure class	Industrial raw materials USD	Ship and transportation USD	Wholesale/ retail USD	Financial intermediaries USD	Others USD	Total USD
Central governments or central banks	-	-	-	275,672,803	148,794,918	**424,467,721**
Regional governments or local authorities	-	-	-	-	7,753,153	**7,753,153**
Public sector entities	-	4,989,500	-	35,355,163	-	**40,344,663**
Multilateral development banks	-	-	-	-	-	**-**
International organisations	-	-	-	-	5,302,743	**5,302,743**
Institutions	-	-	-	181,283,932	-	**181,283,932**
Corporate	166,424,438	2,330,434	114,516,036	58,964,298	50,066,800	**392,302,006**
Retail	10,065,299	156,906	6,498,398	905,081	2,097,503	**19,723,187**
Secured by mortgages on immovable property	4,478,510	-	-	-	9,459,275	**13,937,785**
Items associated with particular high risk	53,818,639	-	612,614	1,090,121	19,322,773	**74,844,147**
Exposures in default	39,050,666	150,473	54,582,001	8,752,770	883,497	**103,419,407**
Covered bonds	-	-	-	11,583,630	-	**11,583,630**
Claims in the form of CIU	-	-	-	20,332,246	-	**20,332,246**
Equity exposures	-	-	-	-	53,077	**53,077**
Other items	-	-	-	-	95,947,193	**95,947,193**
	273,837,552	**7,627,313**	**176,209,049**	**593,940,044**	**339,680,932**	**1,391,294,890**

7.3 Credit risk exposures by residual maturity

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD	No residual maturity USD	Total USD
Exposure class								
Central governments or central banks	280,770,482	40,492,879	23,304,478	9,805,760	-	70,094,122	-	424,467,721
Regional governments or local authorities	-	-	-	-	-	7,753,153	-	7,753,153
Public sector entities	-	-	-	-	13,147,900	27,196,763	-	40,344,663
Multilateral development banks	-	-	-	-	-	-	-	-
International organisations	328,743	-	-	-	-	4,974,000	-	5,302,743
Institutions	46,536,954	43,294,723	26,609,513	62,639,696	77,141	2,125,905	-	181,283,932
Corporate	145,752,929	88,962,632	33,617,490	66,891,666	-	57,077,289	-	392,302,006
Retail	7,959,183	3,657,951	2,473,732	5,382,386	72,127	177,808	-	19,723,187
Secured by mortgages on immovable property	83,931	-	25,694	687,201	-	13,140,959	-	13,937,785
Items associated with particular high risk	-	7,938,583	7,325,017	15,399,249	35,153,828	9,027,470	-	74,844,147
Exposures in default	100,051,709	818,468	-	213,403	-	2,335,827	-	103,419,407
Covered bonds	-	-	-	-	-	11,583,630	-	11,583,630
Claims in the form of CIU	-	-	-	-	-	-	20,332,246	20,332,246
Equity exposures	-	-	-	-	-	-	53,077	53,077
Other items	-	-	-	-	-	-	95,947,193	95,947,193
	581,483,931	**185,165,236**	**93,355,924**	**161,019,361**	**48,450,996**	**205,486,926**	**116,332,516**	**1,391,294,890**

7.4 Breakdown by industry

The following table provides details of the Group's impaired exposures, past due exposures and credit risk adjustments by industry:

	Industrial raw materials USD	Ship and transportation USD	Wholesale/ retail USD	Financial intermediaries USD	Others USD
Individually impaired (net of specific credit risk adjustment)	39,050,666	150,473	54,582,001	8,752,771	883,496
Past due but not impaired	234,786,886	7,476,840	121,627,047	564,855,029	242,797,163
Specific credit risk adjustment	28,763,017	392,824	50,274,643	10,932,994	9,254,452

7.5 Breakdown by geography

The following table provides details of the Group's impaired exposures, past due exposures and credit risk adjustments by geography:

	Europe USD	Sub-Saharan Africa USD	Middle East and North Africa (MENA) USD	Commonwealth of Independent States (CIS) USD	Others USD
Individually impaired (net of specific credit risk adjustment)	46,177,599	7,240,071	42,233,729	-	7,768,007
Past due but not impaired	821,311,510	13,125,189	180,765,619	2,175,178	154,165,469
Specific credit risk adjustment	26,359,372	2,998,661	64,137,577	61,711	6,060,608

Please refer to Note 5.2.1.4 for a reconciliation of the changes in the specific (Stage 3) and general (Stage 1 and Stage 2) credit risk adjustments for impaired exposures.

The following tables (7.6 to 7.7) provide a breakdown of the performance status and past due days of the Group's exposures. In relation to the non-performing exposures, no collateral was obtained by taking possession and execution processes.

