



FIMBANK
G R O U P

Annual Report & Financial Statements 2024

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This document is not the official version of the Annual Report and Financial Statements for 2024 of FIMBank Group. The Official Annual Report and Financial Statements for 2024 are in line with the ESEF requirements as published in the Company Announcement and may be accessed through the Bank's website www.fimbank.com, by selecting the Inline Viewer as opposed to this document in pdf format. This document is identical to the Official Annual Report and Financial Statements as per ESEF requirements that is accessed through the Inline Viewer, however in the case of any inconsistencies the Official Annual Report and Financial Statements as per ESEF requirements should prevail.

Chairman's statement to the shareholders

Dear Shareholder,

As we close another fiscal year, I take this opportunity to reflect on the progress, challenges, and strategic direction of FIMBank Group. Against a backdrop of geopolitical uncertainties, global economic fluctuations, and shifting financial landscapes, the Group has remained resilient, focusing on strengthening its position, driving operational improvements, and enhancing financial stability.

For the year ending 31 December 2024, FIMBank Group reported a pre-tax profit of USD8.3 million, reflecting a notable improvement over the previous year's USD5.8 million. However, after accounting for taxes, the Group's net profit stood at USD149,989, representing only a slight improvement over the break-even figure of USD7,674 in 2023. Although this result still falls short of expectations, it underscores the Group's ability to maintain stability amid economic challenges. At the same time, it highlights the importance of reinforcing efforts to enhance profitability and deliver long-term value to Shareholders.

While we acknowledge the efforts and tangible progress made, the financial results also underscore the challenges encountered during the year. The economic environment in 2024 remained complex, with higher interest rates, inflationary pressures, and supply chain disruptions affecting global markets. The persistence of conflicts in Ukraine and the Middle East, alongside volatility in financial markets, placed further strain on businesses worldwide. Despite these adversities, FIMBank remained resilient, capitalising on selective opportunities while reinforcing its financial and operational foundations.

Transparency and accountability remain at the core of FIMBank's philosophy. We are committed to forthright communication with Shareholders, ensuring that both challenges and achievements are addressed with integrity. I take this opportunity to extend my sincere gratitude to our majority Shareholder, KIPCO Group, for their steadfast commitment and ongoing support. Their trust and strategic backing have been instrumental as we drive forward our transformation and growth objectives.

Under the leadership of Group Chief Executive Officer, Mr. Simon Jethro Lay, the Bank remains focused on driving operational improvements, enhancing efficiencies, and reinforcing financial discipline across the Group. A highly respected authority in trade finance, Mr. Lay brings decades of industry expertise, a deep understanding of global financial markets, and a proven track record in risk management, forfaiting, and trade finance solutions.

Having been part of the Group's leadership team for many years, Mr. Lay knows the Group well. Since 2003, he has played a pivotal role in shaping the growth and strategic direction of London Forfaiting Company Ltd. He later took on broader responsibilities within FIMBank, serving as Acting CEO in 2015 and subsequently as Deputy CEO for nearly a decade, gaining invaluable insight into every aspect of the Bank's operations. His hands-on experience and deep institutional knowledge allow him to steer FIMBank with a clear vision and strong strategic focus.

I also wish to acknowledge the contributions of the Board of Directors, Management, and employees - the collective force behind the Bank's progress. Their commitment, expertise, and dedication have enabled us to navigate challenges while positioning the Bank for further growth and innovation.

Looking ahead, the global economic outlook for 2025 remains challenging but with reasonable prospects for moderate growth across financial markets. As interest rate environments evolve and geopolitical tensions persist, the need for agility, resilience, and forward-thinking strategies will be more crucial than ever. As FIMBank enters 2025, our focus remains on sustaining revenue growth through careful asset selection and disciplined capital allocation. We continue to streamline operations, driving cost efficiencies through process refinements and consolidations. Advancing our digital capabilities remains a priority, ensuring our platforms and services evolve to meet client needs. At the same time, we are refining our risk management framework to maintain a stable and well-diversified portfolio, positioning the Bank for long-term resilience and growth.

While challenges remain, I firmly believe that the decisive steps taken over the past few years have established a solid foundation for the future, positioning the Bank for sustained progress and stability. Their steadfast support has enabled the Bank to execute its strategy with discipline. I also extend my appreciation to our clients and partners for their trust, as well as to our employees and leadership team for their relentless dedication and hard work.

Together, we have navigated challenges, embraced change, and worked diligently to fortify our institution. As we look ahead, I remain confident that FIMBank Group will continue to adapt and evolve, further strengthening its position as a resilient and dynamic organisation, guided by our core principles and values.

Signed by Dr. John C. Grech (Chairman) on 9 April 2025

FIMBank group performance 2024

CEO's message

As we reflect on the financial year ending 31 December 2024, I acknowledge that while our overall financial results may have fallen short of our Shareholders' expectations, they also highlight key areas of progress and positive momentum that positions us for sustainable growth. The Group achieved a 43% increase in pre-tax profit, reaching USD8.3 million compared to USD5.8 million in the previous year. While post-tax profit stood at USD149,989, reflecting the impact of ongoing challenges, our ability to drive substantial pre-tax growth highlights the resilience of our business model and the effectiveness of our strategic initiatives.

Having taken over as Group Chief Executive Officer in the third quarter of 2024 (although I have been part of the organisation since 2003), I am fully aware of the work that remains to be done, and the steps required to drive meaningful progress in delivering better financial results.

It is important to consider that our financial performance should be viewed in the appropriate context. While the reported figures may not yet fully capture the impact of our ongoing transformation, the significant advancements achieved in risk management, operational efficiency, and business stability should provide a stronger foundation for the future. These efforts are expected to position the Group for greater resilience and deliver improved financial outcomes in the years ahead.

As mentioned, FIMBank Group recorded a post-tax profit of USD149,989, up from a break-even result of USD7,674 in 2023. Although tax provisions continued to weigh on our net results, the Group's ability to sustain profitability in a challenging global economic environment reflects the effectiveness of our strategic direction and disciplined risk management.

For the fifth consecutive year, the Group recorded no new material non-performing loans, demonstrating the impact of prudent risk management, diversified portfolios, and robust recovery processes. A total of USD12.1 million was successfully recovered from non-performing clients, further strengthening our asset quality and regulatory position. In addition, we wrote off certain fully provisioned exposures (refer to Note 4.2.1.5) where recovery prospects were deemed remote, allowing us to reallocate resources towards more strategic initiatives.

Since my appointment as FIMBank Group CEO, I have witnessed first-hand the steadfast commitment and determination of our team. As we navigate an increasingly complex global environment, we remain focused on maintaining a stable, scalable business model that positions us for future growth. With the continued support of our Shareholders, we are well-equipped to drive sustained value and capitalise on opportunities within the global banking space.

Last year marked a significant milestone for the Group, as FIMBank celebrated its 30th anniversary and London Forfaiting Company its 40th anniversary, reflecting decades of expertise in trade finance and financial services. These anniversaries reaffirm the trade finance expertise that is embedded within our Group, the knowledge and cohesiveness of our people, and our long-standing commitment to the industry. As we look ahead, we remain dedicated to honouring this legacy by evolving, innovating, and strengthening our position in global finance.

Overview of financial results

The Group's financial performance in 2024 was driven mainly by effective cost reductions and continued efforts to maintain diversified revenue generation. Net interest income declined slightly due to higher interest expenses; however, margins remained robust, reflecting effective portfolio management and resilience in a changing rate environment. Net fee and commission income also improved.

Operating expenses were well contained, driven by effective cost reductions, lower legal fees, and improved operational processes - reflecting the Group's ongoing commitment to optimising operations and driving sustainable cost efficiency. Net trading losses were also well contained, declining from previous year - reflecting improved market positioning and risk management practices.

The Group sustained a robust capital position, ending the year with a Total Capital Ratio (TCR) of 21.3%, well above the regulatory minimum requirement. Liquidity levels maintained a strong capital position, with a Liquidity Coverage Ratio (LCR) of 352% and a Net Stable Funding Ratio (NSFR) of 158%, both comfortably exceeding regulatory minimums. These indicators demonstrate the Group's steadfast commitment in maintaining financial stability and operational resilience in a challenging economic landscape.

Business unit performance

Trade Finance

Trade Finance remained a core focus, within the Group maintaining a stable client base while selectively expanding in key markets. The Bank continued the activity of streamlining processes and remained focused on improving service delivery while enhancing efficiency in handling trade finance transactions. With a dedicated focus on supporting clients, operations were optimised to ensure faster processing times, better client engagement, and improved transaction execution. The Malta Head Office and Dubai DIFC Branch played a pivotal role in servicing trade finance clients, leveraging their strategic locations to provide tailored solutions, strengthen relationships, and enhance operational responsiveness in key markets.

FIMBank is a recognised name in the international trade finance market, with a strong reputation built on expertise and reliability. We aim to leverage this standing by positioning ourselves as specialists with deep knowledge of complex trade transactions and global trade flows, ensuring we continue to provide tailored solutions that meet the evolving needs of our clients.

Corporate Finance

The Bank's Real Estate Finance unit has continued to support residential and commercial development projects in Malta, maintaining a stable and well-performing portfolio since its establishment in 2016. Adopting a selective approach, the Bank has prioritised quality projects and nurtured long-term relationships with clients it has been working with since inception. This strategy has reinforced its position as a trusted partner in the real estate sector, ensuring steady growth through repeat business and carefully managed risk.

As a specialist bank, FIMBank's Malta Business Banking unit offers a distinctive alternative to traditional lenders, leveraging its trade finance expertise to provide tailored solutions that bridge conventional corporate banking with a dynamic, international trade-focused approach. This unique blend of structured financing and trade finance thinking, positions the Bank as a strong partner for Maltese businesses seeking flexibility and expertise beyond conventional banking models.

In 2024, the Bank made progress in expanding its Malta Business Banking offering, successfully onboarding established Maltese corporates across various industries. The Bank has been actively providing working capital solutions, general banking facilities, and revolving loans, supporting the financial needs of local businesses. This early progress highlights the opportunity for continued growth and diversification. It positions the Bank to selectively expand its presence in Malta's corporate sector while also exploring new avenues for sustainable growth and enhancing its portfolio in a focused and strategic manner.

London Forfaiting Company Ltd ("LFC")

LFC continued to build on its core strengths, demonstrating resilience, strategic discipline, and adaptability in a dynamic and evolving market. While there was a decline in forfaiting assets held for trading towards the end of the year, the average exposure remained broadly in line with 2023 levels. Despite a challenging macroeconomic landscape - including the continued geopolitical tensions arising from the Russia-Ukraine war, and market uncertainties in the Middle East - the company reported a pre-tax profit of USD11.1 million. These results underscore LFC's ability to prudently navigate complex global challenges while delivering sustainable, risk-adjusted returns.

As a key subsidiary of FIMBank, LFC will continue to play an instrumental role in supporting the Group's strategic objectives in the years ahead. Its expertise in structured trade finance and established international presence provides a strong foundation for expanding global reach and enhancing revenue diversification. With its disciplined approach to risk and portfolio management, LFC remains well-positioned to complement FIMBank's broader strategy, ensuring that selective market participation and credit fundamentals remain at the core of its operations. As the Group refines its long-term vision, LFC's role in delivering sustainable growth and reinforcing FIMBank's position in trade finance will be increasingly significant.

India Factoring and Finance Solutions Private Ltd ("India Factoring")

India Factoring remains a leading provider of factoring services in India, retaining its strong market position in supporting small and medium enterprises with tailored working capital solutions. By providing clients with immediate liquidity, the subsidiary enables businesses to smooth cash flow requirements, improve financial planning and optimise financial performance. The Entity has maintained a stable portfolio while continuing to meet the financing needs of its clients.

India Factoring reported a pre-tax profit of USD4.3 million for 2024, representing more than a twofold increase over the previous year. The increase reflects the impact of operational improvements, enhanced digital capabilities, and prudent risk management. The performance was further supported by the successful recovery of a legacy non-performing loan. The Entity strategically diversified its portfolio across multiple sectors, with a considerable portion of the portfolio supported by credit insurance, effectively managing sector-specific risks.

India Factoring's achievements during the year have also been recognised through industry awards, highlighting its strong market presence and continued growth. These awards reflect its commitment to excellence in the factoring industry and its effective market engagement strategies, reinforcing its position as a trusted financial partner for businesses in India. With a proven track record in factoring and trade finance, the Entity remains well-positioned to expand its market reach and further enhance its service offering while maintaining a disciplined approach to credit and portfolio management.

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

Egypt Factors is a leading provider of factoring services in Egypt, recognised for its pioneering role in the industry and strong market position. As the first licensed Egyptian company specialising in factoring, the subsidiary has established itself as a trusted partner for businesses seeking efficient working capital solutions. It continues to support its clients by providing high-quality accounts payable solutions through reverse factoring, helping them optimise cash flow and efficiently meet supplier obligations while aligning with buyer expectations.

In 2024, Egypt Factors maintained a stable invoice turnover, demonstrating its operational resilience amid a challenging economic landscape. The Entity successfully secured external funding from multiple banking partners, further reinforcing its financial position and liquidity.

Despite having a reduced factoring portfolio, Egypt Factors delivered a solid performance, reporting a pre-tax profit of USD1.4 million, reflecting its ability to adapt to market shifts while maintaining financial stability.

With its established reputation and extensive market expertise, Egypt Factors remains well-positioned to capture new opportunities and reinforce its leadership in Egypt's financial sector. The subsidiary will continue to focus on expanding its client base, strengthening relationships, and delivering tailored financial solutions to support economic activity and business growth in the country.

Our people

At FIMBank, we know that the foundation and values of our success rests with our people. The dedication and commitment of our employees drive the Bank's ability to deliver high-quality, dynamic, and innovative financial services. Within an organisation like FIMBank, employees gain unique exposure to international trade, and banking, broadening their horizons and developing a global perspective that sets them apart in the industry. Each team member plays a crucial role in upholding our reputation for excellence and customer service, reinforcing FIMBank's position as a trusted institution. We remain committed to fostering a work environment that supports professional growth, collaboration, and engagement, equipping our employees with the skills and experiences necessary to thrive in an increasingly interconnected financial landscape.

Environmental, social and governance (ESG) commitment

FIMBank recognises the importance of Environmental, Social, and Governance (ESG) principles and their growing role in the financial sector. As a global institution, the Group acknowledges its influence on communities, business practices, and the environment. To support these efforts, FIMBank continues to work with external specialists to implement an ESG framework that aligns with the European Union's ESG objective. As the ESG landscape evolves, FIMBank will continue to assess and refine its strategy in response to regulatory and market expectations.

Technology and digital advancements

FIMBank remains committed to enhancing its digital banking infrastructure, ensuring a seamless, secure, and efficient experience for its customers. As part of this commitment, the Bank successfully upgraded its internet banking platform, FIMBank Direct, introducing enhanced functionalities, improved accessibility, and a more intuitive user interface. These enhancements reflect the Bank's focus on continuous innovation and customer-centric improvements in digital banking services.

In line with its drive to modernise payment solutions, FIMBank worked throughout 2024 on a strategic project led by the IT team to launch Incoming Euro Instant Payments in January 2025. This new service allows incoming Euro transactions to be processed in under 10 seconds, 24/7, including weekends and public holidays. Aligned with the EU's Instant Payments Regulation, it enables customers to receive transfers of up to Euro 100,000 almost instantly. The introduction of real-time payments significantly strengthens the Bank's offering by enhancing cash flow efficiency for businesses and providing individuals with immediate access to their funds.

Beyond these developments, FIMBank is actively upgrading and implementing new platforms across various business units, leveraging technology to enhance efficiency and support its strategic growth objectives.

Corporate social responsibility

FIMBank remains committed to supporting the community in which it operates, with 2024 marking a year of active engagement in cultural, environmental, and philanthropic activities. As part of its 30th anniversary milestone, the Bank proudly supported the Sliema Arts Festival, contributing to artistic projects that raised awareness on sea pollution and climate change. To commemorate this milestone, the Bank also planted endemic trees in the Independence Gardens, in Sliema, reinforcing its commitment to sustainability, while a commemorative plaque was installed to mark the occasion.

Further promoting Malta's rich cultural heritage, FIMBank hosted a book launch event featuring two publications by Professor Victor Grech, celebrating notable Maltese authors. All proceeds from the event were donated to local philanthropic organisations, Save and Support and Beating Hearts Malta, reinforcing the Bank's dedication to giving back to the community. In support of women in business, FIMBank partnered with SHE Malta during Women's Month, co-sponsoring a networking event that encouraged inclusivity and empowerment in entrepreneurship.

Throughout the year, the Bank also provided philanthropic support to various NGOs, further strengthening its role as a responsible corporate citizen dedicated to fostering positive social impact. At FIMBank, we are committed to supporting the communities and countries where we operate, contributing to their growth and development.

Our focus for 2025

In 2025, the Group will remain focused on revenue diversification, actively pursuing high-quality, good-yielding assets while fostering greater collaboration and knowledge-sharing across business units. Expanding the balance sheet in a disciplined and sustainable manner will be a key priority, ensuring that the business continues to generate value while maintaining a prudent risk appetite.

Operational efficiency will remain a key driver of long-term success. We will continue to streamline processes, reduce costs, and enhance productivity, further solidifying the Group's capacity to operate with agility and maintain the highest standards of service excellence. A more focused approach to eliminating inefficiencies and optimising resources will fortify the Group's operational framework, positioning us for sustained growth and resilience. Investments in technology and digital enhancements will also play a crucial role in improving both customer experience and operational resilience. Enhancing front-end digital platforms, increasing automation, and refining risk assessment models will ensure that the Group remains agile and responsive to market developments, further strengthening its competitive edge.

Maintaining a robust risk management framework will remain a key priority, continuing the disciplined approach embedded in the Group's risk frameworks over the past years. The Group will uphold its selectivity in credit origination and sustain its focus on reducing non-performing loans. Ensuring a strong risk-adjusted portfolio will reinforce financial stability and long-term resilience.

By prioritising asset growth, operational efficiency, digital transformation, and risk management, the Group will continue to build upon its foundational strengths and position itself for sustainable success in 2025 and beyond. This strategic focus aligns with our commitment to delivering long-term Shareholder value while adapting to the evolving market dynamics.

Concluding remarks

The progress made in 2024 reflects the hard work, resilience, and strategic initiatives undertaken across the Group. We recognise our strengths and the challenges we face. The transformation efforts undertaken in recent years are delivering positive results, reinforcing the foundation for a stronger and more sustainable institution. We are profoundly grateful for the steadfast support of our shareholders. Their continued confidence fuels our commitment to enhancing shareholder value and propels us toward our strategic objectives. I extend my sincere gratitude to our employees, Board of Directors, Shareholders, and clients for their commitment and trust. As we move forward into 2025, we remain focused on fortifying our operational framework and driving sustainable growth. Together, we are poised to navigate the future with resilience, optimism and creating lasting value for all stakeholders.

Signed by Mr. Simon Jethro Lay (Chief Executive Officer) on 9 April 2025

Directors' report

For the year ended 31 December 2024

The Directors present their report together with the Financial Statements of FIMBank p.l.c. (the "Bank"), and FIMBank Group of Companies (the "Group") for the year ended 31 December 2024. 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

For the year under review, the Group reported a profit after tax of USD149,989 (2023: USD7,674), while the Bank recorded a loss of USD3,203,686 (2023: profit of USD2,490,148).

Further information about the results are provided in the Statements of Profit or Loss and the Statements of Other Comprehensive Income on pages 48 and 49 and in the Review of Performance section within the Directors' Report.

Group structure and principal activities

The Group comprises the Bank and its wholly owned subsidiaries, London Forfaiting Company Limited ("LFC"), FIM Property Investment Limited ("FPI"), The Egyptian Company for Factoring S.A.E. ("Egypt Factors"), 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"), while 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 primarily engaged in international trade finance, real estate financing, factoring, and loan syndications, and it serves as an intermediary for other financial institutions in international settlements.

The Bank has a branch registered with the Dubai International Finance Centre, United Arab Emirates, which is regulated by the Dubai Financial Services Authority in the United Arab Emirates.

- 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 banks, corporates and companies.

On 23 May 2024, the directors of London Forfaiting Company Limited ("LFC") resolved to reduce the issued share capital from USD115,600,000 to USD75,600,000 by cancelling and extinguishing 40,000,000 of the issued ordinary shares of USD1.00 each in LFC, each of which was fully paid up. This reduction in share capital is part of the strategic reorganisation of the Group.

- FPI (100%), registered in Malta, owns and manages FIMBank's Head Office and other properties leased from third parties. FPI is responsible for facility management activities and the leasing of commercial and office space within Mercury Tower to related parties and third-party tenants.
- Egypt Factors (100%), registered in Egypt, is active in providing factoring services to Egyptian companies.
- FIMFactors (100%), registered in the Netherlands, is the corporate vehicle for the Bank's holdings in factoring subsidiaries and associated companies. These are:
 - India Factoring and Finance Solutions (Private) Limited (88.16%), incorporated in Mumbai, India, is to carry out the business of factoring in India. India Factoring is regulated by the Reserve Bank of India: and
 - BrasilFactors S.A. (50%), equity-accounted investee incorporated in São Paulo, Brazil, specialising in factoring services for small and medium-sized enterprises. The remaining 50% is owned by Bank of China.

In 2024, FIM Business Solutions Limited (100%), a company incorporated under the Laws of Malta (Company Registration No. C36423), with its registered address at Mercury Tower, the Exchange Financial & Business Centre, Elia Zammit Street, St. Julian's, Malta STJ3155, was merged by acquisition with the Bank. On 24 April 2024, the Registrar of Companies issued a Certificate of Registration as a Result of Amalgamation.

Review of performance

In 2024, the Group continued to build on the solid foundation laid in 2023, a year that marked a pivotal turnaround in both operational and financial performance. For the financial year ending 31 December 2024, the Group reported a pre-tax profit of USD8.3 million, a notable increase from USD5.8 million in the previous year. At a post-tax level, the Group remained marginally profitable, recording a net profit of USD149,989 (2023: USD7,674), reflecting a significant recovery from losses in earlier years.

The operating results from the non-trading portfolio, which comprises the Group's core operations, maintained the positive momentum of 2023, contributing a solid USD52.7 million during the period.

This progress was underpinned by continued strategic focus and strong leadership. The Group maintained disciplined execution of its transformation initiatives, prioritising value creation and long-term performance. During the year, it exited lower-yielding facilities to enable more effective resource allocation. A targeted approach to asset build ensured alignment with profitability goals, while enhanced collaboration across teams improved operational delivery and efficiency.

These efforts reinforced shareholder confidence and sustained stakeholder support. Improvements in liquidity management contributed to a stronger net interest margin towards year-end, reflecting the impact of the Group's proactive financial strategies.

Strategic balance sheet management preserved capital adequacy and liquidity strength, while responding effectively to evolving regulatory and market conditions. A measured reduction in total assets and liabilities reflected a deliberate focus on liquidity optimisation.

Throughout 2024, the Group continued with a prudent approach to cost management, enhancing operational efficiency while continuing to invest in technology to support innovation and future growth. This balanced approach, combined with sound financial oversight and risk management, positions the Group well to navigate a changing economic and regulatory environment.

Net impairment losses remained steady at USD2.5 million, consistent with normalised levels achieved in 2023. This reflects a balanced approach to risk, despite increases in Stage 1 and 2 provisions for performing clients by USD1.9 million and in Stage 3 provisions for current non-performing clients by USD3.5 million. These were largely offset by provision reversals following write-offs and recoveries of non-performing exposures. The Group maintained a strong focus on recovering its legacy portfolio, with ongoing efforts yielding tangible results. Notably, for the fourth consecutive year, the Group reported no material non-performing exposures - highlighting the success of its sustained de-risking strategy, which has significantly improved asset quality and strengthened regulatory metrics.