7.6 Credit quality of performing and non-performing exposures by past due days

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days USD	Past due > 30 days ≤ 90 days USD	Total USD	Unlikely to pay that are not past due or are past due ≤ 90 days USD	Past due > 90 days ≤ 180 days USD	Past due > 180 days ≤ 1 year USD	Past due > 1 year ≤ 2 years USD	Past due > 2 years ≤ 5 years USD	Past due > 5 years ≤ 7 years USD	Past due > 7 years USD	Total USD	Of which defaulted USD
Loans and advances												
Central banks	25,000,694	-	**25,000,694**	-	-	-	-	-	-	-	**-**	-
General governments	5,427,182	-	**5,427,182**	-	-	-	4,889,131	-	-	-	**4,889,131**	4,889,131
Credit institutions	128,798,251	-	**128,798,251**	-	-	-	-	1,728,518	8,463,839	-	**10,192,357**	10,192,357
Other financial corporations	54,767,122	-	**54,767,122**	1,658	-	4,560,344	628,902	-	-	-	**5,190,904**	5,190,904
Non-financial corporations	339,390,862	77,162,081	**416,552,943**	3,952,627	4,767,788	42,049,093	62,878,698	79,125,188	4,033,352	9,723,885	**206,530,631**	206,530,631
of which SMEs	94,019,607	1,998,805	**96,018,412**	-	347,331	-	278,624	6,010,379	-	-	**6,636,334**	6,636,334
Households	200,651	13,193	**213,844**	-	-	-	-	-	-	-	**-**	-
	553,584,762	**77,175,274**	**630,760,036**	**3,954,285**	**4,767,788**	**46,609,437**	**68,396,731**	**80,853,706**	**12,497,191**	**9,723,885**	**226,803,023**	**226,803,023**
Debt securities												
Central banks	-	-	**-**	-	-	-	-	-	-	-	**-**	-
General governments	161,757,152	-	**161,757,152**	-	-	-	-	-	-	-	**-**	-
Credit institutions	57,158,758	-	**57,158,758**	-	-	-	-	-	-	-	**-**	-
Other financial corporations	17,950,573	-	**17,950,573**	-	-	-	-	-	-	-	**-**	-
Non-financial corporations	-	-	**-**	-	-	-	-	-	-	-	**-**	-
	236,866,483	**-**	**236,866,483**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Off-balance-sheet exposures												
Central banks			**-**								**-**	-
General governments			**11,156,224**								**-**	-
Credit institutions			**22,753,784**								**-**	-
Other financial corporations			**182,627**								**-**	-
Non-financial corporations			**72,800,708**								**-**	-
Households			**60,532**								**-**	-
			106,953,875								**-**	**-**
Total	**790,451,245**	**77,175,274**	**974,580,394**	**3,954,285**	**4,767,788**	**46,609,437**	**68,396,731**	**80,853,706**	**12,497,191**	**9,723,885**	**226,803,023**	**226,803,023**

7.7 Performing and non-performing exposures and related provisions

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Total USD	Of which stage 1 USD	Of which stage 2 USD	Total USD	Of which stage 2 USD	Of which stage 3 USD	Total USD	Of which stage 1 USD	Of which stage 2 USD	Total USD	Of which stage 2 USD	Of which stage 3 USD
Loans and advances												
Central banks	**25,000,694**	25,000,694	-	**-**	-	-	**(243)**	(243)	-	**-**	-	-
General governments	**5,427,182**	5,427,182	-	**4,889,131**	-	4,889,131	**(811)**	(811)	-	**(985,641)**	-	(985,641)
Credit institutions	**128,798,250**	126,537,950	2,260,300	**10,192,358**	-	10,192,358	**(668,847)**	(603,323)	(65,524)	**(3,140,579)**	-	(3,140,579)
Other financial corporations	**54,767,122**	47,685,997	7,081,125	**5,190,904**	-	5,190,904	**(3,547,524)**	(1,608,776)	(1,938,748)	**(3,881,152)**	-	(3,881,152)
Non-financial corporations	**416,552,943**	245,135,515	171,417,428	**206,530,441**	19,910,238	186,620,203	**(1,559,821)**	(459,862)	(1,099,959)	**(91,603,508)**	(579,460)	(91,024,048)
of which SMEs	**96,018,412**	81,630,000	14,388,412	**6,636,334**	347,331	6,289,003	**(150,934)**	(79,756)	(71,178)	**(5,886,825)**	(71,926)	(5,814,899)
Households	**213,844**	200,651	13,193	**-**	-	-	**(439)**	(259)	(180)	**-**	-	-
	630,760,035	**449,987,989**	**180,772,046**	**226,802,834**	**19,910,238**	**206,892,596**	**(5,777,685)**	**(2,673,274)**	**(3,104,411)**	**(99,610,880)**	**(579,460)**	**(99,031,420)**
Debt securities												
Central banks	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
General governments	**161,757,151**	149,485,707	12,271,444	**-**	-	-	**(27,179)**	(6,130)	(21,049)	**-**	-	-
Credit institutions	**57,158,758**	57,158,758	-	**-**	-	-	**-**	-	-	**-**	-	-
Other financial corporations	**17,950,573**	17,950,573	-	**-**	-	-	**(70,674)**	(70,674)	-	**-**	-	-
Non-financial corporations	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
	236,866,482	**224,595,038**	**12,271,444**	**-**	**-**	**-**	**(97,853)**	**(76,804)**	**(21,049)**	**-**	**-**	**-**
Off-balance-sheet exposures												
Central banks	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
General governments	**11,156,224**	11,156,224	-	**-**	-	-	**(2,960)**	(2,960)	-	**-**	-	-
Credit institutions	**22,753,783**	22,551,361	202,422	**-**	-	-	**(13,854)**	(11,035)	(2,819)	**-**	-	-
Other financial corporations	**182,627**	182,627	-	**-**	-	-	**-**	-	-	**-**	-	-
Non-financial corporations	**72,800,708**	69,464,253	3,336,455	**-**	-	-	**(160,781)**	(10,424)	(150,357)	**-**	-	-
Households	**60,532**	60,532	-	**-**	-	-	**-**	-	-	**-**	-	-
	106,953,874	**103,414,997**	**3,538,877**	**-**	**-**	**-**	**(177,595)**	**(24,419)**	**(153,176)**	**-**	**-**	**-**
Total	**974,580,391**	**777,998,024**	**196,582,367**	**226,802,834**	**19,910,238**	**206,892,596**	**(6,053,133)**	**(2,774,497)**	**(3,278,636)**	**(99,610,880)**	**(579,460)**	**(99,031,420)**

	Collateral and financial guarantees received	
	On performing exposures USD	On non-performing exposures USD
Loans and advances		
Central banks	-	-
General governments	-	-
Credit institutions	3,606,469	1,192,728
Other financial corporations	1,917,063	401,717
Non-financial corporations	275,708,355	46,967,571
Of which SMEs	91,938,632	749,510
Households	**281,231,887**	**48,562,016**
Off-balance-sheet exposures		
Central banks	-	-
General governments	7,359,907	-
Credit institutions	11,330,581	-
Other financial corporations	8,626	-
Non-financial corporations	646,690	-
Households	60,532	-
	19,406,336	**-**
Total	**300,638,223**	**48,562,016**

7.8 Credit quality of forborne exposures

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Forbearance refers only to those loan modification or renegotiations in response to actual or perceived financial difficulties of a customer. Note 5.2.1.2 of the Financial Statements provides further detailed information on the Group forbearance policy.