These strategic initiatives have enabled management to redirect resources towards recovery efforts and further reinforcement of the performing portfolio. As a result, the Group recorded a 2% year-on-year decline in the Non-Performing Loan (NPL) Ratio, bringing it to 2.85% as at 31 December 2024. This represents a marked improvement from 2020, when the NPL Ratio stood at 20%, demonstrating the Group's effectiveness in risk mitigation and portfolio optimisation.

The Group sustained a robust capital position, ending the year with a Total Capital Ratio (TCR) of 21.3%, well above the regulatory minimum of 16.77%. This capital surplus enables the Group to pursue further asset origination opportunities in line with its risk appetite. In addition, the Group maintained a strong liquidity profile, with an average Liquidity Coverage Ratio (LCR) of 352% and an average Net Stable Funding Ratio (NSFR) of 158%. Both ratios exceeded not only regulatory requirements but also the Group's internal thresholds, reinforcing its resilience and capacity to meet liquidity obligations.

Together, these metrics highlight the Group's financial soundness and ongoing commitment to regulatory compliance and prudent risk management.

FIMBank p.l.c.

In 2024, the Bank remained focused on its transformation agenda, driving continued improvements in performance. A positive trend in interest margin expansion was observed, supported by stronger pricing discipline and enhanced capital and balance sheet management. The introduction of a structured management recharge to subsidiaries has improved performance accountability and operational efficiency across the Group. Efforts to diversify the deposit base contributed to funding stability and reduced reliance on concentrated sources.

The Financial Institutions portfolio was managed prudently, with adjusted exposure limits and tenors aligned with the Bank's risk appetite. Trade Finance continued to be a core business line, with operational enhancements including updated risk frameworks, streamlined processes, technology investments, and targeted employee development. These initiatives aim to improve service quality and overall efficiency. In response to evolving market dynamics, the Bank renewed its focus on trade finance in selected African and Middle Eastern markets, leveraging internal expertise and a well-established network to build a diversified portfolio.

The Bank also enhanced its real estate project financing capabilities and expanded its business banking offering to local corporates. It remains committed to delivering tailored solutions across a range of sectors. Momentum in this area continues to build, with new facilities launched to support the Maltese corporate sector.

London Forfaiting Company Limited

In light of the modest growth in global trade in 2024, LFC continued to record a healthy profit before tax of USD11.1 million in 2024 (2023: USD11.3 million). This achievement is noteworthy, given the impact on trade flows from the ongoing disruptions of the Russia-Ukraine conflict as well as the conflict in the Middle East. During the year, LFC reduced its 'Trading assets' by 26.6% from USD374.2 million in 2023 to USD274.7 million in 2024, in preparation for the implementation of new capital regulations, Basel 4, (Basle 3.1 in the UK) that became effective on 1 January 2025. The ability to upscale and downscale its trading assets portfolio remains a key strength of LFC.

Operating income remained stable at USD20.6 million in 2024 (2023: USD20.6 million), while net impairment movements improved from a net impairment charge of USD0.2 million in 2023 to a net reversal of USD0.3 million in 2024. However, this improvement was partially offset by a decrease in operating expenses to USD9.2 million in 2024 (2023: USD9.5 million). LFC will continue to find efficiencies in its bases costs as well as enhancing its returns to the parent company.

During the year, LFC returned USD40 million of its share capital to FIMBank plc as an indication of further supporting its parent company.

India Factoring and Finance Solutions (Private) Limited

India Factoring delivered a strong performance in 2024, surpassing its prior year profit before tax by USD2.7 million (165%) and closing the year at USD4.3 million. This result reflects the entity's continued operational strength, disciplined risk management, and effective execution of strategic initiatives. The performance was further supported by the successful recovery of a legacy non-performing loan.

Export factoring continued to perform well, with negligible delinquencies over several years - reflecting the entity's rigorous credit assessment and monitoring practices. As at 31 December 2024, a significant portion of funded assets remained covered through import factors and credit insurance, further limiting risk exposure.

India Factoring's strong credit profile was reaffirmed with ratings upgrades in 2024. CARE Ratings upgraded its long-term rating to "BBB+ Stable" and maintained the short-term rating at "A2". Similarly, India Ratings (FITCH) upgraded the long-term rating to "BBB+ Stable" and retained the short-term rating at "A2". The company's capital adequacy ratio remained comfortably above the regulatory minimum, underlining its financial strength and readiness for growth.

Throughout the year, India Factoring continued to enhance its operations, including the rollout of advanced digital functionalities. The entity also received multiple awards recognising excellence across various business areas, reinforcing its leadership and commitment to value creation.

The Egyptian Company for Factoring S.A.E.

In 2024, Egypt Factors maintained stable invoice turnover, reflecting operational resilience in a challenging economic environment. The company successfully secured external funding from several banks, further strengthening its financial position. The removal of the government's COVID-era subsidised funding programme lifted previous constraints; however, the resulting improvement in net interest income was offset by higher funding costs from the parent and a reduced factoring portfolio - following the flotation of the Egyptian Pound amid increased USD availability.

Despite these pressures, EGF remained profitable, reporting a pre- and post-tax profit of USD1.4 million, compared to USD1.9 million in 2023. Specific provision charges remained minimal, indicating continued portfolio quality.

Statements of profit or loss

For the financial period ending 31 December 2024, the Group reported a pre-tax profit of USD8.3 million, up from USD5.8 million in the previous financial year. Similar to 2023, the Group closed the year above break-even, recording a profit of USD149,989 for 2024, compared to a marginal profit of USD7,674 in 2023.

Group earnings per share were at US cents 0.02 (2023: negative US cents 0.01). 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:

	2024 USD	Group 2023 USD	Movement USD
Net interest income	51,847,584	55,249,865	(3,402,281)
Net fee and commission income/(expense)	733,118	(739,577)	1,472,695
Dividend income	-	40,228	(40,228)
Fair value loss on investment property	-	(1,398,978)	1,398,978
Other operating income	117,760	1,665,027	(1,547,267)
Operating results from non-trading portfolio	52,698,462	54,816,565	(2,118,103)
Operating expenses	(40,401,298)	(43,840,601)	3,439,303
Income before net impairment and net trading results	12,297,164	10,975,964	1,321,200
Net trading results	(1,475,879)	(3,220,869)	1,744,990
Net impairment losses	(2,501,376)	(1,960,888)	(540,488)
Profit before taxation	8,319,909	5,794,207	2,525,702
Taxation	(8,169,920)	(5,786,533)	(2,383,387)
Profit for the year	149,989	7,674	142,315

The Group reported 'Operating results from non-trading portfolio' of USD52.7 million, reflecting a decrease of USD2.1 million (3.9%) compared to the previous year.

'Net interest income' (Refer to Note 8) saw a decline of USD3.4 million (6.2%) year on year, reaching USD51.8 million. This was primarily influenced by changes in both interest income and interest expense. Interest income rose by USD1.8 million, driven by a USD3.9 million increase in interest income on loans and advances to customers, owing to higher average balances. However, this was partially offset by a USD1.4 million decline in interest income on trading assets due to lower holdings and a USD0.7 million reduction in interest income from financial investments as a result of lower bond holdings. Meanwhile, interest expense increased by USD5.2 million, primarily due to an USD8.4 million rise in interest expenses on amounts owed to customers, reflecting the impact of higher interest rates which are not directly linked to benchmark rates movements. This was somewhat counterbalanced by a USD3.6 million reduction in interest expense on amounts owed to institutions, as lower balances were maintained in these areas.

'Net fees and commission income' (Refer to Note 9) improved to USD0.7 million from a net expense of USD0.7 million in the prior year, reflecting a positive movement of USD1.5 million.

This year, the Group did not receive any 'Dividend income' from unrelated parties and was not impacted by the 'Fair value loss on investment property', which had resulted in a USD1.4 million loss in the previous year. 'Other operating income' decreased by USD1.5 million to USD0.1 million, primarily due to fair value losses on unlisted sub-fund units classified under financial investments at fair value through profit or loss.

'Operating expenses' for the year under review amounted to USD40.4 million, reflecting a decrease of USD3.4 million (7.8%) compared to the previous financial year. This reduction was driven by lower legal and other professional fees, as well as a reduced cash commitment to the depositor compensation scheme due to lower balances in amounts owed to customers. Additionally, in the previous year, the Group had incurred expenses related to the strategic transformation project undertaken in collaboration with a highly reputable advisory firm, as previously announced in past publications.

The 'Net trading results' recorded a loss of USD1.5 million, an improvement from the USD3.2 million loss in the previous year. This includes a USD0.9 million loss (2023: USD0.9 million) from foreign exchange fluctuations and fair value movements on FX derivatives, as well as a USD0.5 million loss (2023: USD2.3 million) from fair value changes in trading assets. In 2024, the loss was primarily driven by the impact of the lower interest rate environment on the trading book at the Group's subsidiary, LFC. In the prior year, the trading book was affected by the default of an asset, along with the broader effects of conflicts in Ukraine and the Middle East, as well as monetary and fiscal policies in major markets.

'Net impairment losses' remained in line with the normalised levels achieved in 2023, amounting to USD2.5 million, compared to USD2.0 million in the previous year. The Group increased Stage 1 and Stage 2 provisions for performing clients by USD1.9 million, whereas last year it released USD0.7 million.

The Group wrote off USD4.7 million of non-performing exposures in 2024, down from USD59.7 million in 2023. The majority of these write-offs were fully provided for in previous years, and in most cases, the Group still holds the option to enforce, sell, or transfer the credit to another entity. Additionally, the Group recovered USD1.1 million in previously written-off debt, compared to USD0.6 million in 2023.

The Group reversed USD3.0 million of Stage 3 provisions, compared to USD56.4 million in 2023. Of this, USD6.6 million (2023: USD60.3 million) was reversed due to write-offs or recoveries of non-performing exposures, while USD3.5 million (2023: USD3.9 million) was an increase in coverage for legacy non-performing exposures and legal fees incurred during the recovery process.

These adjustments, along with other measures, contributed to a reduction in the NPL Ratio by approximately 2% during the review year, bringing it down to 2.85% by December 2024. Over the past years, management has made significant efforts to lower the NPL Ratio from 20% in 2020.

In 2024, tax provisions across all Group entities totalled USD8.2 million, up from USD5.8 million in 2023. As the profitability of Group entities increased, a portion of deferred tax assets was utilised, while some were reversed due to uncertainty regarding their utilisation before expiry. These entities have conducted thorough assessments to ensure the recoverability of the remaining recognised deferred tax assets before their expiration, where applicable.

Financial position

As of December 31, 2024, the Group's Consolidated Assets stood at USD1.15 billion, reflecting a USD434.5 million decrease (27.5%) compared to the previous year-end. This decline was driven by strategic efforts to optimise liquidity and maintain adequate capital buffers in line with regulatory requirements. On average, the Group's Consolidated Assets were 9% lower than the prior year's average.

The decline in Consolidated Assets was broad-based, affecting multiple asset classes. Balances with the Central Bank of Malta and treasury bills (see Note 18) decreased by USD218.8 million (62.0%) as the Group adjusted liquidity buffers to more cost-effective levels. Trading assets (see Note 20) fell by USD99.4 million (26.6%), reflecting a measured approach to capital allocation in line with regulatory requirements. Loans and advances to banks (see Note 21) decreased by USD56.4 million (36.9%) as part of strategic asset deployment across various jurisdictions. Financial investments also saw a significant reduction, with amortised cost investments (see Note 25) declining by USD26.3 million (92.7%), while fair value through other comprehensive income (FVOCI) investments (see Note 24) fell by USD20.5 million (14.6%), both due to matured bonds that were not replaced amid lower liquidity needs. Financial investments at fair value through profit or loss (see Note 23) decreased by USD5.4 million (27.8%), primarily due to the redemption of unlisted sub-fund units and equity shares. Loans and advances to customers (see Note 22) recorded only a minor net decrease of USD3.4 million (0.8%), reflecting a USD39.7 million reduction in term loans, largely offset by a USD34.5 million increase in on-call and short-term loans.

Despite the overall decline in year-end balances, average asset levels throughout the year showed a more moderate contraction. Balances with the Central Bank of Malta and treasury bills declined by an average of USD55.5 million (21%), while trading assets saw an average reduction of USD38.4 million (10%). Loans and advances to banks decreased by an average of USD26.3 million (22%). Financial investments at amortised cost and FVOCI declined by USD13.5 million (58%) and USD5.7 million (4%), respectively. Financial investments at FVTPL dropped by an average of USD1.2 million (6%). However, loans and advances to customers increased by an average of USD16.0 million (4%), highlighting the Group's continued emphasis on this segment despite the overall reduction in assets.

The Group's deferred tax asset declined from USD19.0 million to USD15.7 million (see Note 31), primarily due to utilisation and write-offs at the subsidiary level. This reflects the application of deferred tax benefits against taxable income and a strategic reassessment of tax positions. A comprehensive review of deferred tax assets and subsidiary investments reaffirmed the adequacy of their carrying amounts. The assessment considered macroeconomic conditions, regulatory developments, and capital management strategies to ensure financial stability. Management also evaluated strategic options for subsidiaries while optimising funding sources and enhancing revenue growth through operational efficiencies. A thorough analysis of credit losses and recoveries reinforced the Group's prudent risk management approach.

The Group recorded a decline in property, plant & equipment (PPE) and investment property. PPE decreased by USD1.6 million (see Note 27), primarily due to depreciation charges and foreign exchange losses, while investment property fell by USD1.3 million (see Note 28), mainly impacted by foreign exchange movements. As part of its regular asset review process, the Group conducted an internal valuation of investment property, considering market trends, rental rates of comparable premium business centres, and economic conditions. This ensures alignment with both market realities and the Group's long-term strategic objectives.

As of December 31, 2024, the Group's Consolidated Liabilities amounted to USD0.96 billion, a USD438.9 million (31.3%) decrease, mirroring the reduction in Consolidated Assets. This was driven by a USD255.6 million (27.3%) decline in amounts owed to customers (see Note 34), primarily due to lower term deposits. Amounts owed to institutions and banks (see Note 33) decreased by USD171.4 million (41.5%), reflecting reduced participation in Targeted Longer-Term Refinancing Operations (TLTROs) and other liquidity-providing measures with the European Central Bank, as well as lower term loans and deposits from financial institutions. Debt securities in issue (see Note 35) also declined by USD11.7 million (42.4%). These reductions align with the Group's strategic focus on optimising its balance sheet and liquidity management.

Total Equity increased by USD4.3 million (2.4%) to USD183.6 million, primarily due to a USD5.2 million net fair value gain on financial investments at FVOCI. As of 31 December, 2024, the Group's CET1 and TCR ratios stood at 21.3% (2023: 18.2%).

Total Consolidated Commitments stood at USD132.2 million, down from USD147.8 million in 2023. These primarily comprised confirmed letters of credit, documentary credits, commitments to purchase forfaiting assets, and undrawn credit facilities. Total Consolidated Contingent Liabilities remained stable at USD31.0 million, compared to USD31.3 million in 2023, consisting mainly of outstanding guarantee obligations.

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.

Further disclosures on the Group's principal risks and uncertainties are provided in Note 4 of this Annual Report and the 2024 Pillar 3 Disclosures Report published on the Bank's website.

Outlook for 2025

The global economic outlook for 2025 remains stable but subdued, with growth expected to continue at a moderate pace. However, structural challenges, policy uncertainty, and regional divergences could shape economic and trade dynamics in the coming year. Advanced economies are experiencing mixed trends, with some markets showing resilience while others face headwinds from weak manufacturing, low consumer confidence, and persistent energy price concerns. Emerging markets and developing economies are expected to maintain steady growth, although uncertainty in trade policies and fiscal pressures may pose challenges. Inflation is gradually declining toward central bank targets, allowing for a more normalised monetary policy environment, yet risks remain, including potential inflationary pressures in some markets and deflationary risks in others. For trade finance, these dynamics underscore the importance of navigating shifting economic conditions, adapting to liquidity and interest rate movements, and managing risks tied to global trade flows. Uneven recovery patterns across regions highlight the need for flexibility and strategic positioning to support businesses in an evolving economic landscape.

In addition to broader economic trends, recent geopolitical developments continue to shape the global landscape. Trade tensions, including tariff disputes and economic sanctions, are influencing supply chains and investment flows, adding uncertainty to global trade. Ongoing conflicts in various regions, including Eastern Europe and the Middle East, have implications for energy markets, inflationary pressures, and investor sentiment. Shifts in global alliances and policy decisions by major economies are further impacting trade agreements, financial markets, and commodity prices. Climate-related disruptions and natural disasters also pose risks to economic stability, supply chain resilience, and food security. These factors underscore the need for the Group to remain agile, assess geopolitical risks, and adapt to an evolving economic and political environment.

Against the backdrop of a stabilising yet subdued global economy, the Bank remains focused on executing its strategic vision while adapting to evolving market conditions. The early months of 2025 have already demonstrated the tangible benefits of its ongoing transformation journey, reinforcing confidence in its direction. With the backing of a strong and supportive shareholder base, the Bank is well-positioned to drive sustainable growth and capitalise on emerging opportunities within the trade finance sector. However, recognising the scale of change required, the Bank acknowledges that the journey is still in its early stages, and a disciplined, long-term approach will be essential.

A key priority for the year ahead is asset growth across the Bank and all Group entities. This will be supported by a concerted effort to foster collaboration and knowledge-sharing across business units, enhancing synergies and strengthening the Group's collective capabilities. A proactive approach to consolidating functions and streamlining operations will allow the Bank to remove inefficiencies, eliminate redundant processes, and achieve cost efficiencies while maintaining a sharp focus on service excellence.

To strengthen its capital base, the Bank received a USD20 million subordinated loan from its major Shareholder in early 2025, qualifying as Tier 2 capital under the Capital Requirements Regulation. This injection will further reinforce the Group's balance sheet and support its asset growth ambitions, reflecting the continued confidence and commitment of the major Shareholder.

Operational improvements remain at the heart of the Bank's strategy, with initiatives aimed at removing bottlenecks, empowering teams, and optimising resource allocation. The consolidation of teams and departments is expected to yield greater agility and effectiveness, ensuring the Bank remains responsive to market demands. Meanwhile, strategic business alliances will serve as a catalyst for expanding market reach and enhancing the Bank's value proposition. Subsidiaries, which hold significant growth potential, will continue to receive capital and funding support as needed, reinforcing the Bank's commitment to strengthening its regional and international footprint.

To achieve these goals, the Bank recognises the importance of attracting and retaining top talent while maintaining operational efficiency. Investment in human capital, alongside efforts to enhance customer service and technical support, will be central to sustaining long-term success. Building lasting client relationships through superior service delivery remains a core priority, reinforcing the Bank's reputation as a trusted trade finance partner. Additionally, ongoing enhancements to internal processes, the adoption of leaner structures, and the pursuit of efficiency gains will underpin the Bank's drive for greater productivity and cost-effectiveness.

As the global trade landscape evolves, the Bank remains resolute in its commitment to navigating challenges, seizing new opportunities, and reinforcing its leadership in trade finance. The steps taken in 2025 will lay the foundation for a more resilient, agile, and growth-oriented institution, well-equipped to support its clients in an increasingly complex economic environment.

The Group is well prepared for the implementation of the Capital Requirements Directive VI (CRD VI) and the Capital Requirements Regulation III (CRR III), which form part of the broader EU banking package aimed at finalising the Basel III reforms and enhancing banking supervision and risk management. Key changes introduced through these amendments include revised requirements on capital adequacy, market risk, and the integration of environmental, social, and governance (ESG) risks into banks' risk management frameworks. CRR III is generally applicable from 1 January 2025, with certain provisions effective from 9 July 2024.

In 2024, the Group engaged a reputable external advisory firm to support implementation efforts. In anticipation of the regulatory deadlines, the Group accelerated its CRR III programme and conducted a comprehensive impact assessment, preceded by a detailed review of the CRD VI and CRR III amendments. This review was supported by a series of workshops involving all relevant functions and subsidiaries. The expected impact on the Total Capital Ratio (TCR) is non-significant. The engagement with the external advisory firm remains ongoing, as the Group continues its in-depth analysis of the regulations and related guidelines.

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 (2023: Nil).

Standard licence conditions and regulatory sanctions

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

Approvals at the annual general meeting of shareholders

The Bank convened its Annual General Meeting on 12 June 2024 and all statutory Ordinary Resolutions were approved.

Shareholder register information pursuant to capital markets rule 5.64

The Directors refer to the following disclosures in terms of the Capital Markets 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 2024 are as follows:

	No of shares	% holding
United Gulf Holding Company B.S.C.	420,019,110	80.40%
Burgan Bank K.P.S.C.	44,394,499	8.50%

- 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 requires the Bank to obtain the consent of the Supervisory Authority (MFSA) to affect 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 as 31 December 2024, the Bank had no securities with special control rights in accordance with the Capital Markets Rule 5.64.4.

Events after the financial reporting date

Subordinated liabilities

In February 2025, the Bank received a subordinated loan of USD20,000,000 from a subsidiary of its ultimate parent. The loan carries a fixed interest rate of 5.5%, is priced on an arm's length basis, and has a contractual maturity of seven years. In the event of the Bank's liquidation, dissolution, or winding up, it will rank below the Bank's unsubordinated, secured, and unsecured creditors. This loan qualifies as Tier 2 capital under the Capital Requirements Regulation.

Investments in subsidiaries

In March 2025, the Bank made an additional investment of INR261,000,000 (USD3,012,817) in India Factoring and Finance Solutions Private Limited ("India Factoring"). This investment is intended to support the further growth of the company and its ability to do this within the regulatory capital requirements.

The Group has no other subsequent events to report.

Going concern

As required by the Capital Markets 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, including any changes up to the publishing date of the Annual Report were:

John C. Grech (Chairman)	CGC, BCC, BRIC	
Masaud M.J. Hayat (Vice Chairman)	BNRC	
Edmond Brincat	BAC, BNRC, BRIC, CGC	
Erich Schumacher	BRC	Resigned on 24 April 2024
Hussain Abdul Aziz Lalani	BAC, BRC, BRIC, BESG	
Mohammed Louhab	BCC, BESG, BRIC	Retired on 1 August 2024
Rabih Soukarieh	BCC	
Samer Abbouchi	BCC, BRC	
Sunny Bhatia	CGC, BNRC	
Teuta Bakalli	BAC, BRC, BESG	
Simon Jethro Lay	BRIC, BESG	Regulatory approval obtained on 6 March 2025

Denotes membership of:

- Board Audit Committee ("BAC")
- Board Credit Committee ("BCC")
- Board Review and Implementation Committee ("BRIC")
- Board Risk Committee ("BRC")
- Corporate Governance Committee ("CGC")
- Board Nomination and Remuneration Committee ("BNRC")
- Board Environmental, Social and Governance Committee ("BESG")

Statement of responsibility

This Statement of responsibility is required in terms of the Capital Markets Rule 5.55.2 and set out in the form required by the Capital Markets 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

During 2024, PricewaterhouseCoopers ("PwC") were appointed as statutory auditors of the Group and Bank at the Annual General Meeting which was held on 12 June 2024. PwC have expressed their willingness to continue in office as auditors of the Bank and a resolution proposing their re-appointment will be submitted at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by Dr. John C. Grech (Chairman) and Mr. Masaud M.J. Hayat (Vice Chairman) on 9 April 2025 as per Director's Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Financial Statements 2024.

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 2024

Introduction

Pursuant to the requirements of Capital Markets 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 Capital Markets Rules, have been adopted together with the effective measures taken to ensure compliance with such Principles.

In relation to the requirement to state how the Bank has applied the main principles emanating from the Code of Principles of Good Corporate Governance, the Bank has done so by complying with and taking cognisance of the associated provisions (that is, the supporting principles and Code provisions), unless otherwise stated within this Statement of compliance with the principles of good corporate governance.