No loans and advances that were performing as at 31 December 2020 where forborne. In addition, no debt securities or loan commitments given were forborne as at 31 December 2020.

	Gross carrying amount/nominal amount of exposures with forbearance measures			Accumulated impairment
	Non-performing forborne USD	Of which defaulted USD	Of which impaired USD	On non-performing forborne exposures USD
Loans and advances				
Central banks	**-**	-	-	-
General governments	**4,889,131**	4,889,131	4,889,131	(985,641)
Credit institutions	**-**	-	-	-
Other financial corporations	**4,554,448**	4,554,448	4,554,448	(3,645,749)
Non-financial corporations	**7,282,092**	7,282,092	6,044,055	(3,038,818)
Households	**-**	-	-	-
	16,725,671	**16,725,671**	**15,487,634**	**(7,670,208)**

	Collateral received and financial guarantees received on forborne exposures USD	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures USD
Loans and advances		
Other financial corporations	665	665
Non-financial corporations	234,258	234,258
	234,923	**234,923**

7.9 Disclosure of exposures subject to measures applied in response to the COVID-19 crisis

The following disclosures are based on the guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis that was issued by the EBA in June 2020 (EBA/GL/2020/07) and subsequent updates issued in relation to these guidelines. These disclosures aim to provide information on those exposures that have been subject to payment moratoria in accordance with the EBA guidance on moratoria (EBA/GL/2020/02) and on any new loans that are subject to public guarantees set up to mitigate the effects of the COVID-19 crisis.

The Bank applied moratoria on loan repayments in the light of the COVID-19 crisis based on the Central Bank of Malta's Directive 18. The exposures against which the moratoria were applied are with non-financial corporations and originate from real estate industry. A three month up to a six-month mortarium was applied to the granted applications on their interest payments and/or capital repayments, with no further extensions applied to date. No economic losses were realised.

India Factoring applied moratoria through postponements in the due date of receivables to their factoring clients. These clients are from both the manufacturing and the trading sector, spread across various industries, including textile, automobile, metals, packaging, chemicals and leathers. The length of the moratoria varies between one and three months based on their requirements. In line with local Indian regulator's guidelines, no moratorium was approved beyond 31 August 2020. No economic losses were realised.

In Egypt, the Egyptian Financial Regulatory Authority required financial institutions, including Egypt Factors to mandatorily apply maturity prolongations in the form of postponements for the dues of their clients. Egypt Factors applied such postponements for a period of six months from the due dates of the outstanding amounts to support clients during the COVID-19 crisis. While applying this requirement, no contractual modifications and/or refinancing were applied. No economic losses were realised.

No other entity within the Group provided moratoria on loan repayments. In addition, none of the entities within the Group originated new loans and advances which were subject to public guarantee schemes introduced in response to the COVID-19 crisis. The following tables provide an overview of the credit quality of loans and advances as at 31 December 2020 subject to moratoria on loan repayments applied in the light of the COVID-19 crisis, in accordance with EBA/GL/2020/02. No loans and advances subject to moratorium where with households. None of the non-performing exposures subject to moratorium are with forbearance measures. Furthermore, the reported non-performing exposures subject to moratorium are past due by more than 90 days.

	Gross carrying amount					
	Total USD	Performing USD	Performing Of which: exposures with forbearance measures USD	Performing Of which: Stage 2 * USD	Non-performing USD	Inflows to non-performing exposures USD
Loans and advances subject to moratorium						
of which: non-financial corporations	**39,609,124**	**38,661,160**	1,253,808	34,110,329	**947,964**	**413,886**
of which: small and medium-sized enterprises	**38,635,897**	**37,687,933**	1,253,808	33,137,102	**947,964**	**413,886**
of which: collateralised by commercial immovable property	**10,169,108**	**9,821,777**	-	5,270,946	**347,331**	**347,331**
	39,609,124	**38,661,160**	**1,253,808**	**34,110,329**	**947,964**	**413,886**

' * ' Instruments with significant increase in credit risk since initial recognition but not credit-impaired

	Accumulated impairment, accumulated negative changes in fair value due to credit risk				
	Total USD	Performing USD	Performing Of which: exposures with forbearance measures USD	Performing Of which: Stage 2 * USD	Non-Performing USD
Loans and advances subject to moratorium					
of which: non-financial corporations	1,134,764	725,514	106,735	716,647	409,249
of which: small and medium-sized enterprises	1,133,279	724,029	106,735	715,162	409,249
of which: collateralised by commercial immovable property	112,365	40,439	-	31,572	71,926
	1,134,764	**725,514**	**106,735**	**716,647**	**409,249**

' * ' Instruments with significant increase in credit risk since initial recognition but not credit-impaired

The following table provides an overview of the volume of loans and advances as at 31 December 2020 subject to legislative and non-legislative moratoria in accordance with EBA/GL/2020/02 by residual maturity of these moratoria. No loans and advances subject to moratorium where with households.

		Gross Carrying Amount			
	Number of obligors No.	Total USD	Of which: legislative moratoria USD	Of which: expired USD	Residual maturity of moratoria <= 3 months USD
Loans and advances for which moratorium was offered	**43**	**45,310,619**			
Loans and advances subject to moratorium (granted)					
of which: non-financial corporations		39,609,124	39,609,124	39,008,491	600,634
of which: small and medium-sized enterprises		38,635,897	38,635,897	38,035,264	600,634
of which: collateralised by commercial immovable property		10,169,108	10,169,108	10,169,108	-
	42	**39,609,124**	**39,609,124**	**39,008,491**	**600,634**

8 Asset encumbrance

The following tables provide an overview of the encumbered assets of the Group. The 'Debt securities' consist of debt investments which are pledged under central bank main-refinancing operation facilities. In 2020, no 'Debt securities' were pledged under other borrowing arrangements or repoed transactions. 'Other assets' encumbered represent amounts pledged in favour of the Depositor Compensation Scheme, the Single Resolution Board or to counterparties under documentary credits.

	Carrying amount of encumbered assets USD	Fair value of encumbered assets USD	Carrying amount of unencumbered assets USD	Fair value of unencumbered assets USD
Assets				
Equity instruments	-	-	20,385,323	20,385,323
Debt securities	184,233,285	184,233,285	504,861,893	504,861,893
Other assets	130,443,110		994,122,416	
	314,676,395		**1,519,369,632**	

	Fair value of collateral received available for encumbrance USD
Collateral received	
Other assets	387,076,320
	387,076,320

	Matching liabilities USD	Assets and collateral received USD
Carrying amount of selected financial liabilities	**163,334,056**	**184,300,407**

The Group continues to recognise these encumbered assets since all the risks and rewards of the assets will be substantially retained in a manner that does not result in the encumbered assets being derecognised for accounting purposes. There are no encumbered assets between entities of the Group.

Encumbered assets increased by around USD237.7 million from December 2019 (USD77.3 million). This was mainly a result of a larger portion of debt securities being pledged in favour of central bank operations in 2020: USD184.2 million (2019: USD56.9 million) and pledged money market deposits (reported under 'other assets' above) in 2020: USD113.7 million (2019: USD4.7 million).

9 Own funds and capital requirements

The following sub-sections provide an analysis of the Group's own funds and capital requirements. A detailed analysis on the composition of Tier 1, Tier 2 and Own Funds is disclosed in Note 5.7 of the Financial Statements as at 31 December 2020.

9.1 Full reconciliation of own funds items to audited Financial Statements in accordance with article 437(1)(a) of the CRR

9.1.1 Reconciliation between the Statement of Financial Position used to calculate own funds and that used to calculate regulatory own funds

	Note *	TA**	SOFP in accordance with IFRS scope of consolidation 2020 USD	Effect of deconsolidation for regulatory consolidation 2020 USD	SOFP in accordance with regulatory scope of consolidation 2020 USD
Equity					
Share capital	**37.1**		**261,221,882**	**-**	**261,221,882**
Share premium	**37.3**		**858,885**	**-**	**858,885**
Retained earnings	**37**		**(39,027,680)**	**-**	**(39,027,680)**
Reserve for general banking risks	37.4		3,358,738	-	3,358,738
Currency translation reserve	37.5		(10,011,229)	-	(10,011,229)
Fair value reserve	37.6		13,367,626	-	13,367,626
Other reserve	37.7		2,982,435	-	2,982,435
Other Reserves			**9,697,570**	**-**	**9,697,570**
Assets					
Deposits placed directly in the Depositor Compensation Scheme's account with the Central Bank of Malta reported under loans and advances	22		5,098,385	-	5,098,385
Market value of assets held as payment commitments in favour of the Depositor Compensation Scheme			**5,098,385**	**-**	**5,098,385**
Expected credit losses	**18/21/ 22/25/35**	**TA3**	**105,971,427**	**100,030,231**	**5,941,196**
Goodwill accounted for as intangible asset			5,664,745	-	5,664,745
Other intangible assets			4,033,590	2,612,683	1,420,907
Intangible assets and goodwill	**29**		**9,698,335**	**2,612,683**	**7,085,652**
Deferred tax asset that rely on future profitability and arise from temporary differences and deductible from own funds			3,287,818	-	3,287,818
Other transitional adjustments to CET1: deferred tax asset that rely on future profitability and arise from temporary differences and deductible from own funds		TA2	(673,110)	-	(673,110)
Deferred tax asset that rely on future profitability and arise from temporary differences and not deductible from own funds			23,261,026	23,261,026	-
Deferred taxation	**30.3.1**		**25,875,734**	**23,261,026**	**2,614,708**

' * ' Cross-reference to Notes to the Financial Statements / ' * ' Cross-reference to Statement of Transitional Adjustments

9.1.2 Mapping between own funds statement as reported in Note 5.7 and the statement of financial position in accordance with regulatory scope of consolidation and the statement of transitional adjustments as reported in tables 9.1.1 and 9.1.2 respectively

	Own funds statement 2020 USD		SOFP in accordance with regulatory scope of consolidation 2020 USD		Statement of transitional adjustments 2020 USD
Tier 1					
Paid up capital instruments	261,221,882	Share capital	261,221,882		
Share premium	858,885	Share premium	858,885		
Retained earnings	(39,027,680)	Retained earnings	(39,027,680)		
Other reserves	9,697,570	Other Reserves	9,697,570		
Deductions					
Goodwill accounted for as intangible asset	(5,664,745)	Goodwill accounted for as intangible asset	(5,664,745)		
Other intangible assets	(1,420,907)	Other intangible assets	(1,420,907)		
Deferred tax asset that rely on future profitability and arise from temporary differences and deductible from own funds	(3,287,818)	Deferred tax asset that rely on future profitability and arise from temporary differences and deductible from own funds	(3,287,818)		
Market value of assets held as payment commitments in favour of the Depositor Compensation Scheme	(5,098,388)	Market value of assets held as payment commitments in favour of the Depositor Compensation Scheme	(5,098,386)		
Value adjustments due to the requirements for prudent valuation *	(628,661)				
Other transitional adjustments	6,614,306			Transitional adjustment to CET 1	6,614,306
Common Equity Tier 1	**223,264,444**				
Total Tier 1	**223,264,444**				
Tier 2					
Total Tier 2	**-**				
Total own funds	**223,264,444**				

' * ' This deduction represents the adjustments to the fair value of exposures included in the trading book or non-trading book due to stricter standards for prudent valuation set in Article 105 of the CRR.