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 Bank is headed by an effective Board which leads and controls the company. 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 Group Chief Executive Officer (“GCEO”) 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 Board 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 Board 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 GCEO.

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

The roles of the Chairman and of the GCEO 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 Chairman also facilitates the effective contribution of Non-Executive Directors in particular and ensures constructive relations between Executive and Non-executive Directors. As the Non-Executive Directors are not involved in the day-to-day running of the business, they can bring fresh perspectives and contribute more objectively, in supporting as well as constructively challenging and monitoring the management team.

Whilst recognising that most Shareholder contact is with the Chief Executive Officer and the Head of Investor Relations, the Chairman maintains sufficient contact with Shareholders to understand their issues and concerns.

The GCEO is the most Senior Executive of the Group and is appointed by the Board of Directors. He is responsible for leading Management in the execution of the Bank's strategy and running the day-to-day activities of the Group.

Principle 3: Board composition and appointment of directors

The Bank ensures that the Board is not so large as to be unwieldy. In this respect, the Board is of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that changes to the Board's composition can be managed without undue disruption. The Board is composed of Executive and Non-Executive Directors, including independent non-executives. 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 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, including identification as required by Code Provision 3.2 for those Directors deemed independent as per the Capital Markets Rules, are as follows:

Director	Year when first appointed	Notes
John C. Grech	2004	Chairman
Masaud M.J. Hayat	2013	Vice Chairman
Rabih Soukarieh	2013	
Edmond Brincat	2017	Independent Director
Hussain Abdul Aziz Lalani	2017	
Erich Schumacher	2022	Resigned on 24 April 2024.
Sunny Bhatia	2023	
Mohammed Louhab	2023	Retired on 1 August 2024.
Teuta Bakalli	2024	Independent Director - Appointed on 3 April 2024. Approved by Regulator on 23 May 2024.
Samer Abbouchi	2024	Appointed on 26 April 2024. Approved by Regulator on 5 August 2024.
Simon Jethro Lay	2025	Executive Director - Appointed on 1 August 2024. Approved by Regulator on 6 March 2025.

Other than for their involvement in Board Committees as described below, all Directors hold office in a non-executive capacity with the exception of Mr. Simon Jethro Lay who has been appointed an Executive Director and the GCEO of the Bank for which regulatory approval was obtained on 6 March 2025.

The Board considered and resolved that all Directors meet the requisites for them to be deemed independent in view of the fact that all Directors signed a written declaration of independence prior to the publication on this Annual Report. 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 Director has confirmed in writing to the Board that he/she undertook:

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

Another written declaration of independence shall be signed by all the Directors in April 2025. In addition to the declaration provided, 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. The Bank considers that the Directors have sufficient time to perform their duties and responsibilities in terms of law. 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.

As at 31 December 2024, the Board of Directors consisted of:

Director	Number of directorships held (including FIMBank p.l.c. and its subsidiaries)	Notes
John C. Grech	4	Chairman
Masaud M. J. Hayat	1	Vice Chairman
Edmond Brincat	10	Independent Director
Hussain Abdul Aziz Lalani	1	
Rabih Soukarieh	1	
Samer Abbouchi	1	Appointed on 26 April 2024. Approved by Regulator on 5 August 2024.
Simon Jethro Lay	1	Executive Director - Appointed on 1 August 2024. Approved by Regulator on 6 March 2025.
Sunny Bhatia	1	
Teuta Bakalli	4	Independent Director - Appointed on 3 April 2024. Approved by Regulator on 23 May 2024.

Directorships having an executive or non-executive role held within the same group have been counted as a single directorship.

Principles 4 and 5: Duties and proceedings of directors

The Board ensures that its level of power is known by all Directors and the Senior Management of the Bank. The Board also ensures that any delegation of responsibilities and functions are clear and unequivocal. Independently of any powers and functions that the Directors may from time to time validly delegate to Management, it remains a fundamental responsibility of Directors to monitor effectively the implementation of strategy and policy by Management.

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 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 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 Review and Implementation Committee was created in order for the Board to follow up with Management implementation of the resolutions passed during Board Meetings.

The Board held four meetings in 2024. All Members of the Board were present for all four meetings. Ms. Teuta Bakalli attended all meetings, one meeting as an invitee and three meetings as an approved Member of the Board. Mr. Samer Abbouchi attended two meetings, one meeting as an invitee and one meeting as an approved Member of the Board. 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 with all past minutes of Board and Committee Meetings upon 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) or include the participation of Management (Board Audit Committee, Board Nomination and Remuneration Committee, Corporate Governance Committee, Board Credit Committee, Board Risk Committee and Board Environmental, Social and Governance 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 GCEO 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.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that board procedures are complied with.

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 GCEO 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 2024 in order for Directors to have the necessary knowledge on their duties and responsibilities and to be informed on emerging risks, regulatory changes, and industry developments including but not limited to Environmental, Social, and Governance (ESG), Digital Operational Resilience Act (DORA) and Compliance matters.

Moreover, the Board ensures that the GCEO maintains systems and procedures for the development and training of Management and employees generally, in order to retain the best quality employees, optimise on Management and employee morale and to continue developing the succession plan for Senior Management. The GCEO is responsible for the recruitment and appointment of Senior Management following the approval of the Board 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 MFSA before they are formally cleared for appointment to the Board. Annually, the Board also undertakes its own self-evaluation exercise.

Board Members complete a self-evaluation, to rate on a 5-point scale the performance of the Board in key areas covering Strategy, Business Principles, Stakeholder Management, Risk Management and Internal Control, Performance and Measurement, Composition and Boardroom Practice, Performance of Committees and Performance of individual Directors. Additionally, Directors quantify the hours dedicated to the Board as a whole and to the individual Committees they are appointed to. Every Director also completes an evaluation form specifically intended to evaluate the performance of the Committee, and the risk management aspect exercised by the respective Director when it comes to decision making.

The self-evaluation forms are then evaluated by the Board Nomination and Remuneration Committee ("BNRC") as the Committee entrusted to perform this function. The BNRC discusses with the Committee Chairman, who collectively are 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 it at the Annual General Meeting. This exercise began in 2013 and has been repeated annually ever since.

In addition to the self-evaluation of the Board and its Committees, the Bank also conducts a suitability assessment using the Skills Matrix Template to Assess the Collective Suitability of the Members of the Management Body. The latest assessment as completed in June 2024 did not indicate that any changes were required. The only changes in the membership composition were due to two direct replacements of Directors who resigned. Details regarding the changes to Committee composition have been disclosed under Principle 8: Changes to committee memberships during 2024.

The last evaluations from Directors were requested in the last quarter of 2024 and were presented to the BNRC in April 2025.

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 in them, is decided upon by the Board.

Accordingly, the Board has established the following Committees:

- Board Review and Implementation Committee
- Board Audit Committee
- Board Risk Committee
- Assets Liabilities Committee
- Board Credit Committee
- Board Nomination and Remuneration Committee (further information can be found in the Remuneration Report on page 27)
- Corporate Governance Committee
- Board Environmental, Social and Governance Committee

Board review and implementation committee

The Board Review and Implementation Committee ("BRIC") 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 2024 are the following:

John C. Grech (Chairman)
 Hussain Abdul Aziz Lalani (Vice Chairman)
 Edmond Brincat (Member)
 Simon Jethro Lay (Non-Voting Member)

The Board Review and Implementation Committee met on nine occasions during 2024.

Board audit committee

The Board Audit Committee ("BAC") assists the Board of Directors in fulfilling its supervisory and monitoring responsibilities, according to detailed terms of reference included in the Board Audit Committee Charter and which reflect the requirements of the Capital Markets Rules, as well as current best practices and recommendations of good corporate governance. The terms of reference of the Board Audit Committee, as detailed in the Board 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, and the Internal Audit and Compliance functions;
- 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 Board Audit Committee to recommend the appointment of the Statutory Auditor in line with the Capital Markets Rules 5.127.6 and in accordance with Article 16 of the Statutory Audit Regulation. The Board Audit Committee also considers the nature of related party transactions, vets and approves them. Both the Board 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 Board Audit Committee Chairman at all times and attends all meetings. The Group Chief Compliance Officer also has direct access to the Board Audit Committee Chairman and attends all meetings. In addition, the composition of the Members of the Board Audit Committee includes two individuals who are also Members of the Board Risk Committee.

The Members of the Board Audit Committee as at 31 December 2024 are the following:

Edmond Brincat (Chairman & Independent Director)
 Hussain Abdul Aziz Lalani (Vice Chairman)
 Teuta Bakalli (Member & Independent Director)

In line with Capital Markets Rule 5.117.4, the Chairman of the Board Audit Committee is appointed by the Board of Directors. With reference to Capital Markets Rule 5.117.3, which states that “at least one member of the audit committee shall be competent in accounting and/or auditing”, the Bank notes that all Members of the Board Audit Committee are designated as competent in auditing and/or accounting as per the qualifications listed hereunder.

Mr. 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 Financial Officer, a position he held until 31 January 2018. Between 2018 and 2023, Mr. Brincat served as the CEO of SmartCity (Malta), a subsidiary of Dubai Holding LLC. Mr. Edmond Brincat obtained a Bachelor of Arts degree in accounts from the University of Malta in 1991 and is a Certified Public Accountant and a Fellow of the Malta Institute of Accountants.

Mr. Hussain Abdul Aziz Lalani is the Chief Executive Officer of United Gulf Bank (“UGB”), Bahrain and has worked extensively with the Board of Directors on advisory transactions in his previous capacity as UGB’s Chief Financial Officer. Mr. Hussain Abdul Aziz Lalani is a Chartered Accountant and a Certified Information Systems Auditor and holds a Bachelor of Commerce degree from the University of Karachi, Pakistan.

Ms. Teuta Bakalli has over 20 years of experience in regulated financial markets including fintech, cleantech, asset management, insurance and investment banking. Ms. Bakalli was the Chief Financial Officer of the eCommerce division of WorldPay Inc., and the European Chief Financial Officer of Pepper Europe. She also held roles at Schroders, Credit Suisse First Boston and Barclays Capital before she joined Willis and Vanguard Europe as a Financial Director. Ms. Bakalli has resided in the digital economy hotspot of Malta since 2016 where she founded Cleantech360, a company which offers ESG strategy and business consulting to the cleantech industry. As part of her involvement in this sector, she has worked on numerous renewables and sustainability projects, including those which leverage blockchain technology. Ms. Bakalli sits on several boards and is an ongoing contributor to the ACCA (Global Accounting Body) and is a member of the Global Forum for Sustainability. She was admitted as a Fellow Chartered Certified Accountant in 2005.

The Bank considers that the Committee Members as a whole have the relevant competence as required by the Capital Markets Rule 5.118, having evaluated the balance of knowledge, skills, diversity and experience of the members of the Committee, thereby ensuring that they have the requisite experience, personal abilities and integrity and that they adhere to sound professional practices.

All Members of the Board 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 Board Audit Committee normally requests members of Management to attend its Meetings for selective items of the respective agenda.

The Board Audit Committee held ten meetings during 2024 and all Members were present for all ten meetings, except for Ms. Bakalli who started attending meetings after her appointment in April 2024. The Group Head of Internal Audit was also invited to attend and attended all ten meetings. The External Auditors were invited to nine Board Audit Committee Meetings and were only present for the agenda items which considered and discussed the 2024 Statutory External Audit (two meetings in February 2024), 2023 Annual Report and Management Letter (two meetings in April 2024), Parent Statutory Reporting Audit Update (June 2024), Interim Report for the period ended 30 June 2024 (three meetings in August 2024) and Statutory Audit for Financial Year ending 31 December 2024 (November 2024).

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, market, reputational and legal risk matters, as set out in further detail in Note 4.

Hussain Abdul Aziz Lalani (Chairman)
Teuta Bakalli (Member)
Samer Abbouchi (Member)

During 2024, the Board Risk Committee met on eleven 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 Assets Liabilities Committee is composed of representatives of Senior Management, vested with the power to make decisions. As at 31st December 2024, the voting members of the Assets Liabilities Committee were the following:

Simon Jethro Lay (Chairman)
Zbigniew Makula (Vice-Chairman)
Ronald Haverkorn (Member)
Juraj Beno (Member)
Modesto Luengo (Member)

Mr. Jason Zammit (Head of Corporate Finance Malta & Marketing), Mr. Chris Trapani (Head of Cash Management & Central Customer Services), Ms. Tiziri Hamidouche (Deputy Head of Treasury), Ms. Corinne Lanfranco (Head of Financial Institutions & Deposits), Mr. Simon Vickery (Head of Non-Credit Risk Management) and Mr. Clinton Bonnici (ALCO Secretary) are permanent invitees of the ALCO.

During 2024, the Assets Liabilities Committee met on six occasions.

Board credit committee

The Board Credit Committee (“BCC”) is a Committee appointed by the Board of Directors of FIMBank. The Board Credit Committee 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 Board Credit Committee 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 and Procedures; and
- review and consider for approval country limit applications, within the guidelines specified in the Group’s Credit Policy and Procedures.

The Board Credit Committee Members as at 31 December 2024 are the following:

John C. Grech (Chairman)
Rabih Soukarieh (Vice Chairman)
Samer Abbouchi (Member)

Mr. Simon Jethro Lay (GCEO) and Mr. Modesto Luengo (GCRO) are permanent invitees of the Board Credit Committee.

During 2024, the Board Credit Committee met on two occasions. This notwithstanding the Board Credit Committee approved via circulation transactions which did not require a physical meeting for the purpose of assessment of the relevant credit lines.

Nomination and remuneration committee

The Board Nomination and Remuneration Committee (“BNRC”) is currently composed of three members, one of whom is an independent Director. The Board Nomination and Remuneration Committee is governed by the BNRC’s Charter as may be amended by the Board in line with the relevant laws and regulations. The Charter establishes the authority and responsibilities conferred by the Board to the Board Nomination and Remuneration Committee in line with Appendix 5.1 (8) (A) & (B) of the Code of Principles of Good Corporate Governance. The responsibilities of the Board Nomination and Remuneration Committee include having oversight, informing, updating and deciding and/or making recommendations to the Board on all matters regarding nomination and remuneration. These include:

- presenting recommendations to the Board regarding nomination to the Board’s membership in accordance with approved policies, standards, and nomination regulations for the Board’s membership;
- performing an annual review of the needs required with regard to suitable skills for Board membership and performing an annual review of the Board of Directors’ structure and presenting recommendations on the changes which can be performed in accordance with the Bank’s strategy;
- performing an annual evaluation of the Board’s overall performance and the performance of each Member and the Board Committees;
- conducting as and when required, including on an annual basis, suitability assessments of prospective/appointed Directors, officers holding a senior management position and key function holders;
- preparing/reviewing the Group Remuneration Policy and the Directors Remuneration Policy in line with applicable regulations and legislation and the principles of good corporate governance;
- overseeing the implementation and compliance with the Group Remuneration Policy and the Directors Remuneration Policy;
- assessing the mechanisms adopted to ensure that the remuneration process properly takes into account all types of risks, liquidity and capital levels and that it promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values, risk culture and long-term interest of the institution;
- monitoring the level and structure of Directors’ Remuneration by reviewing and updating when necessary, the individual remuneration to be attributed to Directors, ensuring that they are consistent with the Directors Remuneration Policy as approved by the Annual General Meeting;
- devising appropriate and annually reviewing remuneration packages which are: fair; equitable, gender neutral and in line with industry benchmarks and the long-term interests of the Bank as needed to attract, retain and motivate Directors, the GCEO and Executives that hold the knowledge, skills and abilities to lead the FIMBank Group;
- approving on an annual basis, the Group’s individual distribution of salary increases, promotions and bonuses, as may be recommended by the GCEO;
- preparing a Remuneration Report for inclusion in the Annual Report; and,
- reviewing and assessing at least annually the adequacy of the BNRC Charter and confirming that all the responsibilities set out in the Charter have been duly executed.

Details regarding the Remuneration Policy and remuneration related matters have been disclosed under the Remuneration Policy and Remuneration Report on page 27.

The Board Nomination and Remuneration Committee Members as at 31 December 2024 are the following:

Masaud M.J. Hayat (Chairman)
Edmond Brincat (Vice Chairman)
Sunny Bhatia (Member)

Dr. John C. Grech (FIMBank Chairman) and Mr. Simon Jethro Lay (GCEO) are non-voting, permanent invitees of the Board Nomination and Remuneration Committee.

During 2024, the Board Nomination and Remuneration Committee met on six occasions with all Members attended the meetings.

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 2024 are the following:

John C. Grech (Chairman)
Sunny Bhatia (Vice Chairman)
Edmond Brincat (Member)

During 2024, the Corporate Governance Committee met on four occasions.

Board environmental, Social and governance committee

The Board Environment, Social and Governance Committee ("BESG") is responsible for assisting the Board in setting the Bank's Environmental Social and Governance ("ESG") policies and strategy, and to follow-up on the Bank's execution of these, via periodic reviews, as well as to enhance the effectiveness of the Board's supervision over any matters relating to ESG. The Board Environmental, Social and Governance Committee terms of reference are included in the Board Environmental, Social and Governance Committee Charter.

The Members of the Board Environmental, Social and Governance Committee as at 31 December 2024 are the following:

Teuta Bakalli (Chairperson)
Hussain Abdul Aziz Lalani (Member)
Simon Jethro Lay (Member)

The Board Environment, Social and Governance Committee met on four occasions (Quarterly) during 2024.

Changes to committee membership during 2024

Mr. Erich Schumacher resigned, resulting in him no longer being a member of the Board Risk Committee.

Mr. Mohammed Louhab retired, resulting in him no longer being a member of the Board Credit Committee, the Board Environment, Social and Governance Committee and the Board Review and Implementation Committee.

Mr. Edmond Brincat is no longer member of the Board Environmental, Social and Governance Committee and was thereafter appointed member of the Board Review and Implementation Committee and the Corporate Governance Committee.

Mr. Samer Abbouchi was thereafter appointed member of the Board Credit Committee and the Board Risk Committee.

Ms. Teuta Bakalli was thereafter appointed member of the Board Audit Committee and the Board Risk Committee and the Chairperson of the Board Environmental, Social and Governance Committee.

Mr. Simon Jethro Lay was thereafter appointed member of the Board Review and Implementation Committee and the Board Environmental, Social and Governance Committee.

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

The Chairman arranges for all Directors including the Chairmen of all the Committees to be available to answer questions at the Annual General Meeting. All eligible Shareholders are served with a notice to attend the Annual General Meeting, which is held normally during the first half of the year. The notice contains all the resolutions proposed for approval by the Annual General Meeting and, as necessary, notes accompanying such resolutions. Pursuant to the Companies Act, notices are delivered to Shareholders at least fourteen clear days before the date of the Annual General Meeting. Advance notification of the resolutions proposed for approval is also given by way of a Company Announcement as soon as these are decided and approved, normally at the same Board Meeting that approves the Annual Report and 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 employees 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 Capital Markets Rules. During 2024 the Bank issued fifteen announcements.

The Board also complies with the provisions of the Bank's Articles of Association insofar as minority rights are concerned. In accordance with 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 Capital Markets Rules contains dealings restriction guidelines and reporting procedures to be observed by Directors, Management and employees when dealing, or prospecting to deal, in the Bank's equity securities. Directors, Management 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 Capital Markets 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

Directors' primary responsibility is to act in the interest of the Bank and its Shareholders as a whole irrespective of who appointed them to the Board. 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, in the event of a conflict-of-interest situation, real or potential, arising 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 shall include a suitable record of such declaration and of the action taken by the individual Director concerned. In the event that such steps do not eliminate the grounds for conflict then the Director should consider resigning. 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 Board 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 2024 is as follows:

John C. Grech (Chairman) *	1,760,000
Edmond Brincat	Nil
Hussain Abdul Aziz Lalani *	Nil
Masaud M.J. Hayat (Vice Chairman) *	Nil
Rabih Soukariéh *	Nil
Samer Abbouchi *	Nil
Sunny Bhatia *	Nil
Teuta Bakalli	Nil
Simon Jethro Lay	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 Note 23 of the Notes to the Financial Statements.

Principle 12: Corporate social responsibility

The Board of Directors and Executive Management of the Bank recognise that social, environmental, and ethical conduct are critical to both the Bank's reputation and the well-being of the communities in which it operates. Corporate Social Responsibility ("CSR") forms a cornerstone of the Bank's culture, reflecting its commitment to people, the environment, and ethical governance. The Bank's CSR strategy is firmly rooted in its core values and reflects its dedication to clients, employees, shareholders, and the communities in which it operates. The Bank actively contributes to social and environmental development while championing sustainable practices and cultural preservation. These efforts underscore its broader mission to integrate responsibility into every aspect of its operations.

The Bank places significant emphasis on operating ethically and fostering a workplace that supports equal opportunities, professional growth, and a healthy work-life balance for its employees. It invests in learning and development programs, ensuring that employees not only excel in their roles but also embody the highest ethical standards. Open communication and inclusivity are at the heart of the Bank's culture, promoting a sense of shared purpose and trust throughout the organisation. In its interactions with the community, the Bank is committed to initiatives that enhance social progress and environmental stewardship. By regularly reviewing its operations, infrastructure, and procurement policies, the Bank seeks to minimise its carbon footprint and reduce its environmental impact. Through these commitments, the Bank strives to create long-term value for its stakeholders while contributing meaningfully to a sustainable and inclusive future. Further details about the CSR initiatives undertaken by the Group in 2024 are provided in the GCEO's Message to Shareholders.

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 Capital Markets Rules. This notwithstanding, the Bank considers the non-compliance with this Principle not to be of concern in view of the fact that Dr. 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 4: Succession policy for directors

Capital Markets 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’. The BNRC, discussed Directors’ succession planning during its August meeting. This discussion revolved around an updated market assessment as presented by the BNRC Secretary, after reviewing the global employment market via internet-based searches. The market research was guided by the following criteria:

- international experience and experience in multi-cultural environments;
- having held a mix of senior management roles in the financial services;
- having held leadership roles;
- IT and/or ESG experience; and
- diversity in particular gender diversity.

The BNRC also discussed the findings from this market assessment and concluded that there are a number of valid profiles both locally and overseas, that suit the aforementioned criteria.

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 current Chairman of the BNRC is not an independent member in terms of the Capital Markets Rules, as set out 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 the Chairman of the BNRC has signed a written declaration whereby he has declared that he undertakes to maintain in all circumstances his independence of analysis, decision and action. Furthermore, the Vice Chairman of the BNRC is deemed to be an Independent Director in terms of the Capital Market Rules.

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 Board 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.

Capital markets rule 5.97.5 and rule 5.97.8

Capital Markets Rule 5.97.5 and Rule 5.97.8 are not applicable. Whilst Capital Markets 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 Capital Markets Rule 5.97.

Approved by the Board of Directors and signed on its behalf by Dr. John C. Grech (Chairman) and Mr. Masaud M.J. Hayat (Vice Chairman) on 9 April 2025 as per Director’s Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Financial Statements 2024.

Remuneration report

For the year ended 31 December 2024

This section incorporates the Statement of the Board Nomination and Remuneration Committee and the Directors' Remuneration Report as required by Chapters 5 and 12 of the Capital Markets Rules, respectively.

Statement of the board nomination and remuneration committee *(as per section 8 of the code of principles of good corporate governance, appendix 5.1 of the capital market rules)*

Terms of reference and membership

The Board Nomination and Remuneration Committee ("BNRC") is responsible for ensuring that the Directors and Executive Management of FIMBank have the appropriate mix of skills, qualifications and experience necessary to fulfil their supervisory and management responsibilities. The BNRC also reviews the remuneration of the Board of Directors and that of Executive Management on an annual basis and ensures that it is in line with the EBA Guidelines on Sound Remuneration Policies EBA/GL/2022/04, Banking Rule 21 on Remuneration Policies and Practices and principles of good governance.