9.1.3 Statement of transitional adjustments

	Note	2020 USD
Deferred tax asset that relies on future profitability and arises from temporary differences and is deductible from own funds	TA 2	673,110
IFRS 9 adjustment prescribed under Regulation (EU) No 2017/2395	TA 3	5,941,196
Transitional adjustments to CET 1		**6,614,306**

9.2 Description of the main features of common equity tier 1 capital instruments in accordance with article 437(1)(b) of the CRR

	Paid up capital instruments
Issuer	FIMBank plc
ISIN number	MT0000180100
Governing law of the instrument	Maltese law
Regulatory treatment	
- transitional CRR rules	Common Equity Tier 1
- post transitional CRR rules	Common Equity Tier 1
- eligibility for inclusion in own funds	Bank solo and Group consolidated
- Instrument type	CET1 as published in the EBA list (art. 26(3))
- amount recognised in regulatory capital	522,443,763 shares
- nominal value of each share	USD 0.50
- issue price	N/A
- redemption price	N/A
- accounting classification	Shareholders' equity
- original date of issuance	8 November 1994
- perpetual or dated	N/A
- original maturity date	N/A
- issuer call subject to prior supervisory approval	N/A
Dividends	
- fixed or floating dividend	Floating
- coupon rate and any related index	N/A
- existence of a dividend stopper	No
- fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
- fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
- existence of step-up or incentive to redeem	N/A
- non-cumulative or cumulative	Non-cumulative
- convertible or non-convertible	Non-convertible
- write-down features	N/A
- position in subordination hierarchy in liquidation	Subordinated to senior creditors and depositors
- non-compliant transitional features	No

9.3 Comparison of own funds, and capital and leverage ratios in accordance with article 473a of the CRR

In 2016, the European Union ("EU") adopted the IFRS 9, 'Financial Instruments' which came into force on 1 January 2018. To mitigate the impact of this standard on own funds, and capital and leverage ratios due to sudden increases in Expected Credit Loss provisions ("ECL"), in 2018 the EU approved Regulation (EU) No 2017/2395 which created Article 473a of the CRR. The introduction of IFRS 9 led to a significant increase in the Bank's ECL provisions which will ultimately impact the Bank's CET1 capital levels. The Group has therefore decided to apply the transitional arrangements prescribed in this above-mentioned regulation, allowing it to phase-in the impact of the increased ECL on the Bank's capital levels. From 2018, the transitional arrangement allows the Group to include in its Common Equity Tier 1 Capital a portion of the increased ECLs for five years, decreasing over time to zero to ensure full implementation of the standard.

Regulation (EU) No 2017/2395 also requires the disclosure of the following items with and without the application of the transitional arrangements prescribed within the same Article. The following table is based on 'Template IFRS 9-FL' from the 'Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds' (EBA/GL/2018/01).

In August 2020, the EBA issued amending guidelines on supervisory reporting and disclosure requirements in compliance with the CRR 'quick fix' in response to the COVID-19 pandemic (EBA/GL/2020/11). The Group decided not to apply the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in accordance with Article 468 of the CRR.

	2020 USD	2019 USD
Available capital (amounts)		
CET1 capital	223,264,444	262,738,008
CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	216,850,761	255,523,700
Tier 1 capital	223,264,444	262,738,008
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	216,850,761	255,523,700
Total capital	223,264,444	262,738,008
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	216,850,761	255,523,700
Risk-weighted assets (amounts)		
Total risk-weighted assets	1,206,575,897	1,557,644,559
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,199,122,148	1,549,644,700
Capital ratios		
CET1 (as a % of risk exposure amount)	18.5%	16.9%
CET1 (as a % of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.1%	16.5%
Tier 1 (as a % of risk exposure amount)	18.5%	16.9%
Tier 1 (as a % of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.1%	16.5%
Total capital (as a % of risk exposure amount)	18.5%	16.9%
Total capital (as a % of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.1%	16.5%
Leverage ratio (fully phased in)		
Tier 1 capital (fully phased in)	216,650,137	253,666,056
Leverage ratio total exposure measure	1,842,399,105	1,962,064,275
Leverage ratio	11.8%	12.9%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11.8%	13.0%

The transitional arrangement resulted in a higher total capital ratio of 18.5% (18.1% without applying the transitional arrangement). This increase of 0.4% in the capital ratio was a result of an additional USD5.9 million in the Group's own funds and a greater total risk weighted assets (increase of USD8.6 million) being adjusted in line with the transitional arrangement. As a result, the Group's leverage ratio decreased to 11.8% (11.8% without applying the arrangement).