From 1 January 2024 up to the Annual General Meeting ("AGM") held on 12 June 2024, the BNRC was composed of three members: Mr. Masaud M.J. Hayat (Chairperson); Mr. Edmond Brincat (Vice-Chairperson and Independent Director); and Mr. Sunny Bhatia (Member). As at 31 December 2024, the BNRC composition remained unchanged. The BNRC has two permanent invitees, namely the Chairperson of the Board and the Group Chief Executive Officer ("GCEO"). Dr. John C. Grech, in his capacity as Chairperson of the Board, attended all the BNRC meetings held in 2024. Mr. Mohammed Louhab, who held the position of GCEO and Executive Director until 1 August 2024, attended the BNRC meetings of April, May and June 2024. Mr. Simon Jethro Lay, in his capacity as Executive Director and GCEO with effect from 1 August 2024 (as per company announcement dated 2 August 2024 and regulatory approval announcement dated 12 March 2025), attended the BNRC meetings of August and December 2024. The Group Chief Human Resources Officer ("GCHRO") acted as Board Committee Secretary.

Meetings

Members	Attended
Masaud M.J. Hayat (Chairperson)	6
Edmond Brincat (Vice Chairperson & Independent Director)	6
Sunny Bhatia (Member)	6

The Committee met six times during the period under review with all Members attending all the meetings.

The following matters were discussed and, or determined:

- a. group appointed Directors;
- b. chairperson's role and performance;
- c. Directors' remuneration;
- d. Board of Directors evaluation, Director's self-assessment and Board Committees self-assessment;
- e. composition of Board Committees;
- f. appointment of Executive Director with GCEO responsibilities;
- g. BNRC Charter: annual review and checklist;
- h. implementation of Internal Audit recommendations;
- i. Group Remuneration Policy and Directors' Remuneration Policy;
- j. GCEO, Executive Management, Key Function Holders and subsidiary CEO's performance;
- k. Executive Management: recruitment, appointments, performance, promotions, succession and remuneration;
- l. Group salary review, promotions, bonus allocation and out of cycle increases/payments;
- m. succession planning for all entities;
- n. annual market assessment related to Board succession planning;
- o. control functions: independence, recruitment, succession and performance;
- p. Remuneration Policy Statement, Statement of the BNRC, Directors' Remuneration Report as per Capital Market Rules 12.26k, and Pillar 3 Disclosures inclusive of the Identified Staff List;
- q. appointment of Group Chief Operations Officer ("GCOO") and Group Chief Internal Audit ("GCIA");
- r. appointment of Group Chief Commercial Officer on acting basis;
- s. suitability assessment and succession of the Board, the GCEO and the Key Function Holders;
- t. appointment of independent non-executive Directors; and
- u. Human Resources Policies.

Remuneration statement

The BNRC has the role of making recommendations to the Board of Directors on remuneration. Decisions taken by the BNRC are presented by the BNRC Chairperson to the Board. The guiding principle, as outlined in the Group Remuneration Policy and the Directors' Remuneration Policy, is that the remuneration structure is such that it attracts, develops and retains a high-performing workforce while remaining aligned to FIMBank's long-term strategy, risk appetite, sustainable performance, good corporate governance, regulatory compliance, corporate values and long-term value creation for shareholders.

Across FIMBank, remuneration is based on the below principles:

- sound and effective risk management to discourage risk-taking that exceeds the Bank's risk appetite;
- non-discriminatory practices, consistent with the acknowledged principles of diversity as listed in FIMBank's Diversity Policy. This includes the principle that remuneration is gender neutral and thus all employees, independently of their gender are equally remunerated for work of equal value. True merit determines all remuneration related decisions;
- internal equity, with the application of fair distinction based on individual employee performance;
- external parity through an annual alignment exercise with local compensation data to ensure that the Bank's remuneration packages are competitive and in line with industry standards; and
- affordability and sustainability, ensuring that the remuneration policy is in line with the Bank's business strategy, business objectives, values and long-term interests and incorporates measures to avoid conflicts of interest.

Remuneration policy

The Group Remuneration Policy is aligned with the principles emanating from the EU's Capital Requirements Directive ("CRD"), particularly in relation to the monitoring of Identified Staff. As a basis for the compilation of the list of Identified Staff, the Bank refers to:

- the Commission Delegated Regulation (EU) 2021/923 ("MRT Regulation");
- the EBA Guidelines on Sound Remuneration Policies (EBA/GL/2021/04) ("EBA Remuneration Guidelines") as transposed into Banking Rule 21 on Remuneration Policies and Practices (BR/21/2022) ("Banking Rule 21"); and
- Article 92(3) of Directive 2013/36/EU ("CRD IV"), as amended from time to time, including by Directive (EU) 2019/878 ("CRD V") and as transposed into Banking Rule 21.

Identified Staff are employees who in their role and as part of their responsibilities are material risk takers (meaning that their professional activities have a material impact on the Bank's risk profile). The MRT Regulation establishes the qualitative and quantitative criteria to identify staff who are material risk takers.

The Bank's Identified Staff includes the Management Body in its Management or supervisory function and/or Senior Managers. The Management Body in its management function includes the GCEO, the Deputy CEO and Officers of the Bank who hold the grade of Executive Vice President or higher at FIMBank p.l.c. (the "Executive Management"). The Management Body in its supervisory function comprises the Directors of the Bank's Board of Directors. In relation to majority owned subsidiaries of the Bank, only the respective Chief Executive Officers ("CEOs") are considered to be Identified Staff, as they represent the sole function reporting directly to the GCEO.

The GCEO is appointed on a definite term contract which may vary from a one-year definite term contract to a three-year definite term contract. The contract may be renewed for further definite term periods. Currently, the Executive Director holds the position of GCEO. Members of the Executive Management of the Bank are engaged on either a definite or an indefinite contract with varying notice periods, all of which are in line with locally applicable legislation. Directors in their Supervisory function are approved for appointment by the AGM and pursuant to appointment letters issued by the Company Secretary following regulatory approval, where applicable. Their appointment is for a period of one year or otherwise, as it may be renewed at the subsequent AGM of the Bank. Directors appointed in the interim between one AGM and another, are always subject to regulatory approval and their appointment expires at the first upcoming AGM, unless it is renewed by the same AGM.

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.

During 2024, the Group Remuneration Policy was subject to a number of minor amendments, including updates to reflect current naming conventions and references, refinements to certain policy clauses to further clarify their application and deletion of outdated references.

Remuneration structure for non-executive directors

The total package payable to Non-Executive Directors consists of a fixed fee which is supplemented by additional fees payable inter alia with respect to any memberships and/or chairpersonships of the different Board Committees. The fees also vary between Independent and Non-Independent Directors. Board directorship fees to remunerate the Independent Directors are higher than those of Non-Independent Directors. This is mainly for two reasons: the additional responsibility that Independent Directors have due to their required independence and because they do not receive any other remuneration for employment positions within the KIPCO Group. The fees are reviewed annually in line with market conditions and the maximum allocated budget requires the approval of the AGM of the Bank.

Remuneration structure for executive directors and executive management

The remuneration structure of Executive Directors and Executive Management (together referred to as the “Executives”) comprises both fixed and variable remuneration and is intended to attract, develop and retain a high-performing workforce while remaining aligned to FIMBank’s long-term strategy, risk appetite, sustainable performance, good corporate governance, regulatory compliance, corporate values and long-term value creation for shareholders. All compensation structures including those of the branches and the subsidiaries of FIMBank located in third countries are aligned with the requirements emanating from the CRD unless local legislation in the respective jurisdiction mandates otherwise.

The BNRC ensures that while its remuneration practices are compliant with existing EU/Maltese Directives and Regulations, including CRD and the Capital Requirements Regulation (“CRR”), the remuneration packages reflect industry benchmarks. This makes it possible for the Bank to attract and retain Executives with the right qualities and skills for the proper management of the Bank as well as the proper execution of the strategy as laid down by the Board of Directors. Unless the current economic scenario changes materially, no new significant changes to the Group Remuneration Policy are envisaged for the financial year ending 31 December 2025.

The remuneration components for Executives are:

- fixed remuneration (including fringe benefits); and
- variable remuneration.

These components are combined to ensure an appropriate and balanced remuneration package that reflects the employee’s grade and professional activity. Executives are not entitled to discretionary supplementary pension or early retirement schemes. The following tables describe the element and purpose of Executives’ compensation and how each element operates, as well as the maximum opportunity of each element and any applicable performance measures.

Fixed remuneration

Element and purpose of remuneration	Operation	Maximum opportunity	Performance measures
Base salary			
To provide the basis of market-competitive overall remuneration package. It provides a fixed remuneration which is sufficient to recruit and retain individuals of the necessary calibre.	This is determined by: a. the role and grade of the individual director; b. the base salary structure for other employees across FIMBank; and c. external factors such as economic conditions and market. The base salary of Executives engaged on indefinite contracts is reviewed annually or when required to include any statutory payments. The fixed remuneration component of Executives engaged on definite or fixed-term contracts is as stipulated in the contract of employment and compensation therein is reviewed if and when the definite contract is renewed for a further term/s. The Executive is entitled to any newly introduced statutory payments or adjustments to existing ones.	When and where applicable the base salary of the Deputy CEO may also include annual increases. These are recommended by the GCEO and require approval by the BNRC, including the effective date. No salary increases will be awarded when the Deputy CEO joins after September of the preceding year or when the Deputy CEO is rated '1' in the appraisal. Exceptional increases for the Deputy CEO during the year, require the recommendation of the GCHRO and GCEO to BNRC and thereafter a priori approval of the BNRC. Employment contracts may contain anniversary payments whereby, at fixed annual intervals, amounts are paid to the individual Executives, as applicable. Such payments also require the a priori approval of the BNRC. The salary of the GCEO is reviewed by the BNRC if and when the definite contract is renewed for a further term/s. Exceptional one-time payments may be paid to Executives for working on specific projects during/outside office hours which go beyond the employee's role.	The base salary does not vary according to performance of the individual, the entity and FIMBank or results achieved. This is according to the FIMBank pay structure which is approved annually by the BNRC. Deviations from the pay structure are subject to a priori approval by BNRC.
Fixed allowances and benefits			
To ensure business continuity and assist Executives in carrying out their duties efficiently.	The benefits may include different cash allowances and/or non-cash benefits as detailed in the respective contract of employment and/or as may be applicable depending on the role of the individual and the employing entity.	When and where applicable, the base salary is supplemented by fixed benefits. These may commence either on employment and/or after probation, as determined in the respective contract of employment and/or as may be applicable depending on the role of the individual and the employing entity.	N/A

Variable remuneration

Element and purpose of remuneration	Operation	Maximum opportunity	Performance measures
Performance bonus			
To motivate Executives in maximising individual, departmental and FIMBank's performance.	Executives may be entitled to a performance bonus. Employee performance is measured in the interim and annual performance appraisal which is detailed in the Bank's Performance Management Policy and Procedure. If the variable remuneration to be awarded amounts to more than €50,000 in one calendar year or this represents more than one third of his/her annual remuneration, at least 50% of the variable remuneration should be paid in shares. Note that this restriction on total annual variable remuneration would not apply in the case that a derogation is applicable (see 'Other Requirements: Derogation' on page 36).	Executives who join after September of the preceding year or who are rated '1' will not be considered for any variable compensation. Deferred performance bonus may be awarded at the discretion of the BNRC. Such bonus would be linked to a 3-year vesting period. Any Performance Bonus is dependent on the performance rating of the Executive, the team's performance, the entity and FIMBank's performance. The individual rating is based on the Executive's overall performance which is centred on core behaviours and performance targets. In term of core behaviours, all employees including Identified Staff, as defined in the Group Remuneration Policy, are assessed for leadership, people management, personal effectiveness, creativity, innovation, holistic approach, teamwork, communication and company values.	A performance bonus relates to the Executive's performance as defined in the multiyear assessment where applicable and the cash component is awarded once yearly, generally by April.
Exceptional bonus			
To motivate Executives in maximising individual, departmental and FIMBank's performance.	Executives may be entitled to an exceptional bonus to reward remarkable performance in the individual's role which goes beyond the individual's call of duty.	Exceptional bonuses up to 15% of fixed remuneration for the Deputy CEO are approved by the GCEO and GCHRO and are ratified a posteriori by the BNRC. Exceptional bonuses in excess of 15% of fixed remuneration for the Deputy CEO and exceptional bonuses for the GCEO require the a priori approval of the BNRC.	N/A

Variable remuneration (*continued*)

Element and purpose of remuneration	Operation	Maximum opportunity	Performance measures
Retention bonus			
To ensure business continuity and assist Executives in carrying out their duties efficiently.	Executives may, in addition to the performance bonus, be entitled to a retention bonus on condition that the employee remains in employment for a period of 12 months or more from the date of award as defined in the retention addendum to the contract of employment.	Retention bonuses up to 15% of fixed remuneration for the Deputy CEO are approved by the GCEO and GCHRO and are ratified a posteriori by the BNRC. Retention bonuses in excess of 15% of fixed remuneration for the Deputy CEO and any retention bonuses for the GCEO require the a priori approval of the BNRC. Retention bonuses may be paid only in exceptional circumstances such as, for example and without limitation, in the case of a restructuring, wind-down, after a change in control or to ensure the completion of major projects. Retention bonuses will not be awarded merely to compensate for performance-related remuneration not paid as a result of insufficient performance or FIMBank's financial situation. Moreover, Retention Bonuses shall only be awarded if no reasons exist that lead to a situation where the Retention Bonus shall not be awarded, e.g. material compliance breaches, misconduct or other failures of that staff member. Retention bonuses to Executives must be justified based on, amongst other things, the following factors: a. concerns relating to the risk that certain Executives may choose to leave FIMBank; b. the reasons why the retention of that Executive is crucial for FIMBank; c. the consequences if the relevant Executive leaves FIMBank; and d. whether the amount of the awarded Retention Bonus is necessary and proportionate to retain the targeted Executive. The retention bonus is considered in the calculation of the ratio between the variable and fixed components of remuneration following one of the methods specified in Banking Rule 21 and shall be established in line with applicable legislation.	N/A

Variable remuneration (*continued*)

Element and purpose of remuneration	Operation	Maximum opportunity	Performance measures
Severance payments			
To close the employment relationship in case of redundancy, termination by the employer and/or of a potential legal dispute.	Severance payments may include redundancy payments. In the below situations, additional payments made because of the early termination of a contract shall be considered as severance payments: - FIMBank terminates the employment contract of the Executive because of failure of the institution; - FIMBank needs to terminate the employment contract following a material reduction of FIMBank's activities in which the Executive was active in or where business areas are acquired by FIMBank without the option for current employees to stay employed in the acquired entity; and - FIMBank and an Executive agree on a settlement in case of a potential or actual employment dispute, to avoid a decision on a settlement by the courts.	Any severance payments for the Deputy CEO, other than notice related payments or gardening leave have to be reviewed and approved by the GCHRO, Group Chief Risk Officer ("CRO"), Group Chief Compliance Officer ("GCCO") and the GCEO. This with a view to ensuring that the Bank is acting in compliance with prevailing rules and regulations and does not reward failure. Failure is defined as situations where an Executive is no longer considered as meeting appropriate standards of fitness and propriety and/or is responsible for actions which result in significant losses for FIMBank and/or acts contrary to internal rules, values or procedures based on intent or gross negligence. Any severance payment to the GCEO requires the a priori approval of the BNRC. Unless stipulated by local regulation, the maximum severance payment awarded may be of a maximum of three months' base salary. Severance packages in excess of the equivalent of three months' base salary would require the a priori approval of the BNRC. In the event that this is extended, such extended amount would be considered as part of the variable remuneration component for the year it was awarded. However, it would not be taken into account for the purpose of the calculation of the ratio of fixed to variable remuneration if it meets the definition set out in paragraph 181 of Banking Rule 21.	N/A

Variable remuneration (*continued*)

Element and purpose of remuneration	Operation	Maximum opportunity	Performance measures
Guaranteed/Sign-on bonus			
To motivate Executives in maximising individual, departmental and FIMBank's performance.	FIMBank may pay out a guaranteed bonus in the first year of employment, if applicable. Such sign-on bonus for the first year of employment will require the approval of the BNRC.	A guaranteed bonus is exceptional and can only occur where the institution has a sound capital base. FIMBank does not pay out or promise to pay out any guaranteed variable remuneration. In exceptional cases, FIMBank may at employment stage agree to disburse a sign-on bonus. Such sign-on bonus requires the a priori approval of the BNRC and is disbursed on a one-time conditional basis during the first year of employment. In the event that this is awarded, such amount would be considered as part of the variable remuneration component for the financial year during which it was awarded. However, it is not to be taken into account for the purpose of the calculation of the ratio between the fixed and variable components of the total remuneration for the first performance period if the probationary period initiates prior to the first performance period. The sign-on bonus is exceptional and can only occur where FIMBank has a sound capital base. It will only be awarded once to the same single employee and cannot be awarded again if the same employee receives a new contract from the same Group entity or another entity with the scope of consolidation of the Group. The sign-on bonus may be awarded either in cash or in instruments.	N/A

Variable remuneration (*continued*)

Element and purpose of remuneration	Operation	Maximum opportunity	Performance measures
Buy-out compensation of previous employment contract	FIMBank may pay a buy-out compensation of a previous employment contract in the first year of employment, if applicable. Such buy-out compensation will require the approval of the BNRC.	FIMBank may, in exceptional circumstances (where the deferred variable remuneration of a new Executive was reduced or revoked by the previous employer because of the termination of the contract), pay a buy-out compensation to on-board a new Executive. Such bonus would require the a priori approval of the BNRC and is disbursed on a one-time conditional basis during the first year of employment. The buy-out compensation is exceptional and can only occur where FIMBank has a sound capital base.	N/A

BNRC decisions are determined by the guidelines set by the Board of Directors when reviewing the Group budget. In line with Article 135-139 of Banking Rule 21 (BR21/2022) issued by the Malta Financial Services Authority, the Bank ensures that any variable remuneration awarded is not detrimental to its sound and strong capital base. In the unlikely event that the soundness of the capital base may be at risk, this will be escalated and presented to the BNRC.

The variable remuneration awarded to Executives is also subject to the below provisions emanating from the Directors' Remuneration Policy:

Clawback and malus	Any variable remuneration extended by FIMBank to any of its Executives is subject to clawback and malus. These are defined in Banking Rule 21 as follows: - malus means an arrangement that permits the institution to reduce the value of all or part of deferred variable remuneration based on ex post risk adjustments before it has vested; and - clawback means an arrangement under which the staff member has to return ownership of an amount of variable remuneration paid in the past years or which has already vested to the institution under certain conditions. Malus will be capable of being applied in respect of deferred elements of variable remuneration at any time during the applicable deferral period. Clawback will apply during the period of four years from the date of award or until the end of the applicable retention period, as applicable. FIMBank reserves the right to apply clawback and malus on 100% of bonus paid and/or deferred, in the case of gross misconduct as defined in the Disciplinary Policy and in the event that conditions stipulated in the performance targets in the subsequent two years are not met.
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Variable remuneration (*continued*)

Total maximum variable remuneration	The total annual variable remuneration for Executives is capped at 100% of total fixed annual remuneration for each individual. This cap may be increased up to a maximum of 200% to total fixed annual remuneration provided the following conditions are fulfilled: - the shareholders shall approve a higher ratio based on a detailed recommendation giving reasons for and the scope of the approval sought, including the number of staff affected, their functions and the expected impact of such variable remuneration on the requirement that the relevant FIMBank entities maintain a sound capital base; - the shareholders approve such variable remuneration award or awards by a majority of at least 66%, with at least 50% of the shares or equivalent ownership rights being represented or, failing that, acting by a majority of 75% of the ownership rights represented; - the relevant FIMBank entity shall notify all shareholders that the approval shall be sought and shall provide a reasonable notice period in advance; - the FIMBank entity shall promptly inform its regulator of any recommendation to its shareholders to operate within the proposed 200% ratio and the reasons for this, and shall in such submission demonstrate that the higher ratio of variable remuneration does not conflict with FIMBank's obligations under the applicable legislation, particularly in respect of own funds obligations; - the FIMBank entity shall promptly inform its regulator of the decisions taken by the shareholders to approve the proposed higher maximum ratio; and - staff members directly concerned with the proposed higher maximum ratio shall not be permitted to exercise, directly or indirectly, any voting rights they may have in respect of the approval of any proposal relating to this ratio.
Payment of deferred bonus in case of loss	In case FIMBank incurs a loss in a financial year, in the interest of strengthening the capital base and getting FIMBank back in good standing, payment or otherwise of any deferred bonus will be decided by the BNRC. Such bonuses may be further deferred in the interest of sustainability.
Reassessment of performance	Every year, before paying out the deferred part of cash or the vesting of deferred instruments, a reassessment of the performance and, if necessary, an ex-post risk adjustment shall be applied to align variable remuneration to additional risks that have been identified or materialised after the award. This also applies where multi-year accrual periods are used.
Other requirements: Derogation	By virtue of Paragraph 20 of Banking Rule 21, given that a) the Bank does not meet the definition of a large institution as defined in Article 4(1) of the CRR; and b) the value of the Bank's assets over the four-year period immediately preceding the current financial year is less than €5 billion, the following requirements emanating from Article 94 of CRD V are not deemed to be applicable to the Bank, namely: - the principle that a minimum of 50% of any variable remuneration shall consist of shares; and - the principle that at least 40% of variable remuneration is deferred over a period of not less than 4 to 5 years.

Information on remuneration in terms of code provision 8.A.5 of the MFSA capital markets rules

The Annual General Meeting of Shareholders approves the maximum annual aggregate remuneration which the Directors may receive for the holding of their office. At the Annual General Meeting held on 12 June 2024, the Shareholders approved the maximum aggregate emoluments of the Non-Executive Directors for the financial year ended 31 December 2024 amounting to USD450,000 (2023: USD450,000). Executive Directors are only remunerated as employees and do not receive any Directors' fees. Directors, in their capacity as Directors of the Bank, are not entitled to profit sharing, share options or pension benefits. The total fees paid specifically for Board of Directors Meetings for the financial year ended 31 December 2024 amounted to USD143,941, which is included as part of the total payments received by Non-Executive Directors disclosed below.

For 2024, the total remuneration awarded to Non-Executive Directors by the Bank was:

• fixed remuneration	USD334,417
• variable remuneration	Nil
• executive share options	Nil
• fringe benefits	USD400

The fixed annual remuneration is inclusive of remuneration with respect to Committee/s memberships. In this respect, the Directors' emoluments are within the limit approved by the Annual General Meeting of 12 June 2024.

For 2024, the total remuneration awarded to the GCEO, Deputy CEO and Executive Management by the Bank was:

• fixed remuneration	USD2,501,645
• variable remuneration *	USD393,831
• executive share options granted	Nil
• fringe benefits	USD636,161

* * * Variable remuneration represents the amounts attributable to the GCEO, Deputy CEO and Executive Management in respect of performance year 2024.

Additional disclosures on the governance process related to the variable portion of remuneration have been made under the Directors' Remuneration Report and under the Section discussing the Remuneration Policy of the 2024 Pillar 3 Disclosures Report published on the Bank's website.

From 1 January 2024 until his resignation on 1 August 2024, Mr. Mohammed Louhab held the position of GCEO and Executive Director. Effective 1 August 2024, Mr. Simon Jethro Lay, who served as Deputy CEO until 31 July 2024, was appointed GCEO and Executive Director (as per company announcement dated 2 August 2024 and subsequent regulatory approval announcement dated 12 March 2025).

None of the Directors received any fees for holding the office of Director by the Bank's parent entities or any other related undertakings in respect of services rendered to the FIMBank Group, except for Mr. Mohammed Louhab. In 2024, Mr. Mohammed Louhab received USD89,737 from United Gulf Holdings ("UGH") as arrears for the services he rendered to the FIMBank Group in 2023, during his tenure as Non-Executive Director, prior to being appointed Executive Director of FIMBank Board of Directors. In this respect, the Directors believe that the requirements emanating from paragraph (c) of Appendix 12.1 of the Capital Markets Rules, which requires the disclosure of "any remuneration from any undertaking belonging to the same group where the term group means parent undertaking and all its subsidiary undertakings" applies at the level of FIMBank p.l.c., the Bank's parent entity, and its subsidiary undertakings respectively, taking cognisance of their role as Directors of the Bank. Accordingly, no disclosure in respect of their remuneration for any services which they might be providing at parent entity level is being made within this report.

Directors' remuneration report (*as per capital market 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 Capital Markets Rules, more specifically Chapter 12 which deals with shareholders' rights. The amounts disclosed reflect the Directors' Remuneration Policy ("Policy") as approved by the Annual General Meeting held on 12 June 2024 and published on the Bank's website (refer to the policy in full on <https://www.fimbank.com/en/remuneration-policy>). The result of the vote at the Annual General Meeting when the Policy was last approved was 430,208,301 votes in favour, 53,248,881 "as he prefers" votes, 22,883 votes against, and 6,408,424 abstentions, and 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 Capital Markets Rules.

The Policy is effective for three years since the date of approval and will therefore be subject to another approval in the 2027 Annual General Meeting. Nevertheless, the Policy is reviewed annually to reflect any new regulatory requirements or changes in Policy. Any material amendments are approved by the BNRC prior to being submitted to the General Meeting for its binding vote.

During 2024, the Policy was updated to incorporate the following enhancements (which were approved in the Annual General Meeting dated 12 June 2024 as per above):

- Inclusion of additional detail to further align the Policy with the applicable regulatory framework;
- Refinement of references to improve consistency across the Policy;
- Clarification of the governance process relating to the approval of deviations from the Policy; and
- Revisions to the performance measures applicable to Non-Executive Directors' remuneration.

In terms of the requirements within Appendix 12.1 of the Capital Markets Rules, the following sub-sections of the Directors' Remuneration Report present the total remuneration paid to each Director in respect of the financial year ended 31 December 2024 (analysed further between fixed and variable remuneration), as well as the annual change of remuneration of the Executive Directors, of the Bank's performance and of average remuneration on a full-time equivalent basis of the Bank's employees (other than Directors) over the four most recent financial years.

Non-executive directors

The Bank's approach to remuneration is that of ensuring that the Bank is able to attract and retain talented and high performing Directors by recognising, valuing and fairly rewarding their contributions while remaining aligned to the Bank's long-term strategy, risk appetite, sustainable performance and corporate values.

The total remuneration of each individual Director is detailed in the following tables. Non-Executive Directors only receive fixed fees for directorship services. Consequently, the percentage split between fixed and variable should be taken as 100% vs 0%.

For information about the general performance and events of material importance of the Bank refer to the Statements of Profit or Loss and the Statements of Other Comprehensive Income on pages 48 and 49 and in the Review of Performance section within the Director's Report. These did not impact the total remuneration of Non-Executive Directors.

The Non-Executive Directors did not receive any base salary, variable remuneration or compensation in respect of extraordinary items and pension contributions during the financial year ended 31 December 2024. In addition, Non-Executive Directors are not entitled to profit-sharing arrangements, share options, shares or pension benefits.

Non-executive directors' remuneration

Name of director	2024 USD	2023 USD	2022 USD	2021 USD	Difference 2024 vs 2023 %	Difference 2023 vs 2022 %	Difference 2022 vs 2021 %	Difference 2021 vs 2020 %	Notes
John C. Grech	* 101,150	100,891	100,400	101,032	0.3	0.5	(0.6)	2.8	No change in fee structure in 2024. The minimal increase between 2023 and 2024 is due to the fact that Dr. Grech was appointed as Chairperson of the BCGC on 1 May 2023, which is a position which was still held as at 31 December 2024. In this respect, Dr. Grech received a full year of remuneration in 2024 but a partial remuneration in 2023.
Masaud M.J. Hayat	19,750	19,750	19,750	17,000	-	-	16.2	(17.1)	No change in fee structure in 2024.
Edmond Brincat	62,500	51,356	46,000	47,333	21.7	11.6	(2.8)	1.6	The increase of 21.7% in remuneration compared to 2023 is due to the change in fee structure following the adjustment in committees' composition effective 1 July 2024. In this respect, during 2024, Mr. Brincat was appointed as Member to the BCGC and the BRIC while relinquishing his role as Member and Chairperson of the BESG (which role was held by Mr. Brincat since 1 August 2023). The increase in remuneration is therefore linked to the change in responsibilities occurring in 2024.
Erich Schumacher	6,750	19,000	11,083	NA	(14.7)	-	NA	NA	No change in fee structure in 2024. Mr. Schumacher resigned from his role as Director within the BoD with effect from 24 April 2024 following his appointment as GCOO. In this respect, the relative decrease in fees compared to 2023, after taking into consideration the annualisation of fees to reflect the fact that Mr Schumacher was a Director for only a portion of 2024, is primarily due to a marginally lower number of Board and BRC meetings Mr. Schumacher attended until his date of resignation.

' * ' The remuneration of Non-Executive Directors comprises fees only, except for the case of the Chairperson of the Board of Directors whose total emoluments for 2024 comprise USD100,750 in fees and USD400 in fringe benefits.

Non-executive directors' remuneration *(continued)*

Name of director	2024 USD	2023 USD	2022 USD	2021 USD	Difference 2024 vs 2023 %	Difference 2023 vs 2022 %	Difference 2022 vs 2021 %	Difference 2021 vs 2020 %	Notes
Hussain Abdul Aziz Lalani	44,750	39,417	36,750	36,750	13.5	7.3	-	5.4	No change in fee structure in 2024. The increase of 13.5% in remuneration compared to 2023 is due to the fact that Mr. Lalani was appointed as Member to the BESG Committee on 1 September 2023, a position which was still held as at 31 December 2024. In this respect, Mr. Lalani received a full year of remuneration in 2024 but a partial remuneration in 2023.
Rabih Soukarieh	27,000	27,000	24,750	23,000	-	9.1	7.6	(11.9)	No change in fee structure in 2024.
Samer Abbouchi	15,083	NA	NA	NA	NA	NA	NA	NA	Fees represent services rendered from 1 June 2024 when Mr. Abbouchi was appointed to the BoD and BRC. On 1 October 2024, Mr. Abbouchi was also appointed to the BCC.
Sunny Bhatia	27,000	11,250	NA	NA	-	NA	NA	NA	No change in fee structure in 2024. The increase is due to Mr. Bhatia receiving the full annual fee for the reporting year, whereas in 2023, he received a partial fee following his appointment as a Member to the BoD, BNRC and BCGC on 23 August 2023. The annualisation of fees paid to Mr. Bhatia in 2023 would result in fees which are in line with those paid in respect of 2024.
Teuta Bakalli	30,834	NA	NA	NA	NA	NA	NA	NA	Fees represent services rendered from 23 May 2024 when Ms. Bakalli was appointed to the BoD, BRC, BAC and BCGC. On 1 July 2024, Ms. Bakalli was also appointed as a Member and Chairperson of the BESG, while relinquishing her role as Member of the BCGC.

In addition to the presented fees, Directors Dr. John C. Grech, Mr. Hussain Abdul Aziz Lalani and Mr. Samer Abbouchi were also awarded remuneration for their services as Directors on the LFC Board of Directors. The fees awarded are: Dr. John C. Grech (Chairperson) USD10,000, Mr. Hussain Abdul Aziz Lalani USD10,000 and Mr. Samer Abbouchi USD6,667.

Non-executive directors' remuneration *(continued)*

The positions held by the Bank's Non-Executive Directors during the financial year ended 31 December 2024 are presented hereunder:

Name of director	Position
John C. Grech	Non-Executive Director, Chairperson FIMBank BoD, Chairperson LFC BoD, Chairperson BRIC, Chairperson BCC, Chairperson CGC, Permanent Invitee BNRC
Masaud M.J. Hayat	Non-Executive Director, Vice Chairperson BoD, Chairperson BNRC
Edmond Brincat	Independent Non-Executive Director, Member BoD, Chairperson BAC, Chairperson BESG (up to 30 June 2024), Vice Chairperson BNRC, Member BCGC, Member BRIC
Erich Schumacher	Up to 24 April 2024: Non-Executive Director, Member BoD, Member BRC, Member LFC BoD
Hussain Abdul Aziz Lalani	Non-Executive Director, Member BoD, Chairperson BRC, Vice Chairperson BAC, Vice Chairperson BRIC, Vice Chairperson BESG, Vice Chairperson LFC BoD
Rabih Soukarieh	Non-Executive Director, Member BoD, Vice Chairperson BCC
Samer Abbouchi	Non-Executive Director, Member BoD, Vice Chairperson BRC, Member BCC, Member LFC BoD
Sunny Bhatia	Non-Executive Director, Member BoD, Vice Chairperson BCGC, Member BNRC
Teuta Bakalli	Independent Non-Executive Director, Member BoD, Member BCGC (up to 30 June 2024), Chairperson BESG, Member BAC, Member BRC

Executive directors and deputy chief executive officer

In accordance with Capital Markets Rules 12.2A, the disclosure of information in terms of Capital Markets Rules 12.26K and Appendix 12.1 to Chapter 12 of the Capital Markets Rules is applicable in respect of remuneration payable to the GCEO and the Deputy CEO.

From 1 January 2024 until his resignation on 1 August 2024, Mr. Mohammed Louhab held the position of GCEO and Executive Director. Effective 1 August 2024, Mr. Simon Jethro Lay, who served as Deputy CEO until 31 July 2024, was appointed GCEO and Executive Director (as per company announcement dated 2 August 2024 and subsequent regulatory approval announcement dated 12 March 2025). In addition, Mr. Lay also held the position of CEO of London Forfaiting Company ("LFC") throughout the financial year ended 31 December 2024.

The following tables present information in respect of remuneration received by the outgoing GCEO and Executive Director (Mr. Mohammed Louhab) and newly appointed GCEO and Executive Director (Mr. Simon Jethro Lay). Mr. Mohammed Louhab did not receive any remuneration from the Bank's subsidiaries, whereas Mr. Simon Jethro Lay received remuneration from LFC, where he holds the position of CEO of this subsidiary of the Bank.

Name of executive	Fixed remuneration			Variable remuneration		Total remuneration USD	Proportion of fixed and variable remuneration relative to total remuneration USD
	Base salary USD	Fees USD	* Fringe benefits USD	One-year variable USD	Multi-year variable USD		
Mohammed Louhab	270,768	-	103,211	NA	NA	373,979	100%: 0.0%
Simon Jethro Lay	575,741	-	146,677	326,305	-	1,048,723	68.9%: 31.1%

* * The amount in respect of Mr. Mohammed Louhab includes: travel, accommodation, car, parking, mobile, pension plan allowances, health, and personal accident and life insurance cover, as well as an amount of USD9,759 relating to relocation flights and other related costs. The amount in respect of Mr. Simon Jethro Lay includes: pension plan allowance and health and life insurance cover.

The variable remuneration awarded to Mr. Simon Jethro Lay in respect of performance year 2024 reflects his overall performance as CEO of LFC, Deputy CEO of FIMBank (until 31 July 2024) and GCEO and Executive Director of FIMBank (with effect from 1 August 2024). In determining the variable remuneration, his performance was assessed by the BNRC 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 BNRC approved the aforementioned performance bonus awarded to Mr. Simon Jethro Lay. This is in view of Mr. Lay's material contribution in ensuring that LFC continues to be a profit-making entity for the FIMBank Group in 2024 and for his initiatives in the strategic transformation of the Bank. No variable remuneration was awarded to Mr. Mohammed Louhab in respect of the financial year ended 31 December 2024.

In accordance with the Group's Remuneration Policy, no deferral requirements are applicable to the variable remuneration awarded for the financial year ended 31 December 2024. In addition, the variable remuneration is payable in cash and, accordingly, no share-based remuneration was awarded to Mr. Simon Jethro Lay. There were no circumstances warranting severance payments during the reporting year. Finally, none of the variable remuneration awarded in respect of the financial year ended 31 December 2024 or the preceding financial years were reclaimed or adjusted, neither in the form of malus nor in the form of clawback.

Executive directors and deputy chief executive officer *(continued)*

An analysis of the annual change of remuneration paid to Executive Directors and the Deputy CEO over the last four financial years is presented hereunder:

Name of executive	2024 USD	2023 USD	2022 USD	2021 USD	* Difference 2024 vs 2023 %	* Difference 2023 vs 2022 %	* Difference 2022 vs 2021 %	* Difference 2021 vs 2020 %	Notes
Simon Jethro Lay	1,048,723	906,433	713,281	873,468	15.7	27.1	(18.3)	20.1	The increase in the remuneration of Mr. Lay of USD142,290 or 15.7% is primarily attributable to remuneration received for his new duties as GCEO and Executive Director from 1 August 2024 onwards. Prior to this, Mr. Lay served in his capacity as Deputy CEO. The overall increase also reflects higher variable remuneration rewarded in 2024 compared to 2023.
Mohammed Louhab **	373,979	56,565	NA	NA	-	NA	NA	NA	Mr. Louhab was appointed GCEO and Executive Director with effect from 1 December 2023. For the purpose of calculating the annual percentage change between 2023 and 2024, the remuneration received in 2024 (excluding relocation/repatriation payments and cost of living allowances) in his capacity as GCEO and Executive Director was annualised to reflect the cessation of his duties effective 1 August 2024. Annualised total remuneration would amount to USD562,168 in 2023 and 2024 (excluding one-time relocation payment. In this respect, the annual percentage change in remuneration compared to 2023 was effectively nil.

* * Differences also include fluctuation in rate of exchange from GBP to USD.

** Prior to his appointment as GCEO and Executive Director with effect from 1 December 2023, Mr. Louhab held the position of Non-Executive Director. In this respect, the amounts included in the table above only reflect the remuneration awarded to Mr. Louhab in his capacity as GCEO and Executive Director to enable a better comparison in view of the fact that the remuneration structure for Executive Directors and Non-Executive Directors is different.

Executive directors and deputy chief executive officer *(continued)*

The positions held by the Bank's Executive Directors and Deputy CEO during the financial year ended 31 December 2024 are presented hereunder:

Name of executive	Position
Simon Jethro Lay	Up to 31 July 2024: Deputy CEO
	With effect from 1 August 2024: GCEO and Executive Director (as per company announcement dated 2 August 2024 and regulatory approval announced on 12 March 2025), Member of the BoD, Member BESG, Non-Voting Member BRIC and BCC, Chairperson ALCO, Chairperson NCIC, Chairperson MCC, Chairperson TC, Member ITSC, Member ORMC, Member ERPC, Member LFC BoD;
	During 2024 he continued to serve as LFC CEO
Mohammed Louhab	Up to 1 August 2024: GCEO and Executive Director FIMBank, Member BCC, Member BESG, Non-Voting Member BRIC, Chairperson ALCO, Chairperson NCIC, Chairperson MCC, Chairperson TC, Member ERPC, Member ITSC, Member ORMC, Permanent Invitee MGC and MESG, Member LFC BoD

Company performance and average remuneration of the bank's employees

In terms of the requirements within Appendix 12.1 of the Capital Markets Rules, the following tables present the annual change of the Bank's performance and of average remuneration on a full-time equivalent basis of the Bank's employees (other than directors) over the four most recent financial years.

Performance indicators	2024 USD	2023 USD	2022 USD	2021 USD	Difference 2024 vs 2023 %	Difference 2023 vs 2022 %	Difference 2022 vs 2021 %	Difference 2021 vs 2020 %
Profit before net impairment and tax	2,391,977	6,290,495	4,206,308	3,237,112	(62.0)	49.5	29.9	155.6
Net (loss)/profit for the period	(3,203,686)	2,490,148	(22,010,084)	(663,219)	(228.7)	111.3	(3,218.7)	98.8
Gross non-performing assets	12,886,098	20,605,923	94,001,953	119,068,469	* 37.5	* 78.1	* 21.1	* 31.7

* * * Percentages in respect of FIMBank's performance are being shown as positive given that the figures denote improvements in these metrics.

Average remuneration on full-time equivalent basis of employee	2024 USD	2023 USD	2022 USD	2021 USD	Difference 2024 vs 2023 %	Difference 2023 vs 2022 %	Difference 2022 vs 2021 %	Difference 2021 vs 2020 %
Employees of the Bank	78,876	74,684	77,158	79,792	5.6	(3.2)	(3.3)	5.2

Denotes membership of:

- FIMBank Board of Directors (“BoD”)
- Board Audit Committee (“BAC”)
- Board Corporate Governance Committee (“BCGC”)
- Board Credit Committee (“BCC”)
- Board Environment, Social and Governance Committee (“BESGC”)
- Board Nomination and Remuneration Committee (“BNRC”)
- Board Review and Implementation Committee (“BRIC”)
- Board Risk Committee (“BRC”)
- Asset Liabilities Committee (“ALCO”)
- Management Credit Committee (“MCC”)
- Management Environmental, Social and Governance Committee (“MESG”)
- Emerging Risk and Provisioning Committee (“ERPC”)
- IT Steering Committee (“ITSC”)
- Operational Risk Management Committee (“ORMC”)
- Non-Credit Insurance Committee (“NCIC”)
- Transformation Committee (“TC”)

The Directors’ Remuneration Report for 2023 was approved at the Annual General Meeting held on 12 June 2024 with the Resolution being passed by 430,208,301 votes in favour, 53,248,881 “as he prefers” votes, 22,883 votes against and 6,408,424 abstentions. There were no issues raised on the Report during the said Annual General Meeting.

This Directors’ Remuneration Report in terms of Chapter 12 of the Capital Markets Rules is being put forward to an advisory vote of the 2025 Annual General Meeting in accordance with the requirements of the Capital Markets Rule 12.26 L.

In accordance with Capital Markets Rule 12.26N, the contents of the Directors’ Remuneration Report within this Remuneration Report have been reviewed by the external auditor to ensure compliance with the requirements emanating from Appendix 12.1 of the Capital Markets Rules.

Statements of financial position

For the year ended 31 December

	Note	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	18	134,192,217	353,010,186	134,179,290	352,997,057
Derivative assets held for risk management	19	1,464,641	715,713	1,464,641	812,609
Trading assets	20	274,733,298	374,177,108	-	-
Loans and advances to banks	21	96,457,392	152,814,948	90,098,124	114,325,243
Loans and advances to customers	22	427,976,723	431,342,074	517,783,911	618,118,225
Financial investments at fair value through profit or loss	23	13,958,450	19,329,840	13,958,450	19,329,840
Financial investments at fair value through other comprehensive income	24	120,265,095	140,755,780	120,265,095	140,755,780
Financial investments at amortised cost	25	2,073,906	28,399,073	2,073,906	28,399,073
Investments in subsidiaries	26	-	-	116,182,573	157,687,573
Property and equipment	27	23,576,823	25,185,250	1,916,689	2,994,784
Investment property	28	20,925,767	22,257,617	-	-
Intangible assets	30	2,906,773	2,623,987	2,906,773	2,624,736
Current tax assets		886,247	1,910,849	-	-
Deferred tax assets	31	15,654,513	19,000,479	15,004,834	15,004,834
Other assets	32	11,088,122	9,161,060	9,312,395	7,747,110
Total assets		1,146,159,967	1,580,683,964	1,025,146,681	1,460,796,864
Liabilities and equity					
Liabilities					
Derivative liabilities held for risk management	19	1,109,346	626,476	1,165,387	626,476
Amounts owed to institutions and banks	33	241,193,331	412,570,931	168,729,126	333,498,402
Amounts owed to customers	34	679,118,749	934,738,942	679,691,057	951,166,330
Debt securities in issue	35	15,851,701	27,543,864	-	-
Current tax liabilities		1,953,622	1,631,829	-	-
Deferred tax liabilities	31	4,011,635	4,266,961	-	-
Provision for liabilities and charges	36	582,401	236,214	211,125	90,135
Other liabilities	37	18,691,243	19,771,615	8,584,443	10,633,538
Total liabilities		962,512,028	1,401,386,832	858,381,138	1,296,014,881
Equity					
Called-up share capital	38	261,221,882	261,221,882	261,221,882	261,221,882
Share premium	38	858,885	858,885	858,885	858,885
Currency translation reserve	38	(15,308,700)	(14,337,472)	-	-
Fair value reserve	38	509,378	(4,677,868)	(12,195,204)	(17,382,450)
Other reserve	38	2,982,435	2,982,435	2,681,041	2,681,041
Accumulated losses	38	(67,150,466)	(67,269,892)	(85,801,061)	(82,597,375)
Total equity attributable to equity holders of the Group		183,113,414	178,777,970	166,765,543	164,781,983
Non-controlling interests	39	534,525	519,162	-	-
Total equity		183,647,939	179,297,132	166,765,543	164,781,983
Total liabilities and equity		1,146,159,967	1,580,683,964	1,025,146,681	1,460,796,864

Statements of financial position

For the year ended 31 December

	Note	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Memorandum items					
Contingent liabilities	40	30,956,786	31,281,753	30,960,840	42,331,477
Commitments	41	132,205,442	147,803,707	111,629,563	100,220,087

The official middle rate of exchange issued by the European Central Bank between US Dollar and Euro as at 31 December 2024 was 1.0389 (2023: 1.1050).

The Notes on pages 56 to 191 are an integral part of these Financial Statements.

The Financial Statements on pages 46 to 191 were approved and authorised for issue by the Board of Directors on 9 April 2025.

Approved by the Board of Directors and signed on its behalf by Dr. John C. Grech (Chairman) and Mr. Masaud M.J. Hayat (Vice Chairman) on 9 April 2025 as per Director's Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Financial Statements 2025.

Statements of profit or loss

For the year ended 31 December

	Note	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Interest income	8	97,319,914	95,492,537	54,480,196	52,818,308
Interest expense	8	(45,472,330)	(40,242,672)	(35,797,670)	(33,156,902)
Net interest income	8	51,847,584	55,249,865	18,682,526	19,661,406
Fee and commission income	9	6,097,918	5,246,853	3,785,269	3,116,178
Fee and commission expense	9	(5,364,800)	(5,986,430)	(1,163,931)	(1,206,187)
Net fee and commission income/(expense)	9	733,118	(739,577)	2,621,338	1,909,991
Net trading results	10	(1,475,879)	(3,220,869)	(534,483)	(921,644)
Net (loss)/gain from equity investments measured at fair value through profit or loss	11	(718,609)	768,541	(718,609)	768,541
Dividend income	12	-	40,228	6,000,000	12,221,863
Impairment charge in respect of investments in subsidiaries	26	-	-	(1,500,000)	-
Net changes in fair value of investment property	28	-	(1,398,978)	-	-
Other operating income	13	1,080,760	921,017	194,273	328,330
Other operating expenses	14	(244,391)	(24,531)	-	(24,531)
Operating income before credit losses		51,222,583	51,595,696	24,745,045	33,943,956
Net movement in expected credit losses and other credit impairment charges	4	(2,501,376)	(1,960,888)	(3,180,417)	(2,993,592)
Operating income		48,721,207	49,634,808	21,564,628	30,950,364
Administrative expenses	15	(36,852,460)	(40,664,264)	(21,010,359)	(24,824,525)
Depreciation and amortisation	27/30	(3,548,838)	(3,176,337)	(2,842,709)	(2,828,936)
Total operating expenses		(40,401,298)	(43,840,601)	(23,853,068)	(27,653,461)
Profit/(Loss) before tax		8,319,909	5,794,207	(2,288,440)	3,296,903
Taxation	16	(8,169,920)	(5,786,533)	(915,246)	(806,755)
Profit/(Loss) for the year		149,989	7,674	(3,203,686)	2,490,148
Profit/(Loss) for the year attributable to:					
Equity holders of the Group		119,426	(30,812)	(3,203,686)	2,490,148
Non-controlling interests	39	30,563	38,486	-	-
		149,989	7,674	(3,203,686)	2,490,148
Earnings per share					
Basic earnings per share (US cents)	17	0.02	(0.01)		

The Notes on pages 56 to 191 are an integral part of these Financial Statements.