9.4 Nature and amounts of specific items on own funds during the transitional period in accordance with articles 437(1)(d) and (e) of the CRR

	Amount at disclosure date 2020 USD	Amount subject to pre-CRR treatment or prescribed residual amount of CRR 2020 USD
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts: ordinary share capital	262,080,767	
Retained earnings	(39,027,680)	
Accumulated other comprehensive income (and other reserves)	6,338,832	
Funds for general banking risk	3,358,738	
Common equity Tier 1 (CET1) capital before regulatory adjustments	**232,750,657**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability)	(7,085,652)	-
Deferred tax asset arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38(3) of the CRR are met)	(2,614,708)	673,110
Market value of assets pledged in favour of the Depositor Compensation Scheme	(5,098,388)	-
IFRS 9 adjustment prescribed under regulation (EU) No 2017/2395	5,941,196	5,941,196
Additional prudential value adjustments	(628,661)	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(9,486,213)**	**6,614,306**
Common Equity Tier 1 (CET1) capital	**223,264,444**	**6,614,306**
Tier 1 capital	**223,264,444**	**6,614,306**
Tier 2 capital	**-**	**-**
Total capital	**223,264,444**	**6,614,306**
Total risk weighted assets	**1,206,575,897**	
Capital ratios and buffers (as a percentage of risk exposure amount)		
Common Equity Tier 1 (CET1)	18.5%	
Tier 1	18.5%	
Total capital	18.5%	
Institution specific buffer requirement		
of which: capital conservation buffer requirement	2.5%	
of which: countercyclical buffer requirement	0.02%	
Amounts below the thresholds for deduction (before risk weighting)		
Deferred tax asset arising from temporary differences (below 10% threshold and net of related tax liability)	**22,587,915**	

The Group is required to maintain additional capital buffers, specifically the Capital Conservation Buffer and the Countercyclical Capital Buffer. These buffers are a requirement of Banking Rule 15, Capital Buffers of Credit Institutions authorised under the Banking Act, 1994. If the Group's CET1 capital falls below the combined buffer, automatic restrictions apply on capital distributions.

The Group is required to maintain a Capital Conservation Buffer of 2.5% (2019: 2.5%). In addition, the Group is required to retain an institution-specific Countercyclical Capital Buffer ("CCB") in line with Article 130 of Directive 2013/36/EU. This buffer is based on the weighted average of the CCB rates that apply in those countries where the exposures are located. In this regard, the following tables disclose the Group's (a) geographical distribution of exposures relevant for the calculation; and (b) amount of institution-specific CCB. These tables are in line with the disclosure requirements of Article 440 of the CRR and the supplementary Commission Delegated Regulation (EU) 2015/1555.

	General credit exposures	Own funds requirement				
	Exposures for standardised approach 2020 USD	Of which general credit exposures 2020 USD	Total 2020 USD	Own funds requirements weights 2020 USD	Countercyclical capital buffer rate 2020 USD	Institution specific countercyclical buffer rate 2020 USD
Bulgaria	-	-	-	0.00%	0.50%	0.000%
Czech Republic	2,902	232	232	0.00%	0.50%	0.000%
Hong Kong	24,577,955	1,952,905	1,952,905	2.25%	1.00%	0.022%
Luxembourg	5,018,615	1,785	1,785	0.00%	0.50%	0.000%
Norway	418,980	33,518	33,518	0.04%	1.00%	0.000%
Slovakia	-	-	-	0.00%	1.00%	0.000%
	30,018,452	**1,988,440**	**1,988,440**	**2.29%**		**0.023%**

Countries to which the Group is exposed to in relation to its trading book exposures were not subject to a countercyclical buffer rate.

	2020
Total risk exposure amount	USD1,206,575,897
Institution specific countercyclical buffer rate	0.023%
Institution specific countercyclical buffer requirement	USD277,512

Following the Supervisory Review and Evaluation Process ("SREP") conducted by the MFSA, the Group is bound to meet the following minimum requirements. These requirements are monitored on a monthly basis and were consistently adhered to during 2020.

Total SREP capital requirement ratio ("TSCR")	14.00%
TSCR: to be made up of CET1 capital	10.50%
TSCR: to be made up of Tier 1	12.00%
Overall capital requirement ratio ("OCR")	16.52%
OCR: to be made up of CET1 capital	13.02%
OCR: to be made up of Tier 1	14.52%
OCR and Pillar 2 Guidance ("P2G")	17.52%
OCR and P2G: to be made up of CET1 capital	14.02%
OCR and P2G: to be made up of Tier 1 capital	15.52%

9.5 Capital requirements

The Group uses the Standardised Approach under the capital requirements framework. The overall capital requirements must be calculated and compared with the own funds described above. The overall capital requirements are expressed in terms of Risk Weighted Assets ("RWA") whereby capital requirements need to be 8% of RWA. The Group's minimum capital requirement under Pillar I is calculated by adding the credit risk charge to that required for operational risk and market risk.

The following table shows the Group's overall capital requirement under Pillar I:

	Risk weighted assets 2020 USD	Capital requirement 2020 USD
Credit risk (section 4.1.4 above)	719,000,898	57,520,072
Counterparty risk (section 4.1.6 above)	1,356,278	108,502
Operational risk (section 4.4 above)	106,824,569	8,545,966
Market risk - position risk in traded debt instruments (section 4.3.4 above)	366,080,808	29,286,465
Market risk - foreign exchange risk (section 4.3.2 above)	13,313,345	1,065,068
	1,206,575,898	**96,526,073**

9.6 Internal capital adequacy assessment process

The Group's policy is to maintain a strong capital base 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 institutions and regulators taking a view on whether an institution should hold additional capital against risks not covered in Pillar I. Part of the Pillar II process is the Internal Capital Adequacy Assessment Process ("ICAAP") which is the Bank's self-assessment of risks not captured by Pillar I.

The ICAAP process is managed by the Group's Risk Management which is responsible for the preparation, formulation and overall coordination of this process and the respective ICAAP document. Inputs are received as appropriate by other relevant departments, including but not limited to the Finance, Legal, Treasury, IT, Administration, Human Resources and Operations departments. Each of these departments has a direct connection with one or more risks, policies and procedures analysed and assessed in the ICAAP.

Throughout this process, senior officers from each department provide their input and guidance on how risks are being mitigated and how these risks can be analysed and assessed both in a qualitative as well as quantitative manner. The final document is subjected to a review by the Group's Internal Audit department, and the findings arising from this review are documented in an Auditors' Report.