Statements of other comprehensive income

For the year ended 31 December

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Profit/(Loss) for the year	149,989	7,674	(3,203,686)	2,490,148
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Properties:				
- Surplus arising on revaluation of properties	-	1,314,568	-	-
- Income tax	-	(34,308)	-	-
	-	1,280,260	-	-
Items that are or may be reclassified subsequently to profit or loss:				
Foreign operations - foreign currency translation differences	(986,428)	(621,862)	-	-
Debt instruments at fair value through other comprehensive income:				
- Fair value gains	5,187,246	8,119,386	5,187,246	8,119,386
	4,200,818	7,497,524	5,187,246	8,119,386
Other comprehensive income, net of tax	4,200,818	8,777,784	5,187,246	8,119,386
Other movements in comprehensive income	-	1,576	-	-
Total comprehensive income	4,350,807	8,787,034	1,983,560	10,609,534
Total comprehensive income attributable to:				
Equity holders of the Group	4,335,444	8,750,465	1,983,560	10,609,534
Non-controlling interests	15,363	36,569	-	-
	4,350,807	8,787,034	1,983,560	10,609,534

Statements of changes in equity

For the year ended 31 December 2024

Group

	Attributable to equity holders of the Group							Non-controlling interests USD	Total equity USD
	Called-up share capital USD	Share premium USD	Currency translation reserve USD	Fair value reserve USD	Other reserve USD	Accumulated losses USD	Total USD		
Balance at 1 January 2024	261,221,882	858,885	(14,337,472)	(4,677,868)	2,982,435	(67,269,892)	178,777,970	519,162	179,297,132
Total comprehensive income									
Profit for the year	-	-	-	-	-	119,426	119,426	30,563	149,989
Other comprehensive income:									
- Debt instruments at fair value through other comprehensive income – fair value gains, net of tax	-	-	-	5,187,246	-	-	5,187,246	-	5,187,246
- Foreign operations – foreign currency translation Differences	-	-	(971,228)	-	-	-	(971,228)	(15,200)	(986,428)
Total other comprehensive income	-	-	(971,228)	5,187,246	-	-	4,216,018	(15,200)	4,200,818
Total comprehensive income	-	-	(971,228)	5,187,246	-	119,426	4,335,444	15,363	4,350,807
Balance at 31 December 2024	261,221,882	858,885	(15,308,700)	509,378	2,982,435	(67,150,466)	183,113,414	534,525	183,647,939

Statements of changes in equity

For the year ended 31 December 2023

Group

	Attributable to equity holders of the Group							Non-controlling interests	Total equity
	Called-up share capital USD	Share premium USD	Currency translation reserve USD	Fair value reserve USD	Other reserve USD	Accumulated losses USD	Total USD	USD	USD
Balance at 1 January 2023	261,221,882	858,885	(13,717,527)	(14,077,514)	2,982,435	(67,240,656)	170,027,505	482,593	170,510,098
Total comprehensive income									
(Loss)/Profit for the year	-	-	-	-	-	(30,812)	(30,812)	38,486	7,674
Other comprehensive income:									
- Debt instruments at fair value through other comprehensive income – fair value gains, net of tax	-	-	-	8,119,386	-	-	8,119,386	-	8,119,386
- Surplus arising on revaluation of properties, net of tax	-	-	-	1,280,260	-	-	1,280,260	-	1,280,260
- Foreign operations – foreign currency translation differences	-	-	(619,945)	-	-	-	(619,945)	(1,917)	(621,862)
Total other comprehensive income	-	-	(619,945)	9,399,646	-	-	8,779,701	(1,917)	8,777,784
Other movements in comprehensive income	-	-	-	-	-	1,576	1,576	-	1,576
Total comprehensive income	-	-	(619,945)	9,399,646	-	(29,236)	8,750,465	36,569	8,787,034
Balance at 31 December 2023	261,221,882	858,885	(14,337,472)	(4,677,868)	2,982,435	(67,269,892)	178,777,970	519,162	179,297,132

Statements of changes in equity

For the year ended 31 December 2024

Bank

	Called-up share capital USD	Share premium USD	Fair value reserve USD	Other reserve USD	Accumulated losses USD	Total equity USD
Balance at 1 January 2024	261,221,882	858,885	(17,382,450)	2,681,041	(82,597,375)	164,781,983
Total comprehensive income						
Loss for the year	-	-	-	-	(3,203,686)	(3,203,686)
Other comprehensive income:						
- Debt investments at fair value through other comprehensive income – fair value gains, net of tax	-	-	5,187,246	-	-	5,187,246
Total other comprehensive income	-	-	5,187,246	-	-	5,187,246
Total comprehensive income	-	-	5,187,246	-	(3,203,686)	1,983,560
Balance at 31 December 2024	261,221,882	858,885	(12,195,204)	2,681,041	(85,801,061)	166,765,543

Statements of changes in equity

For the year ended 31 December 2023

Bank

	Called-up share capital USD	Share premium USD	Fair value reserve USD	Other reserve USD	Accumulated losses USD	Total equity USD
Balance at 1 January 2023	261,221,882	858,885	(25,501,836)	2,681,041	(85,087,523)	154,172,449
Total comprehensive income						
Profit for the year	-	-	-	-	2,490,148	2,490,148
Other comprehensive income:						
- Debt investments at fair value through other comprehensive income – fair value gains, net of tax	-	-	8,119,386	-	-	8,119,386
Total other comprehensive income	-	-	8,119,386	-	-	8,119,386
Total comprehensive income	-	-	8,119,386	-	2,490,148	10,609,534
Balance at 31 December 2023	261,221,882	858,885	(17,382,450)	2,681,041	(82,597,375)	164,781,983

Statements of cash flows

For the year ended 31 December

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Cash flows from operating activities				
Interest and commission receipts	102,439,332	99,410,908	57,122,686	52,462,009
Interest and commission payments	(49,661,088)	(39,953,513)	(38,459,787)	(27,268,050)
Payments to employees and suppliers	(38,657,152)	(36,383,127)	(21,709,008)	(24,275,402)
Operating profit/(loss) before changes in operating assets/liabilities	14,121,092	23,074,268	(3,046,109)	918,557
Decrease/(Increase) in operating assets:				
- Loans and advances to banks and customers	71,422,475	80,642,118	110,243,934	91,123,276
- Other assets	(1,742,706)	(809,685)	(2,063,793)	(632,506)
(Decrease)/Increase in operating liabilities:				
- Amounts owed to institutions, banks and customers	(418,291,343)	(14,330,127)	(426,610,162)	(18,089,097)
- Other liabilities	(105,259)	344,918	517,580	351,181
- Net inflows from balances with subsidiary companies	-	-	36,012,891	46,022,425
Cash flows (used in)/from trading assets:				
- Payments to acquire trading assets	(879,020,797)	(772,551,650)	(9,900,000)	-
- Proceeds on settlement of trading assets	970,314,190	847,048,996	10,046,076	-
Net cash (used in)/from operating activities before income tax	(243,302,348)	163,418,838	(284,799,583)	119,693,836
Income tax paid	(3,672,190)	(1,762,645)	(915,246)	(806,755)
Net cash flows (used in)/from operating activities	(246,974,538)	161,656,193	(285,714,829)	118,887,081
Cash flows from investing activities				
Payments to acquire financial investments at amortised cost	-	(13,440,236)	-	(13,440,236)
Payments to acquire treasury bills at amortised cost	(31,587,228)	(288,263,020)	(31,587,228)	(288,263,020)
Payments to acquire property and equipment	(558,341)	(154,846)	(284,181)	(34,872)
Payments to acquire intangible assets	(1,149,354)	(490,433)	(1,149,354)	(490,433)
Proceeds on redemption of financial investments at fair value through profit or loss	3,607,970	249,464	3,607,970	249,464
Proceeds on maturity of financial investments at fair value through other comprehensive income	17,882,889	13,745,002	17,882,889	13,745,002
Proceeds on maturity of financial investments at amortised cost	26,429,022	-	26,429,022	-
Proceeds on maturity and disposals of treasury bills at amortised cost	156,492,976	288,934,098	156,492,976	288,934,098
Proceeds on cancellation of shares of a subsidiary company	-	-	40,000,000	-
Proceeds on merger by acquisition of a subsidiary company	-	-	3,487	-
Proceeds on disposal of property and equipment	5,361	31,064	-	27,500
Receipt of dividends	-	40,228	6,000,000	7,221,863
Net cash flows from investing activities	171,123,295	651,321	217,395,581	7,949,366
(Decrease)/Increase in cash and cash equivalents c/f	(75,851,243)	162,307,514	(68,319,248)	126,836,447

Statements of cash flows

For the year ended 31 December

	Group		Bank	
	2024 USD	2023 USD	2024 USD	2023 USD
(Decrease)/Increase in cash and cash equivalents b/f	(75,851,243)	162,307,514	(68,319,248)	126,836,447
Cash flows (used in)/from financing activities				
– Proceeds on issue of debt securities	36,290,304	38,142,327	-	-
– Payments to settle debt securities	(46,301,439)	(26,893,950)	-	-
– Payments of lease liabilities	(1,103,468)	(830,369)	(1,732,785)	(1,450,567)
Net cash flows (used in)/from financing activities	(11,114,603)	10,418,008	(1,732,785)	(1,450,567)
Effect of net exchange gains/(losses) attributable to assets and liabilities	15,382,292	(15,762,409)	9,801,806	(7,268,046)
(Decrease)/Increase in cash and cash equivalents	(71,583,554)	156,963,113	(60,250,227)	118,117,834
Analysed as follows:				
– Effect of exchange rate changes on cash and cash equivalents	(13,335,338)	2,900,384	(11,971,656)	3,401,372
– Net (decrease)/increase in cash and cash equivalents	(58,248,216)	154,062,729	(48,278,571)	114,716,462
(Decrease)/Increase in cash and cash equivalents	(71,583,554)	156,963,113	(60,250,227)	118,117,834
Cash and cash equivalents at beginning of year	113,043,444	(43,919,669)	127,729,732	9,611,898
Cash and cash equivalents at end of year	41,459,890	113,043,444	67,479,505	127,729,732

Notes to the financial statements

For the year ended 31 December 2024

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Notes to the financial statements

For the year ended 31 December 2024

1 Reporting entity

FIMBank p.l.c. (the “Bank”) is a company domiciled and incorporated 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 Bank is a credit institution licenced in Malta and is primarily involved in the provision of lending, trade finance and factoring services to corporate customers, as well as the raising of deposits from corporate and retail customers.

The Bank and its subsidiaries, namely London Forfaiting Company Limited (“LFC”), FIMFactors B.V. (“FIMFactors”), The Egyptian Company for Factoring S.A.E. (“Egypt Factors”) and FIM Property Investment Limited, are included in the scope of consolidation as at and for the year ended 31 December 2024 and are referred to as the “Group” in these Financial Statements and individually as “Group entities”.

In this respect, the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2024 comprise the Bank and its subsidiaries, whereas the standalone financial statements of FIMBank p.l.c. reflect the financial results and financial position of the Bank. All amounts have been rounded to the nearest thousand, unless otherwise stated.

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 and IFRS refer to those adopted by the European Union (“EU”).

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

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

The 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.

The Financial Statements were authorised for issue by the Board of Directors on 9 April 2025.

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 investments measured at fair value through profit or loss’;
- ‘Financial investments measured at fair value through other comprehensive income’;
- Freehold land and Improvement to premises within ‘Property and equipment’ at Group level; and
- ‘Investment property’ at Group level.

2.3 Standards, interpretations and amendments to published standards effective in 2024

In 2024, the Group and Bank adopted the following amendments to existing standards effective for accounting periods beginning on 1 January 2024, which amendments did not have a material effect on the Group's and Bank's financial statements:

- amendments to IAS 1 – presentation of financial statements: classification of liabilities as current or non-current;
- amendments to IAS 7 – statements of cash flows and IFRS 7 – financial instruments disclosures: supplier finance arrangements; and
- amendments to IFRS 16 – leases: lease liability in a sale and leaseback.

2.4 Standards, interpretations and amendments to published standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted. However, the Group and Bank have not early adopted them in preparing these Financial Statements.

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

- amendments to IAS 21 – the effects of change in foreign exchange rates - lack of exchangeability;
- amendments to IFRS 9 and IFRS 7 – classification and measurement of financial instruments; and
- IFRS 19 – subsidiaries without public accountability: disclosures.

IFRS 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. However, IFRS 18 has not yet been endorsed by the EU as at the date of authorisation for issue of these financial statements. The new standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace IAS 1 'Presentation of Financial Statements' but carries over many requirements from that standard. In addition, there are new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information. While IFRS 18 will not change recognition criteria or measurement bases, it may have a significant impact on presenting information in the financial statements, in particular the income statement and the cash flow statement. The Group and Bank will be assessing the detailed implications of applying the new standard on the Group's and Bank's financial statements, subsequent to endorsement by the EU.

2.5 Functional and presentation currency

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

2.6 Use of judgements and estimates

In preparing these Consolidated Financial Statements, Management has made judgements, estimates and assumptions that affect the application of the Group's 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 estimates are recognised prospectively.

2.6.1 Judgements

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

- Accounting Policy 3.9.2 – 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 Principal and Interest ("SPPI") on the principal amount outstanding; and
- Note 4.2 – 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.

2.6.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2024 is set out below in relation to the impairment of financial instruments and in the following Notes in relation to other areas:

- Accounting Policy 3.9.5 – impairment of financial instruments: key assumptions used in estimating recoverable cash flows;
- Note 4.2 – impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information;
- Note 5.2 – determination of the fair value of financial instruments with significant unobservable inputs;
- Note 26.3 – impairment testing for CGUs: key assumptions underlying recoverable amounts;
- Note 27.2 – determination of the fair value of property and equipment with significant unobservable inputs;
- Note 28.2 – determination of the fair value of investment property with significant unobservable inputs; and
- Note 31 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

3 Material accounting policies

The Group and Bank (where applicable) have consistently applied the following Accounting Policies to all periods presented in these Financial Statements.

3.1 Basis of consolidation

3.1.1 Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and 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 assets and activities 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 related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. As at 31 December 2024 and 31 December 2023 the Group does not have any goodwill recognised in the Statement of Financial Position.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured 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), 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 measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 on which control commences until the date on which control ceases.

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

3.1.5 Discontinued operations

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

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-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 transactions, and any unrealised gains and losses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. 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 fair value when control is lost.

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 the 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 3.9.2.1); 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 currency translation reserve, except to the extent that the translation difference is allocated to a non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is re-attributed to non-controlling interest.

3.3 Interest income and expense

3.3.1 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 POCI financial assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For POCI 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.

3.3.2 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.

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 being applied on the gross carrying amount.

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.

3.3.3 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;
- interest income on other financial investments at fair value through profit or loss, and
- interest income on trading assets.

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

- interest on financial liabilities measured at amortised cost;
- negative interest on financial investments measured at amortised cost;
- interest expense on lease liabilities; and
- interest expense on other financial liabilities at fair value through profit or loss.

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 Fee and commission income and expense

Fee 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.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fees and commission income, including account servicing fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. 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 net gains less losses relating to trading assets 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 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 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, accounting for them in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and recognising the related expenses in 'Other expenses'.

3.8.1 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.

3.8.2 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.

3.9 Financial assets and liabilities

3.9.1 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 balance sheet on the settlement date.

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. The fair value of a financial instrument at initial recognition is generally its transaction price.

3.9.2 Classification

3.9.2.1 Financial assets

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

A debt instrument 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 solely payments of principal and interest ("SPPI").

A debt instrument is measured at fair value through other comprehensive income ("FVOCI") 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.

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 in which 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).

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.

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at fair value through profit or loss ("FVTPL") unless the Group designates these instruments at FVOCI upon initial recognition.

Reclassifications

The Group reclassifies debt instruments when and only when its business model for managing those assets changes. In such cases, the instruments are reclassified in the period following which the Group changes its business model for managing financial assets.

Financial assets measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are SPPI are measured at amortised cost. Such financial assets primarily comprise balances with Central Bank of Malta, loans and advances to banks and customers, treasury bills classified within 'Balances with Central Bank of Malta, treasury bills and cash', and financial investments measured at amortised cost.

The amortised cost of a financial asset 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.

Interest income from these financial assets is recognised in 'Interest income' using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'Other operating income', whereas foreign exchange gains and losses are presented in 'Net trading results'. Impairment losses are presented as a separate line item in the statement of profit or loss.

Financial assets measured at fair value through other comprehensive income

Financial assets held within a business model that is achieved by both collecting contractual cash flows and selling and which contain contractual terms that give rise on specified dates to cash flows that are SPPI are measured at FVOCI. These primarily comprise financial investments measured at FVOCI.

For debt securities measured at FVOCI, unrealised gains and losses subsequent to initial recognition 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 recognised in 'Interest income';
- movements in loss allowances recognised in 'Net impairment charge on financial assets'; and
- foreign exchange gains and losses recognised in 'Net trading results'.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Financial assets mandatorily measured at fair value through profit or loss

Debt instruments that do not meet the criteria for amortised cost or FVOCI are automatically classified and measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within 'Net trading results' in the period in which it arises.

Such financial assets comprise primarily Group's trading assets, which are managed and whose performance is evaluated on a fair value basis. Trading assets are acquired principally for the purpose of selling in the near term or to be held as part of a portfolio that is managed together for short-term profit or position taking.

The management of these assets by LFC is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the instruments are SPPI. However, these instruments are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the business model's objective. Consequently, all trading assets are mandatorily measured at FVTPL.

Trading assets 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.

In addition, equity investments that are not designated at FVOCI at initial recognition are also classified and mandatorily measured at FVTPL. Changes in the fair value of financial assets measured at FVTPL are recognised in 'Net (loss)/gain from equity investments measured at fair value through profit or loss' in the statement of profit or loss as applicable. Such instruments principally comprise the Group's investment in unlisted sub-funds and other equity investments classified within 'Financial investments measured at fair value through profit or loss'.

Derivatives held for risk management purposes

Derivatives are financial instruments that derive their value from the price of underlying items such as currency forwards or interest rate swaps. Derivatives are recognised initially and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. In this respect, derivatives held for risk management purposes are measured at fair value in the Statement of Financial Position, with gains and losses recognised in 'Net trading results' in profit or loss.

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.

3.9.2.2 Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as subsequently measured at amortised cost. Financial liabilities measured at amortised cost principally comprise 'Amounts owed to institutions and banks', 'Amounts owed to customers', 'Debt securities in issue', together with 'Creditors and accruals' classified within 'Other liabilities'.

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 consideration received is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

These financial 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 elect 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 change in the fair value of the liability 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 change in fair value of the liability 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.

3.9.3 Derecognition

3.9.3.1 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 3.9.4), 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 consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated at FVOCI is not recognised in profit or loss on derecognition of such securities. 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.

If 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, 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.

3.9.3.2 Financial liabilities

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

3.9.4 Modifications of financial assets and financial liabilities

3.9.4.1 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 3.9.3) and a new financial asset is recognised at fair value plus any eligible transaction costs.

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 4.2.1.8 for write-off policy).

If the modification of a financial asset measured at amortised cost or FVOCI does not result in the 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 3.9.5), then the gain or loss is presented together with impairment losses. In other cases, differences in the carrying amount are recognised in profit or loss as a gain or loss on derecognition.

3.9.4.2 Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument, and change in covenants, are also taken into consideration.

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 deemed to be substantial and therefore does not result in the derecognition of the liability, 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 recomputing the effective interest rate on the instrument.

3.9.5 Identification and measurement of impairment

The Group recognises loss allowances for expected credit losses (“ECLs”) in respect of the following financial instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments, principally comprising Balances with Central Bank of Malta, Treasury bills, loans and advances to banks and customers, and financial investments measured at amortised cost or FVOCI;
- financial guarantee contracts; and
- loan commitments.

The Group recognises loss allowances in respect of the above portfolios of financial assets at each reporting date. No loss allowances are recognised in respect of equity investments.

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

- financial instruments 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 4.2.1.2).

The Group considers a financial instrument to have low credit risk when it is assigned a credit risk rating that is equivalent to the globally understood definition of ‘investment grade’ by an external credit rating agency. Balances held with credit institutions in reputable jurisdictions classified within ‘Loans and advances to banks’ and debt securities classified within ‘Financial investments measured at amortised cost’ and ‘Financial investments measured at fair value through other comprehensive income’ are considered to have low credit risk when the financial instrument is assigned an ‘investment-grade’ credit risk rating. The Group does not apply the low credit risk exemption to any other financial instrument.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months from the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as ‘Stage 1 financial instruments’. Financial instruments allocated to Stage 1 have not undergone significant increase in credit risk since initial recognition and are not credit-impaired.

Life-time ECL represent 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’.

3.9.5.1 Measurement of ECL

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Loss allowances reflect a probability-weighted estimate of expected credit losses and 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 Group 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.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (“POCI”) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate;
- lease receivables: the discount rate used in measuring the lease receivable;
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

In measuring 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.

Note 4 provides more detail in respect of the methodology applied by the Group for the measurement of loss allowances.

3.9.5.2 Purchased or originated credit-impaired financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

3.9.5.3 Restructured financial assets

The Bank renegotiates loans and advances to customers in financial difficulties (referred to as “forbearance activities”) to maximise collection opportunities and minimise the risk of default. 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 in respect of whether the financial asset should be derecognised (see Accounting Policy 3.9.3 and 3.9.4) and the ECL is measured as follows:

- if the expected restructuring will not result in the derecognition of the existing asset, the expected cash flows arising from the modified financial asset are included in the ECL calculation to estimate shortfalls from the existing asset. In this respect, the loss allowance in respect of such exposures is estimated by reference to the expected cash flows arising from the modified financial asset. (see Note 4.2.1.3); and
- if the expected restructuring will result in derecognition of the existing asset, the restructured asset is considered a ‘new’ financial asset. Any new financial assets that arise following derecognition events as a result of substantial modification to the terms of the instrument are classified as Stage 1 assets, unless the new financial asset is credit-impaired on initial recognition, in which case it will be classified as a POCI financial asset. A loss is booked in profit or loss (normally as a write-off) since the new instrument is recognised at fair value.

3.9.5.4 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 loan 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.

3.9.5.5 Financial guarantee contracts held

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instruments; and
- the guarantee is given by the parent of the borrower or another company within the borrower’s group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure is neither credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised under ‘Other assets’. The Group presents gains or losses on a compensation right in profit or loss in the line item ‘Impairment losses on financial instruments’.

3.9.5.6 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 the fair value reserve.

3.9.5.7 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 movement in expected credit losses and other credit impairment charges' in the Statement of Profit or Loss. 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.

3.9.6 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.

3.9.7 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 for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

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

The fair value of a financial liability with a demand feature (e.g. 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 5.

3.10 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

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

3.11 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 3.16).

3.12 Property and equipment

3.12.1 Recognition and measurement

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

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 and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

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

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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.