The final version of the ICAAP is eventually discussed by the Audit Committee before being presented to the Board Risk Committee, and following its recommendation, it is ultimately approved and further ratified by the Board of Directors and submitted to the Regulator.

The Group is also bound by the terms of the capital requirements outlined within the Supervisory Review and Evaluation Process ("SREP") decision.

10 Leverage ratio

CRR requires credit institutions to calculate a non-risk-based leverage ratio to supplement risk-based capital requirements. The leverage ratio is defined as Tier 1 capital divided by a non-risk-based measure of an institution's on- and off-balance sheet items, not deducted from Tier 1 capital (the 'exposure measure'). The leverage ratio has two objectives, namely to limit the risk of excessive leverage by constraining the building up of leverage in the banking sector during economic upswings and to act as a simple instrument that offers a safeguard against the risks associated with the risk models underpinning risk weighted assets. The minimum requirement of the Tier 1 leverage ratio is 3%.

The exemption allowed by Article 500b of Regulation (EU) 2020/873 of The European Parliament and of The Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic to exclude the amount of central bank exposures from the total leverage exposure measure was not applied by the Group in 2020.

	Applicable amount 2020 USD
Summary reconciliation of accounting assets and leverage ratio exposures	
Total assets as per published Financial Statements	1,834,046,020
Adjustments for derivative financial instruments	1,404,483
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent of off-balance sheet exposures)	21,014,590
Other adjustments	(14,065,988)
Leverage ratio total exposure measure	**1,842,399,105**

Leverage ratio common disclosure	CRR leverage ratio exposures 2020 USD
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,833,054,397
Asset amounts deducted in determining Tier 1 capital	(14,065,988)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**1,818,988,409**
Replacement cost associated with all derivatives transactions	2,396,106
Total derivatives exposures	**2,396,106**
Off-balance sheet exposures at gross notional amount	106,953,875
Adjustments for conversion to credit equivalent amounts	(85,939,285)
Other off-balance sheet exposures	**21,014,590**
Tier 1 capital (fully phased-in)	**216,650,137**
Leverage ratio total exposure measure	**1,842,399,105**
Leverage ratio	**11.8%**
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	CRR leverage ratio exposures 2020 USD
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	**1,818,988,409**
Trading book exposures	**452,326,552**
Banking book exposures	**1,366,661,857**
of which:	11,583,630
Exposures treated as sovereigns	470,367,899
Exposures to regional governments, Multilateral development banks, international organisations and public sector entities not treated as sovereigns	7,500,380
Institutions	173,382,979
Secured by mortgages of immovable properties	13,937,785
Retail exposures	18,998,447
Corporate	387,296,798
Exposures in default	103,419,407
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	180,174,532

Leverage risk is managed through regular monitoring and reporting of the leverage ratio, which forms part of the Risk Appetite Framework. FIMBank has set a prudent threshold for the leverage ratio at 7.5% (at group level). The leverage ratio for FIMBank has never breached the required minimum level of 3%, as prescribed by European regulations. The Group's strategy is based on profit improvement and selective asset growth which will further improve the leverage ratio. Changes in regulation relating to leverage ratio are monitored and their potential impact is assessed.

The leverage ratio amounted to 11.8% (2019: 12.9%). This is more than 100% in excess of the required prudential level. The marginal change in leverage was mainly due to an increase in the balance sheet over the previous year.

11 Remuneration policy

The Remuneration Policy ("Policy") outlines the key guiding principles and framework of the Group in terms of remuneration structure. This structure comprises both fixed and variable remuneration and is intended to attract, develop and retain a high-performing workforce while remaining aligned to the Group's long-term strategy, risk appetite, sustainable performance and corporate values.

This Policy is reviewed annually and is approved by the Nomination and Remuneration Committee ("Committee") which is also the body delegated by the Board of Directors to oversee its implementation. The Committee is governed by a Charter. As at 31 December 2020, the composition of the Committee was as disclosed under the Remuneration Report in this Annual Report. The Committee seeks professional advice whenever this is deemed necessary. In 2020, the Committee met four times.

The Policy was last updated in December 2020, to include a number of minor clarifications and to make reference to the Remuneration Policy Supplement ("Supplement") as approved by the AGM on 30th November 2020. This Supplement is, driven, in the main, by enactment of Directive EU 2017/828 (often referred to as "SRDII") and the consequential changes to the Listing Rules, in particular Chapter 12 dealing with Shareholders' rights ("Chapter 12").

This Supplement applies to Directors' as such term is defined in Chapter 12, meaning:

a) any member of the Board of Directors of FIMBank;
b) where they are not members of the administrative, management or supervisory bodies of a company, the Chief Executive Officer and, if such function exists in FIMBank, the Deputy Chief Executive Officer.

It is intended that this supplement will be applied for three years to the end of the AGM in 2023. This Supplement is to be reviewed annually by the Group Chief Human Resource Officer (GCHRO), Company Secretary and if deemed necessary external counsel. The Supplement as approved by the AGM was prepared following legal advice sought from Ganado Advocates. Any material amendments are to be approved by the Nomination and Remuneration Committee (NRC) which is also the body delegated by the Board of Directors to oversee its implementation, prior to being submitted to the general meeting for its binding vote.