3.12.2 Subsequent costs

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

3.12.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis, allocating the cost / revalued amounts less estimated residual values 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:

- | | |
|---------------------------|-------------|
| • buildings | 50 years |
| • improvement to premises | 14 years |
| • computer system | 7 years |
| • computer equipment | 4 years |
| • others | 5 - 7 years |

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

3.12.4 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.

3.12.5 Derecognition

Property and equipment are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year during which the asset is derecognised.

3.13 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.

3.13.1 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.

3.13.1.1 Short-term leases and leases of low-value assets

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

3.13.2 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 3.9.3 and 3.9.5). The Group further regularly views estimated unguaranteed residual values used in calculating the gross investment in the lease.

3.14 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 and equipment is sold, any related amount included in the revaluation reserve (see Accounting Policy 3.12.4) 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.

3.15 Intangible assets and goodwill

3.15.1 Recognition and measurement

3.15.1.1 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.

As at 31 December 2024 and 31 December 2023 the Group does not have any goodwill recognised in the Statement of Financial Position.

3.15.1.2 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.

3.15.1.3 Other intangible assets

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

3.15.2 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.

3.15.3 Amortisation

The cost of intangible assets less their estimated residual values is amortised 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 lives 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.

3.16 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.

3.17 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.

3.18 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 at a below market interest rate 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 3.9.3 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.

3.19 Employee benefits

3.19.1 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.

3.19.2 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.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3.20 Share capital

3.20.1 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.

3.20.2 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.

3.21 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 31 December 2024 and 2023, basic and diluted earnings per share were equal.

3.22 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.

4 Financial risk review

4.1 Introduction and overview

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

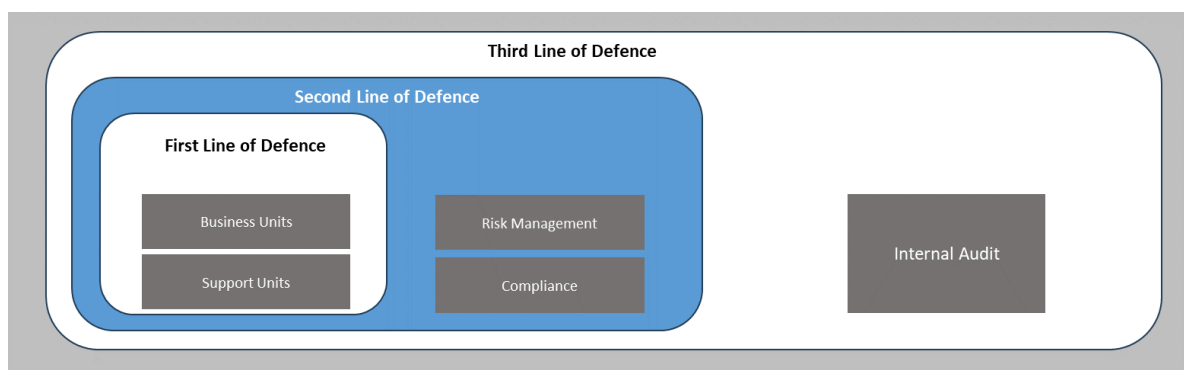
The Group has exposure to the following risks from financial instruments:

- 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 traded debt instruments; and
 - price risk;
- d. operational risk (including IT and Legal risk);
- e. compliance and financial crime risk (including conduct and reputational risk); and
- f. climate related risks.

4.1.1 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. One of the Group's core business lines is trade finance, therefore maintaining control over contingent liabilities and commitments is fundamental since the risks involved are substantively the same as with on-balance sheet items.

The Group adopts the three lines of defence model, to ensure it achieves its strategic objectives whilst meeting regulatory and legal requirements, and fulfilling its responsibilities to shareholders, customers and staff, as outlined in the below diagram.



The Board is ultimately responsible for the identification and evaluation of key risks applicable to the different areas of activity of the Group and for ensuring that proper processes and systems of internal control are in place. The Board of Directors has established a number of Board Committees to support the fulfilment of its responsibilities concerning the establishment and implementation of a robust control environment. Such Committees carry responsibility for matters concerning Risk Management, Compliance, Audit, Governance, Remuneration and ESG. These Committees' responsibilities are at a Group level, meaning that the Bank and its Subsidiaries are within their remit.

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 Board Audit Committee. All reports are circulated and also copied to the Chairman of the Board of Directors.

The Risk Management Department ("RMD") is responsible for the implementation of the risk strategy approved by the Board as part of the overall vision and strategy for the Group. Specifically with regard to Risk Management, and the Risk Management Department's responsibilities, the following Management and Board Committees have been established.



The Board Risk Committee ("BRC") has the task of assisting the Board in fulfilling its responsibilities concerning the establishment and implementation of the Group's Risk Management strategy, risk appetite, systems and policies. The Board Credit Committee ("BCC") is responsible for the review and approval of credit limits granted to customers and limits set at country level. The Corporate Governance Committee is responsible for governance matters concerning the Group, including the policies of the organisation. The Board Environment, Social and Governance Committee ("BESGC") is responsible for overseeing and managing the Group's ESG strategy and related policies and systems.

Additionally, the Group adheres to the various banking directives and rules issued by the Regulatory Authorities from time to time and applicable to credit institutions licensed in Malta. This continues 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.

4.2 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.

4.2.1 Default Risk

Default risk is the possibility that a borrower, whether corporate or personal or other, is unable to repay credit obligations to the Group when due.

Strict credit assessment and control procedures are in place in order to monitor such exposures. Overall responsibility for credit risk is entrusted to the Board Credit Committee (“BCC”) which is responsible for approving individual limits for banks and corporates. The BCC has also delegated limited credit approval authorities to members of Management of the Bank and to risk committees set up at the subsidiaries. Country limits are approved by the BCC. The BCC is also responsible for the consideration 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. Additionally, through country limits, the Group manages its exposure to any one economy. The Group also monitors its risk on balances held with other banks and establishes limits for them. The risks associated with off-balance sheet exposures arise from the normal course of banking operations. In the case of risks associated with off-balance sheet exposures, the Group exercises the same credit controls as those applied to on-balance sheet exposures and limits are established accordingly.

Credit risk is one of the main risks which needs to be managed and controlled by the RMD throughout the course of implementing the strategy set by the Board. The RMD is responsible for ensuring that credit proposals give a true and fair view of the risks involved as well as to control and monitor the execution of transactions in accordance with the terms of approval.

In this respect, the RMD’s credit risk management responsibilities comprise the following:

- analysing credit risk and ensuring that it is maintained within parameters in line with the Group’s strategy;
- recommending portfolio risk limits for Management and BRC approval;
- monitoring risk positions against approved risk limits;
- understanding changes in credit trends, concentrations and portfolio risk profile;
- ensuring that all existing and new products offered by the Group which involve the booking of credit risk are appropriately assessed by the unit which promotes the product and have passed through the Product Variation and New Product Approval process where necessary;
- making recommendations to the relevant approval body for the establishment and renewal of country and obligor limits. To facilitate this process, sufficient information must be submitted, including a rationale for the request and an appropriate analysis of the risks and their mitigants, if any;
- monitoring the quality of the Group’s portfolio of assets and making recommendations regarding their credit grading;
- ensuring that all credit facility requests are assessed in a fair and independent manner;
- ensuring that appropriate policies and guidelines in relation to the monitoring and management of credit risk are established;
- disseminating the credit risk culture across the Group and ensuring that the highest standards are maintained;
- deploying tools and techniques to manage credit risk and measuring asset risk in relation to return; and
- providing timely and accurate credit information and analysis to key constituencies including Senior Management, Board members, regulators, auditors, rating agencies and other external parties.

4.2.1.1 Maximum exposure to credit risk

The Group's and Bank's maximum credit risk exposure to on and off-balance sheet financial instruments, before taking account of any collateral held or other credit enhancements, is presented in the following table. For financial assets recognised in the statement of financial position, the maximum exposure to credit risk is equivalent to the carrying amount. For commitments and financial guarantees, the maximum exposure to credit risk is equivalent to the full amount of the commitment or guarantee.

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Balances with the Central Bank of Malta, treasury bills and cash	134,192,217	353,010,186	134,179,290	352,997,057
Loans and advances to banks	96,457,392	152,814,948	90,098,124	114,325,243
Loans and advances to customers	427,976,723	431,342,074	517,783,911	618,118,225
Financial investments at fair value through other comprehensive income	120,265,095	140,755,780	120,265,095	140,755,780
Financial investments at amortised cost	2,073,906	28,399,073	2,073,906	28,399,073
Other assets	6,804,541	5,007,323	6,603,179	4,457,961
Off-balance sheet:				
- Guarantees	27,628,498	28,025,274	27,632,552	39,074,998
- Commitments	132,205,442	147,803,707	111,629,563	100,220,087
	947,603,814	1,287,158,365	1,010,265,620	1,398,348,424

The following table contains an analysis of the maximum credit risk exposure from financial assets subject to credit risk but not subject to impairment (i.e. financial assets measured at fair value through profit or loss).

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Derivative assets held for risk management	1,464,641	715,713	1,464,641	812,609
Trading assets	274,733,298	374,177,108	-	-
Financial investments at fair value through profit or loss	13,958,450	19,329,840	13,958,450	19,329,840
	290,156,389	394,222,661	15,423,091	20,142,449

4.2.1.2 Credit risk measurement

Measurement of credit risk considers that an exposure varies with changes in market conditions, expected cash flows and the passage of time. The Bank's models measure expected credit losses using probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") parameters.

Credit risk grades

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

The Group manages the credit quality of its financial assets by using internal credit risk grades, which provide a progressively increasing risk profile ranging from '1' (best quality, less risky) to '10' (non-performing). These internal credit risk grades are essential for the assessment and measurement of credit risk in respect of exposures classified within the Group's portfolios of financial assets.

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

The table below provides an indicative mapping of how the Group's internal credit risk grades relate to conditional PDs and to external credit rating scale applied by Moody's (or their equivalent):

Grading	12-month weighted-average PD	External rating
Grades 1 to 4- low risk	0.20%	Aaa-Baa3
Grades 5+ to 5- fair risk	1.55%	Ba1-Ba3
Grades 6+ to 7 high risk	4.72%	B1-Caa2
Grades 7- to 8- substandard	24.28%	Caa3-Ca
Grades 9 to 10 doubtful/loss	100.00%	C

All on- and off- balance sheet exposures are approved after a review of the counterparty's creditworthiness. Whilst any external rating of the counterparty by established external credit rating agencies is taken into account, an internal credit risk grade is assigned to all obligors.

Focusing specifically on loans and advances to customers, the Group has four lending portfolios:

- the Local Corporate Lending portfolio, predominantly comprising loans to the real estate sector in Malta;
- the Factoring Receivables portfolio, comprising portfolios of factored receivables (both on a non-recourse and recourse basis) in Europe, India and the Middle East;
- the Trade Finance portfolio, comprising import and export finance facilities; and
- a portfolio of other facilities comprising syndicated senior secured facilities to international corporates and shipping finance facilities.

The Group uses Moody's CreditLens to assign internal credit risk grades to exposures classified within the Local Corporate Lending, Trade Finance and the Bank's Factoring Receivables portfolios using both quantitative and qualitative borrower-specific inputs. Specifically, for exposures classified within the Local Corporate Lending portfolio, the internal credit risk grade is determined by reference to inputs related to the project being financed, such as the property type, property valuation upon completion, project costs, and project complexity, whereas the internal credit risk grade for exposures classified within the Bank's Factoring Receivables and Trade Finance portfolio is determined by reference to quantitative (financial statement) inputs and other qualitative inputs, such as the entity's competitive position in the market and customer concentration level. In both cases, the borrower and exposure specific inputs are benchmarked against an underlying dataset within Moody's CreditLens model in order to assess the relative level of credit risk of the obligor.

Similarly, internal credit risk grades for exposures classified within the Group's Factoring Receivables portfolio originated at subsidiary level are determined using internally developed scorecards by reference to quantitative (e.g. sales growth and net worth of the entity) and qualitative (e.g. industry and market conditions) inputs. Determination of internal credit risk grades for buyers in the Group's Factoring Receivables portfolio where there is no recourse to the customer is done on the basis of a qualitative assessment and the use of external ratings, when available. Finally, internal credit risk grades for syndicated facilities are also determined by reference to Moody's CreditLens whereas internal credit risk grades for shipping finance loans are determined by relationship managers on the basis of a qualitative assessment. Each exposure is allocated to an internal credit risk grade on initial recognition, and is then subject to ongoing monitoring, which may result in an exposure being moved to a different internal 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.

For exposures classified within 'Balances with Central Bank of Malta, treasury bills measured at amortised cost', 'Financial investments measured at fair value through other comprehensive income', 'Financial investments measured at amortised cost' and 'Loans and advances to banks', an internal credit risk grade is assigned on the basis of external credit ratings. In the event that an exposure is not rated, internal credit risk grades are assigned by reference to the Moody's CreditLens scorecard applied for the Local Corporate Lending portfolio and sovereign external credit ratings, where relevant.

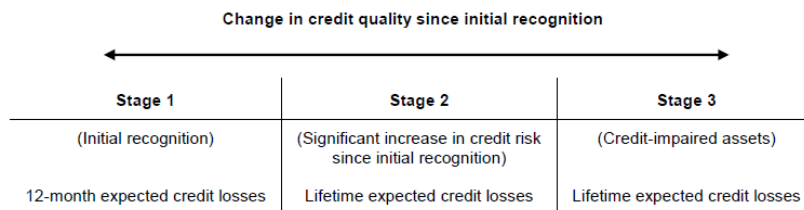
The three-stage model for staging

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition. The key driver of the measurement of ECLs relates to the level of credit risk for each exposure and, as a result, an assessment of the change in credit risk over the expected life of an asset is a core element in determining the staging criteria under IFRS 9. The three stages under IFRS 9 are as follows:

- Stage 1 - Financial instruments that have not had a significant increase in credit risk (“SICR”) since initial recognition, or that have “low credit risk” at the reporting date, are classified in Stage 1. 12-month ECLs are recorded to measure the expected losses that result from default events that are possible within 12 months after the reporting date;
- Stage 2 - Financial instruments that have experienced a SICR since initial recognition are classified in Stage 2. Lifetime ECLs are recorded to measure the expected losses that result from all possible default events over the expected life of the financial instrument; and
- Stage 3 - Financial instruments that demonstrate objective evidence of impairment, and which are considered to be in default or credit-impaired, are classified in Stage 3, also requiring the measurement of lifetime ECLs.

Purchased or originated credit-impaired (“POCI”) financial assets are those financial assets that are credit-impaired on initial recognition. The ECL in respect of such exposures is always measured on a lifetime basis.

The following diagram summarises the impairment requirements under IFRS 9:



The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are outlined below.

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 historical experience, expert credit judgement and forward-looking information.

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account information about past events, current conditions and future economic conditions.

The Group uses two principal criteria for determining whether there has been a significant increase in credit risk since initial recognition:

- a quantitative test based on changes in internal credit risk grades and, by extension, changes in conditional forward-looking point-in-time (“PiT”) PDs of obligors; and
- qualitative indicators, primarily based on delinquency using a backstop of 30 days past due.

It is possible for multiple exposures to the same obligor to be classified under different stages. This may occur when the Group holds exposures originated at differing points in time thereby potentially giving rise to differing default risk at initial recognition, causing a variation in the relative increase in credit risk since origination between the different instruments.

Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, as well as the geographical region in which the borrower operates.

For the purposes of the quantitative SICR assessment, the Group has adopted a ratings-based approach (i.e. based on notch deterioration). Due to the lack of internal history of defaults, the Group uses a credit risk modelling solution developed by Moody's in case of the Local Corporate Lending, Trade Finance and the Bank's Factoring Receivables portfolios and internally developed scorecards in case of the Group's Factoring Receivables exposures at subsidiary level in order to assign internal credit risk grades to obligors and facilities at the date of the credit risk assessment. As explained previously, these internal credit risk grades are derived by: (i) benchmarking the obligor's financial information (in case of Trade Finance, Factoring Receivables and syndicated lending exposures) or project specific information (in case of certain Local Corporate Lending exposures) with those of the underlying model dataset; and (ii) applying a qualitative scorecard to adjust the credit score to better reflect obligor-specific peculiarities. Adjustments are also made to capture country- and industry-specific credit risk characteristics impacting the credit risk of a particular obligor.

Obligor-specific credit scores are then mapped to an unconditional PiT PD. A forward-looking, probability weighted PiT PD estimated by the model is determined through the application of multiple forward-looking macroeconomic scenarios and then mapped to an implied default rating, which adopts Moody's public ratings agency scale terminology from C up to Aaa. When performing the SICR assessment, the Group compares the implied rating at origination to the implied rating at the reporting date and determines the difference in notches between them. The Group's staging criteria is therefore deemed to be based on a ratings/notch deterioration approach.

The quantitative SICR staging decision uses a relative threshold approach, which involves calculating the magnitude of the difference between the reporting date rating and the origination date rating based on the deterioration in the number of notches between the two ratings. As a general indicator, the 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-notch deterioration from the rating at origination.

Although the Group has adopted a ratings-based approach (i.e. based on notch deterioration) for its SICR assessment, each implied rating is represented by an underlying PD. In this respect, the objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing the implied rating as at the reporting date with the implied rating at initial recognition.

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 expert judgment and relevant historical experiences and exposures which are categorised on the watch list are downgraded to Stage 2.

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 a scheduled 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 graded below 7-.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, the loss allowance on an instrument returns to being measured as 12-month ECL. Where the SICR was initially determined using the Group's quantitative criteria (i.e., deterioration in rating), the exposure is deemed to have cured only if there is evidence of an improvement in the implied default rating (instrument should evidence an implied default rating which is at worst one notch lower than the original inception rating (reflecting worse credit quality compared to the date of initial recognition but better credit quality compared to the two-notch downgrade required to migrate an exposure into Stage 2) in order to trigger a reclassification from Stage 2 to Stage 1).

Some qualitative SICR indicators, 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 the case of delinquency, any instrument that is no longer 30-days past due can only be reclassified to Stage 1 when: (i) all contractual arrears have been remediated (Nil days past due); and (ii) no further non-payment has been observed for a minimum of 90 days. In the case of forbearance, the Group determines a probation period of one year during which an instrument classified in Stage 2 is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. In this respect, a Stage 2 exposure can only cure and be upgraded to Stage 1 if at least one year has passed since downgrade to Stage 2 and if the borrower has demonstrated satisfactory performance throughout that period. When the 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 a low credit risk expedient for staging purposes. 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 considers “low credit risk” to exist in case of selected financial instruments (for example listed bonds and counterparties to which an external credit rating has been assigned by an external credit rating agency) with an investment grade credit rating (BBB- and better) assigned by at least one major external credit rating agency. Should the external credit rating of a financial instrument fall below the investment grade threshold, the instrument is deemed to have suffered a SICR, at which point the instrument will be re-classified as a Stage 2 exposure, moving from a 12-month to a lifetime ECL calculation.

Definition of default

In order to assess whether there has been an increase in credit risk of a financial instrument since initial recognition, changes in default risk are considered over the remaining life of the financial instrument. The definition of default is therefore critical to the application of IFRS 9 requirements. However, IFRS 9 does not specifically define default, but requires the Group to apply a definition that is consistent with the definition used for internal credit risk management purposes.

The Group applies the definition of default in a consistent manner with internal credit risk management practice, which definition considers both qualitative and quantitative factors. In this respect, 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 has 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 the following indicators:

- qualitative: factors which are taken into consideration include delinquency, breaches of covenant, forbearance measures and non-payment on another obligation of the same issuer to the Group;
- quantitative: this is based on the ratings-based approach described earlier, with exposures having an implied rating of Ca or below being treated as defaulted.

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 Capital Requirements Regulation 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 realisation of collateral. This definition is used for the purpose of measuring ECL and identifying assets as being credit-impaired. Therefore, the definitions of credit-impaired and default are aligned so that Stage 3 exposures comprise loans that are considered defaulted or otherwise credit-impaired.

Exposures which are classified as defaulted / credit-impaired are those that have been assigned an internal credit risk grade of 9 or 10. Defaulted exposures may comprise forbore loans and advances to customers that have been subject to a change in contractual cash flows as a result of a concession which the Group would not otherwise consider, and where it is probable that without the concession the borrower would be unable to meet the contractual payment obligations in full, unless the concession is insignificant and there are no other indicators of impairment. Forborne loans that are classified as credit-impaired will continue to be classified as such until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment.

An instrument not comprising of forbore loans and advances is considered to have cured from defaulted status when it no longer meets any of the default criteria for a period of 12 consecutive months. When forbearance measures are extended to a defaulted instrument, such instrument is considered to have cured from defaulted status when it no longer meets any of the default criteria for a period of 12 consecutive months, and thereafter becoming a ‘performing forbore’ exposure. Performing forbore exposures are cured to performing status after 24 consecutive months of no events indicating financial distress.

4.2.1.3 Measurement of expected credit losses

ECLs are measured on a 12-month or a lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. Specifically, ECLs are the discounted product of the following variables:

- the probability of default (“PD”), which represents the likelihood of a borrower defaulting on its financial obligation (as per the ‘definition of default’ above), either over the next 12 months (“12-month PD”) or over the remaining lifetime (“lifetime PD”) of the obligation;
- the loss given default (“LGD”), which represents the Group’s expectation of the extent of the loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (“EAD”). The estimation of LGD considers the structure and seniority of the claim, together with the nature and recoverability / enforceability of collateral and associated recovery costs; and
- exposure at default (“EAD”), which represents the expected exposure in the event of a default.

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.

In measuring ECLs, the Group adopts a credit risk modelling solution developed by Moody’s Analytics. When calculating the Group’s ECL, special considerations are made to assess the impact of the current and forecasted economic conditions, as explained in further detail in note 4.2.1.7. The ECL is determined by projecting the PD, EAD and LGD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original Effective Interest Rate (EIR) or an approximation thereof.

Probability of default

The term structure of PDs follows a two-staged approach. In the first instance, borrower-specific internal credit risk grades (derived using the methodology described in note 4.2.1.2) are mapped to Moody’s official credit rating-scale table. Following this, the resultant credit rating is converted into a PiT PD term structure using Moody’s ‘Rating to PiT PD’ converter, calibrated by reference to historical default data observed in the market. 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 implied rating, as well as country and industry information.

“Unconditional” PiT PDs refer to the PD term structure based on historical information and prior to the application of forward-looking macroeconomic scenarios. Multiple forward-looking macroeconomic scenarios are applied to the unconditional PiT PD term structure to estimate a forward-looking probability-weighted “conditional” PiT PD at an obligor level.

For the majority of the facilities PDs are determined upon origination date and at each subsequent reporting date at an obligor level rather than at a facility level. Therefore, at any given date, multiple facilities attributable to the same obligor are assigned the same PD, reflecting the borrower’s financial condition as at the date of the assessment. In this regard, different facilities with the same obligor originated at the same time are expected to have an identical PD both at origination date as well as subsequent reporting dates. However, facilities with the same obligor originated at different time intervals can have different PDs upon origination, reflecting the borrower’s financial condition and credit risk at each respective origination date, whereas identical PDs are determined at each subsequent reporting date in respect of all such facilities. The only exception to the above relates to real estate lending exposures classified within the Local Corporate Lending portfolio and financial instruments measured at amortised cost and FVOCI, where ratings and PDs are determined as facility level. Therefore, it is possible for exposures to the same borrower to have a different rating and PD both at origination date and thereafter.

Loss given default

As described above, the LGD represents the magnitude of the likely loss in the event of a default event. It is based on the difference between the contractual cash flows due and the cash flows that the Group expects to receive, whether from operating cash flows or from any collateral. It takes into account the mitigating effect of collateral value at the time it is expected to be realised and the time value of money. LGD for ECL measurement includes the expected impact of future economic conditions and discounting back from estimated time of default to reporting date using the original EIR.