The Remuneration Policy governs the remuneration of all members of staff, including this disclosure's target population defined as Identified Staff. This target population is determined in line with the EBA's qualitative and quantitative regulatory technical standards as currently in force. The Group's Identified Staff includes the management body in its management or supervisory function and senior employees who are inter alia responsible for one or more of the below:

- a material business unit or are directly accountable to the person heading the material business unit;
- an internal control in terms of risk, compliance and audit;
- a unit providing legal, financial budgeting and accounting, human resources, information technology or economic analysis support;
- taking decisions on new products, material systems or material processes;
- serving on a Committee tasked with overseeing the management of a risk category;
- initiating credit proposals & have the authority to approve/decline or veto credit applications that result in a credit risk exposure of a nominal amount per transaction which represents 0.5% of the institution's Common Equity Tier 1 capital and is at least EUR5 million;
- taking a decision on transactions on the trading book under Article 4 of Commission Delegated Regulation 604/2014; and,
- employees who match one or more of the quantitative criteria as per Article 4 of Commission Delegated Regulation 604/2014).

For the purpose of remuneration, the Group's 'identified staff' are being sub-categorised according to the EBA guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22), and namely the following business areas:

- Supervisory;
- Management;
- Independent Control;
- Corporate;
- Retail; and
- Others

In aggregate these amount to 9.6% of the Group's total workforce.

The below table includes total fixed and variable remuneration for Identified Staff in each business area.

	Supervisory	Management	Corporate	Independent	Retail *	Other
Number of identified staff	**11**	**10**	**5**	**5**	**4**	**4**
% ratio of fixed vs variable remuneration	**100% vs 0%**	**92.1% vs 7.9%**	**89.2% vs 10.8%**	**97.6% vs 2.4%**	**96.2% vs 3.8%**	**93.6% vs 6.4%**
	USD	USD	USD	USD	USD	USD
Total fixed remuneration	361,723	3,484,058	671,454	841,192	871,203	860,759
Total variable remuneration	-	299,007	80,992	20,861	34,216	59,271
Total remuneration	**361,723**	**3,783,065**	**752,446**	**862,053**	**905,419**	**920,030**

' * ' including lending activity to enterprises

The fixed remuneration includes all statutory and non-statutory amounts disbursed to or on behalf of employees, including fringe benefits, premia for insurance cover and other cash payments.

The variable remuneration consists of the performance bonuses awarded in line with the Group's Performance Management Programme with performance being measured bi-annually through the performance appraisal process. Individual performance is linked to both core competences (qualitative) and role goals (quantitative) and is assessed on a four-point scale. Employees who are rated as having met expectations or higher are awarded a performance bonus which reflects their rating. The bonus pool for the award of performance bonuses is determined by the Committee in accordance with the Policy and more specifically up to the stipulated percentage of the Group's profits before tax and general provisions

In accordance with Article 94(1)(g) of Directive 2013/36/EU, the Group did not award a performance bonus in excess of 100% of the fixed remuneration disbursed to the respective employee, nor were there cash bonuses which exceeded EUR100,000.

The Policy stipulates that before the deferred part of the variable remuneration is paid out, the Group Chief Risk Officer reassesses performance to ensure that this variable remuneration reflects the risks and errors that might have arisen or materialised since the component was awarded. This is carried out as part of Group's Performance Management Process. Furthermore, the Policy stipulates that in cases where the Group incurs financial losses, payment of any deferred bonuses will be decided by the Committee. This approach is carried out in the interest of strengthening the capital base.

In cases of resignations and where deferred bonus payments are still due, such payments shall be affected as and when they become due. Moreover, in case of termination due to failure or misconduct, any deferred bonus(es) will be subject to malus and paid bonus(es) will be subject to clawback up to a maximum of three years as per the terms defined in the contract of employment. The Group did not pay any deferred bonuses since none were due. As per Policy, in the eventuality that part of the variable remuneration is deferred, it will be spread over a period of three years.

There were no individual employees who were remunerated more than EUR1 million. No severance payments were made.

In 2020, the ratio of variable remuneration to fixed remuneration for the target population of Identified Staff for the whole Group stood at 7%. The below table further illustrates the percentage ratio between fixed and variable both at Group level as well as for the individual entities.

	% ratio of fixed vs variable remuneration
FIMBank Group	**94.8% vs 5.2%**
FIMBank, FIM Property Investment Limited & FIM Business Solutions Limited	97.9% vs 2.1%
London Forfaiting Company	85.9% vs 14.1%
India Factoring and Finance Solutions Private Limited	95.5% vs 4.5%
Egypt Factors SAE	96.3% vs 3.7%

Supplementary information on remuneration is included in the Remuneration Report of this Annual Report.

Directors and executive management

Board of Directors

John C. Grech (Chairman)
Masaud M. J. Hayat (Vice Chairman)
Abdel Karim A.S. Kabariti
Claire Imam Thompson
Edmond Brincat
Hussain Abdul Aziz Lalani
Majed Essa Ahmed Al-Ajeel
Mohamed Fekih Ahmed
Osama Talat Al-Ghoussein
Rabih Soukarieh
Rogers David LeBaron

Company Secretary

Andrea Batelli

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Executive Management

FIMBank p.l.c.

Group Chief Executive Officer	Adrian Alejandro Gostuski	
First Executive Vice President	Simon Lay	Deputy Chief Executive Officer
Executive Vice Presidents	Andrea Batelli	Group General Counsel, Head of Investor Relations & Company Secretary
	Julio Bonifacino	Chief Investment Officer, Structuring Executive & Advisor to the GCEO
	Juraj Beno	Group Chief Financial Officer
	Michael Davis	Group Chief Compliance Officer & MLRO
	Ronald Haverkorn	Group Chief Risk Officer

London Forfaiting Company Limited

Chief Executive Officer	Simon Lay	
Company Secretary	William Ramzan	Head of Finance

India Factoring and Finance Solutions (Private) Limited

Chief Executive Officer	Ravi Valecha	
Company Secretary	Swati Zawar	Manager – Compliance

The Egyptian Company for Factoring S.A.E.

Chief Executive Officer	Ahmed Shaheen	
Company Secretary	Sherif Elghobary	Assistant General Manager – Internal Audit Department