The Group applies unsecured LGD rates derived from statistical models developed by Moody's by benchmarking exposure-specific characteristics with the underlying dataset. The LGD model considers a series of variables including the debt structure, the country and industry in which the borrower operates, seniority of the claim, and the borrower-specific PD. For exposures classified within the Local Corporate Lending portfolio, which are primarily secured by residential and / or commercial real estate, the secured LGD is derived through the application of adjustments to the unsecured LGD to reflect the collateral value after taking into consideration pre-determined haircuts.

For certain exposures classified within the Factoring Receivables portfolio, the Group purchases credit insurance cover or correspondent factor import cover from foreign third-party underwriters, which provide insurance cover in respect of losses up to a pre-determined percentage of each eligible receivable. Exposures classified within the Trade Finance portfolio are principally collateralised by bank guarantees. In this respect, the secured LGD is derived through the application of adjustments to the unsecured LGD to reflect the collateral value.

Syndicated loan exposures are typically unsecured, although there might be instances where specific collateral is requested by the syndicate, such as charges over immovable property. Similarly, shipping finance loans are typically secured by the vessel being financed as well as related vessel insurance cover. In such cases, the secured LGD is derived through the application of adjustments to the unsecured LGD to reflect the collateral value after taking into consideration pre-determined haircuts.

In addition, exposures across all portfolios are in some instances also collateralised by cash pledges. In this respect, adjustments to the unsecured LGD are also applied to reflect these credit risk mitigation techniques.

The same macroeconomic modelling elements used to derive PiT PDs are then used to determine conditional PiT LGDs. In this regard, macroeconomic conditioning is applied to the LGD term structure through a modelled correlation between PD and LGD term structures.

Exposure at default

The EAD represents the expected exposure in the event of a default. The Group derives the EAD by reference to the current exposure to the counterparty and estimates of potential further drawdowns in case of off-balance sheet commitments. The EAD of on-balance sheet exposures is equal to the instrument's gross carrying amount at the time of default. For lending commitments, the EAD includes current and potential future amounts that may be drawn under the contract, whereby expected potential future drawdowns are determined based on estimated credit conversion factors. For financial guarantees, the EAD reflects the probability that the financial guarantee becomes payable.

The Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) during which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period is deemed to reflect the date on which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Judgemental adjustments

Where appropriate, the Group makes adjustments to the ECL estimate outside the Group's regular modelling process to reflect Management judgements. Changes to the assumptions underlying these judgemental adjustments could materially affect ECL within the next 12 months. These adjustments include post-model adjustments ("PMA") and overlays.

PMAs are 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. They are usually calculated and allocated at a granular level through modelled analysis, calculated separately for each economic scenario and where appropriate used to adjust stage allocation outcomes. Overlays are adjustments to the ECL model outputs that have been made outside the detailed ECL calculation and reporting process. These do not meet the Group's definition of PMAs because they are not calculated at granular level through modelled analysis.

The Group has internal governance frameworks and controls in place to assess the appropriateness of all judgemental adjustments. 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.

Judgemental adjustments to the ECL estimate are applied in order to factor in additional facts that are not fully incorporated into the ECL models.

Total judgemental adjustments as at 31 December 2024 have given rise to a higher loss allowance resulting in a cumulative impact of USD1,700,000 (2023: USD1,941,961) at Group level and USD1,336,665 (2023: USD1,941,961) at Bank level.

Credit-impaired exposures

For exposures classified as Stage 3 ("defaulted") exposures, the Group estimates the expected future cash flows on an individual basis using a discounted cash flow ("DCF") methodology. The expected future cash flows are based on Management's estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on the estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the original effective interest rate.

Estimated future cash flows are generally dependent on parameters or assumptions around borrowers' operating cash flows, judgements around the possible outcome of litigation and / or liquidation proceedings and out-of-court settlements, and recoveries through the sale or repossession of collateral to determine a probability weighted recoverable amount of the loan.

4.2.1.4 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 2024

		2024			
	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	0.07% - 0.08%	134,243,880	-	-	134,243,880
		134,243,880	-	-	134,243,880
Loss allowance		(51,663)	-	-	(51,663)
Carrying amount		134,192,217	-	-	134,192,217
Loans and advances to banks					
Grades 1 to 4- low risk	0.08% - 0.69%	72,295,044	-	-	72,295,044
Grades 5+ to 5- fair risk	0.47% - 0.93%	2,354,093	-	-	2,354,093
Grades 6+ to 7 high risk	0.93% - 5.04%	17,565,219	4,422,889	-	21,988,108
		92,214,356	4,422,889	-	96,637,245
Loss allowance		(164,312)	(15,541)	-	(179,853)
Carrying amount		92,050,044	4,407,348	-	96,457,392
Loans and advances to customers					
Grades 1 to 4- low risk	0.05% - 0.94%	27,475,262	196,197	-	27,671,459
Grades 5+ to 5- fair risk	0.44% - 3.21%	108,933,392	10,854,764	-	119,788,156
Grades 6+ to 7 high risk	1.81% - 21.37%	202,202,614	17,186,096	-	219,388,710
Grade 7- to 8- substandard	11.81% - 17.10%	40,527,255	24,054,932	-	64,582,187
Grade 9 to 10 doubtful/loss	100%	-	-	13,685,866	13,685,866
		379,138,523	52,291,989	13,685,866	445,116,378
Loss allowance		(2,432,221)	(4,560,632)	(10,146,802)	(17,139,655)
Carrying amount		376,706,302	47,731,357	3,539,064	427,976,723
Financial investments at fair value through other comprehensive income					
Grades 1 to 4- low risk	0.02% - 0.46%	120,265,095	-	-	120,265,095
Carrying amount at fair value		120,265,095	-	-	120,265,095
Loss allowance		(77,794)	-	-	(77,794)
Financial investments at amortised cost					
Grades 1 to 4- low risk	0.05%	2,073,927	-	-	2,073,927
		2,073,927	-	-	2,073,927
Loss allowance		(21)	-	-	(21)
Carrying amount		2,073,906	-	-	2,073,906
Guarantees					
Grades 1 to 4- low risk	0.41% - 0.78%	225,193	-	-	225,193
Grades 5+ to 5- fair risk	0.42% - 3.08%	22,211,817	4,436	-	22,216,253
Grades 6+ to 7 high risk	1.44% - 18.38%	4,341,934	14,036	-	4,355,970
Grades 7- to 8- substandard	19.78%	-	831,082	-	831,082
Carrying amount		26,778,944	849,554	-	27,628,498
Loss allowance		(12,602)	-	-	(12,602)
Commitments					
Grades 1 to 4- low risk	0.08% - 0.94%	23,279,472	-	-	23,279,472
Grades 5+ to 5- fair risk	0.5% - 3.04%	58,783,397	4,158,425	-	62,941,822
Grades 6+ to 7 high risk	1.4% - 19.57%	33,710,268	11,235,027	-	44,945,295
Grade 7- to 8- substandard	19.55%	1,038,853	-	-	1,038,853
Carrying amount		116,811,990	15,393,452	-	132,205,442
Loss allowance		(457,971)	(4,650)	-	(462,621)

Group – 31 December 2023

		2023				
		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	0.03% - 0.44%	336,709,471		-	-	336,709,471
Grades 5+ to 5- fair risk	0.36%	16,384,741		-	-	16,384,741
		353,094,212		-	-	353,094,212
Loss allowance		(84,026)		-	-	(84,026)
Carrying amount		353,010,186		-	-	353,010,186
Loans and advances to banks						
Grades 1 to 4- low risk	0.18% - 0.71%	57,774,145		-	-	57,774,145
Grades 5+ to 5- fair risk	0.39% - 1.36%	28,897,955		-	-	28,897,955
Grades 6+ to 7 high risk	1.03% - 5.33%	61,678,406	4,373,226		-	66,051,632
Grade 7- to 8- substandard	2.45%	-	330,800		-	330,800
		148,350,506	4,704,026		-	153,054,532
Loss allowance		(229,755)	(9,829)		-	(239,584)
Carrying amount		148,120,751	4,694,197		-	152,814,948
Loans and advances to customers						
Grades 1 to 4- low risk	0.09% - 0.96%	14,877,147	8,532		-	14,885,679
Grades 5+ to 5- fair risk	0.47% - 7.58%	106,621,284	16,552,944		-	123,174,228
Grades 6+ to 7 high risk	1.34% - 19.01%	193,343,710	14,192,197		-	207,535,907
Grade 7- to 8- substandard	11.65% - 23.98%	33,480,002	44,064,180		-	77,544,182
Grade 9 to 10 doubtful/loss	100%	-	-	27,115,371		27,115,371
		348,322,143	74,817,853	27,115,371		450,255,367
Loss allowance		(1,992,933)	(3,235,201)	(13,685,159)		(18,913,293)
Carrying amount		346,329,210	71,582,652	13,430,212		431,342,074
Financial investments at fair value through other comprehensive income						
Grades 1 to 4- low risk	0.03% - 0.5%	140,755,780		-	-	140,755,780
Carrying amount at fair value		140,755,780		-	-	140,755,780
Loss allowance		(83,233)		-	-	(83,233)
Financial investments at amortised cost						
Grades 1 to 4- low risk	0.02% - 0.46%	18,758,990		-	-	18,758,990
Grades 5+ to 5- fair risk	2.25%	9,771,244		-	-	9,771,244
		28,530,234		-	-	28,530,234
Loss allowance		(131,161)		-	-	(131,161)
Carrying amount		28,399,073		-	-	28,399,073
Guarantees						
Grades 1 to 4- low risk	0.14% - 0.96%	239,527		-	-	239,527
Grades 5+ to 5- fair risk	0.42% - 2.99%	24,272,567		-	-	24,272,567
Grades 6+ to 7 high risk	1.48% - 18.65%	3,483,111	30,069		-	3,513,180
Carrying amount		27,995,205	30,069		-	28,025,274
Loss allowance		(7,501)	(50)		-	(7,551)
Commitments						
Grades 1 to 4- low risk	0.16% - 0.78%	40,457,254		-	-	40,457,254
Grades 5+ to 5- fair risk	1.16% - 3.15%	40,310,914	1,235,036		-	41,545,950
Grades 6+ to 7 high risk	1.83% - 10.76%	54,509,463	11,291,040		-	65,800,503
Carrying amount		135,277,631	12,526,076		-	147,803,707
Loss allowance		(78,764)	(3,543)		-	(82,307)

Bank – 31 December 2024

		2024			
	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	0.07% - 0.08%	134,230,953	-	-	134,230,953
		134,230,953	-	-	134,230,953
Loss allowance		(51,663)	-	-	(51,663)
Carrying amount		134,179,290	-	-	134,179,290
Loans and advances to banks					
Grades 1 to 4- low risk	0.08% - 0.69%	69,444,715	-	-	69,444,715
Grades 5+ to 5- fair risk	0.47%	514,486	-	-	514,486
Grades 6+ to 7 high risk	0.93% - 1.95%	15,894,835	4,422,889	-	20,317,724
		85,854,036	4,422,889	-	90,276,925
Loss allowance		(163,260)	(15,541)	-	(178,801)
Carrying amount		85,690,776	4,407,348	-	90,098,124
Loans and advances to customers					
Grades 1 to 4- low risk	0.08% - 0.94%	295,464,276	-	-	295,464,276
Grades 5+ to 5- fair risk	0.5% - 3.04%	65,347,585	9,513,551	-	74,861,136
Grades 6+ to 7 high risk	1.81% - 21.37%	126,138,895	16,885,557	-	143,024,452
Grade 7- to 8- substandard	11.81% - 17.10%	23,873	7,016,575	-	7,040,448
Grade 9 to 10 doubtful/loss	100.00%	-	-	12,886,098	12,886,098
		486,974,629	33,415,683	12,886,098	533,276,410
Loss allowance		(1,935,067)	(4,116,527)	(9,440,905)	(15,492,499)
Carrying amount		485,039,562	29,299,156	3,445,193	517,783,911
Financial investments at fair value through other comprehensive income					
Grades 1 to 4- low risk	0.02% - 0.46%	120,265,095	-	-	120,265,095
Carrying amount at fair value		120,265,095	-	-	120,265,095
Loss allowance		(77,794)	-	-	(77,794)
Financial investments at amortised cost					
Grades 1 to 4- low risk	0.05%	2,073,927	-	-	2,073,927
		2,073,927	-	-	2,073,927
Loss allowance		(21)	-	-	(21)
Carrying amount		2,073,906	-	-	2,073,906
Guarantees					
Grades 1 to 4- low risk	0.41% - 0.78%	229,247	-	-	229,247
Grades 5+ to 5- fair risk	0.42% - 3.08%	22,211,817	4,436	-	22,216,253
Grades 6+ to 7 high risk	1.44% - 18.38%	4,341,934	14,036	-	4,355,970
Grade 7- to 8- substandard	19.78%	-	831,082	-	831,082
Carrying amount		26,782,998	849,554	-	27,632,552
Loss allowance		(12,606)	-	-	(12,606)
Commitments					
Grades 1 to 4- low risk	0.08% - 0.94%	5,283,377	-	-	5,283,377
Grades 5+ to 5- fair risk	0.5% - 3.04%	58,783,396	4,158,425	-	62,941,821
Grades 6+ to 7 high risk	1.4% - 19.57%	31,130,485	11,235,027	-	42,365,512
Grade 7- to 8- substandard	19.55%	1,038,853	-	-	1,038,853
Carrying amount		96,236,111	15,393,452	-	111,629,563
Loss allowance		(193,869)	(4,650)	-	(198,519)

Bank – 31 December 2023

		2023			
	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	0.03% - 0.44%	336,696,342	-	-	336,696,342
Grades 5+ to 5- fair risk	0.36%	16,384,741	-	-	16,384,741
		353,081,083	-	-	353,081,083
Loss allowance		(84,026)	-	-	(84,026)
Carrying amount		352,997,057	-	-	352,997,057
Loans and advances to banks					
Grades 1 to 4- low risk	0.18% - 0.71%	34,600,459	-	-	34,600,459
Grades 5+ to 5- fair risk	0.39% - 1.36%	21,922,395	-	-	21,922,395
Grades 6+ to 7 high risk	1.16% - 5.33%	53,314,041	4,373,226	-	57,687,267
Grade 7- to 8- substandard	2.45%	-	330,800	-	330,800
		109,836,895	4,704,026	-	114,540,921
Loss allowance		(205,849)	(9,829)	-	(215,678)
Carrying amount		109,631,046	4,694,197	-	114,325,243
Loans and advances to customers					
Grades 1 to 4- low risk	0.14% - 0.96%	326,508,825	-	-	326,508,825
Grades 5+ to 5- fair risk	0.47% - 7.58%	76,001,131	15,899,916	-	91,901,047
Grades 6+ to 7 high risk	1.34% - 19.01%	171,722,482	13,149,304	-	184,871,786
Grade 7- to 8- substandard	15.00% - 21.07%	-	7,017,657	-	7,017,657
Grade 9 to 10 doubtful/loss	100%	-	-	20,605,923	20,605,923
		574,232,438	36,066,877	20,605,923	630,905,238
Loss allowance		(2,749,760)	(2,641,065)	(7,396,188)	(12,787,013)
Carrying amount		571,482,678	33,425,812	13,209,735	618,118,225
Financial investments at fair value through other comprehensive income					
Grades 1 to 4- low risk	0.03% - 0.5%	140,755,780	-	-	140,755,780
Carrying amount at fair value		140,755,780	-	-	140,755,780
Loss allowance		(83,233)	-	-	(83,233)
Financial investments at amortised cost					
Grades 1 to 4- low risk	0.02% - 0.46%	18,758,990	-	-	18,758,990
Grades 5+ to 5- fair risk	2.25%	9,771,244	-	-	9,771,244
		28,530,234	-	-	28,530,234
Loss allowance		(131,161)	-	-	(131,161)
Carrying amount		28,399,073	-	-	28,399,073
Guarantees					
Grades 1 to 4- low risk	0.39% - 0.96%	11,289,250	-	-	11,289,250
Grades 5+ to 5- fair risk	0.42% - 2.99%	24,272,567	-	-	24,272,567
Grades 6+ to 7 high risk	1.48% - 18.65%	3,483,112	30,069	-	3,513,181
Carrying amount		39,044,929	30,069	-	39,074,998
Loss allowance		(7,778)	(50)	-	(7,828)
Commitments					
Grades 1 to 4- low risk	0.16% - 0.78%	6,727,973	-	-	6,727,973
Grades 5+ to 5- fair risk	1.16% - 3.15%	40,310,914	1,235,036	-	41,545,950
Grades 6+ to 7 high risk	1.83% - 10.76%	40,655,124	11,291,040	-	51,946,164
Carrying amount		87,694,011	12,526,076	-	100,220,087
Loss allowance		(78,764)	(3,543)	-	(82,307)

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

Group – 31 December 2024

	2024			Total USD
	Stage 1 USD	Stage 2 USD	Stage 3 USD	
Loans and advances to banks				
Current	92,214,356	2,509,549	-	94,723,905
Overdue < 30 days	-	1,913,340	-	1,913,340
Total gross carrying amount	92,214,356	4,422,889	-	96,637,245
Loans and advances to customers				
Current	318,777,405	30,192,218	-	348,969,623
Overdue < 30 days	60,361,118	21,667,765	-	82,028,883
Overdue between 30 and 90 days	-	432,006	-	432,006
Overdue > 90 days	-	-	13,685,866	13,685,866
Total gross carrying amount	379,138,523	52,291,989	13,685,866	445,116,378

Group – 31 December 2023

	2023			Total USD
	Stage 1 USD	Stage 2 USD	Stage 3 USD	
Loans and advances to banks				
Current	143,786,835	4,704,026	-	148,490,861
Overdue < 30 days	4,563,671	-	-	4,563,671
Total gross carrying amount	148,350,506	4,704,026	-	153,054,532
Loans and advances to customers				
Current	286,929,554	38,938,409	-	325,867,963
Overdue < 30 days	61,392,589	31,308,055	-	92,700,644
Overdue between 30 and 90 days	-	4,571,389	-	4,571,389
Overdue > 90 days	-	-	27,115,371	27,115,371
Total gross carrying amount	348,322,143	74,817,853	27,115,371	450,255,367

Bank – 31 December 2024

	2024			Total USD
	Stage 1 USD	Stage 2 USD	Stage 3 USD	
Loans and advances to banks				
Current	85,854,036	2,509,549	-	88,363,585
Overdue < 30 days	-	1,913,340	-	1,913,340
Total gross carrying amount	85,854,036	4,422,889	-	90,276,925
Loans and advances to customers				
Current	449,881,376	12,434,905	-	462,316,281
Overdue < 30 days	37,093,253	20,980,778	-	58,074,031
Overdue > 90 days	-	-	12,886,098	12,886,098
Total gross carrying amount	486,974,629	33,415,683	12,886,098	533,276,410

Bank – 31 December 2023

	2023			Total USD
	Stage 1 USD	Stage 2 USD	Stage 3 USD	
Loans and advances to banks				
Current	105,273,224	4,704,026	-	109,977,250
Overdue < 30 days	4,563,671	-	-	4,563,671
Total gross carrying amount	109,836,895	4,704,026	-	114,540,921
Loans and advances to customers				
Current	547,798,597	22,954,067	-	570,752,664
Overdue < 30 days	26,433,841	8,644,572	-	35,078,413
Overdue between 30 and 90 days	-	4,468,238	-	4,468,238
Overdue > 90 days	-	-	20,605,923	20,605,923
Total gross carrying amount	574,232,438	36,066,877	20,605,923	630,905,238

In 2024 and 2023, there were no overdue balances for 'Balances with the Central Bank of Malta and treasury bills', 'Financial investments at fair value through other comprehensive income' and 'Financial investments at amortised cost'.

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 2024 USD	2023 USD
Trading assets		
Rated A- to A+	2,006,599	22,310,275
Rated BBB+ or below	124,681,473	242,218,978
Unrated	148,045,226	109,647,855
Carrying amount	274,733,298	374,177,108

4.2.1.5 Reconciliation of gross carrying amounts and allowances for expected credit losses

The following disclosure provides a reconciliation by stage of the Group's gross carrying/nominal amounts and credit loss allowances for 'Loans and advances to customers'.

Within the following tables, the line items 'New financial assets originated or purchased and further lending' and 'Financial assets that have been repaid or partially repaid' represent movements within the Group's lending portfolios in respect of gross carrying amounts and associated credit loss allowances. The former represents new lending sanctioned during the financial reporting period ended 31 December 2024. The latter reflects repayments that occurred during the financial reporting period ended 31 December 2024, which loans however, would only have existed on the Group's Statement of Financial Position as at 31 December 2023. Accordingly, repayments and disposals relating to loans sanctioned during the financial reporting period are netted off against new lending included within 'New financial assets originated or purchased and further lending'.

The line items showing transfers of financial instruments across stages represent the impact of stage transfers upon the gross carrying amount and associated allowance for ECL excluding the impact of remeasurement of ECL due to stage transfers. The 'Net remeasurement of loss allowance' represents the increase or decrease due to these transfers, for example, moving from a 12-month (Stage 1) to a lifetime (Stage 2) ECL measurement basis, including the movements in underlying credit risk grades attributable to the financial instruments transferring stage. Movements in ECL in respect of exposures classified within the same stage as at the beginning and end of the reporting period and arising as a result of changes to the underlying PDs and LGDs, including as a result of changes in macroeconomic scenarios, are reflected in the 'Changes in risk parameters' line item.

Group – 31 December 2024

	Non-credit impaired				Credit impaired		Total	
	Stage 1 Gross carrying amount USD	Allowance for ECL USD	Stage 2 Gross carrying amount USD	Allowance for ECL USD	Stage 3 Gross carrying amount USD	Allowance for ECL USD		
Loans and advances to customers								
Balance at 1 January	348,322,143	(1,992,933)	74,817,853	(3,235,201)	27,115,371	(13,685,159)	450,255,367	(18,913,293)
Transfer to Stage 1	8,117,042	(163,525)	(8,117,042)	163,525	-	-	-	-
Transfer to Stage 2	(12,550,486)	44,257	12,550,486	(44,257)	-	-	-	-
Transfer to Stage 3	-	-	(826,664)	14,774	826,664	(14,774)	-	-
Net remeasurement of loss allowance arising from stage transfers	-	(19,442)	-	12,541	-	(305,675)	-	(312,576)
Changes in risk parameters	-	83,145	-	(1,502,211)	-	(3,574,526)	-	(4,993,592)
New financial assets originated or purchased and further lending	432,469,819	(1,470,719)	18,556,170	(144,706)	40,221	(40,221)	451,066,210	(1,655,646)
Financial assets that have been repaid or partially repaid	(382,567,759)	1,079,287	(39,828,212)	174,762	(8,149,871)	3,699,466	(430,545,842)	4,953,515
Write-offs	-	-	-	-	(4,672,416)	3,279,949	(4,672,416)	3,279,949
Foreign exchange and other movements	(14,652,236)	7,709	(4,860,602)	141	(1,474,103)	494,138	(20,986,941)	501,988
Balance at 31 December	379,138,523	(2,432,221)	52,291,989	(4,560,632)	13,685,866	(10,146,802)	445,116,378	(17,139,655)
ECL change for the period								1,773,638
Assets written off								(4,672,416)
Change in expected credit losses excluding effect of write-offs								(2,898,778)
Recoveries								1,056,082
Foreign exchange and other movements								(501,988)
Change in expected credit losses and other credit impairment charges								(2,344,684)

	As at 31 December 2024		Twelve months ended 31 December 2024
	Gross carrying/ Nominal amount USD	Allowance for ECL USD	Net movement in expected credit losses and other credit impairment charges USD
Balances with Central Bank of Malta, treasury bills and cash	134,243,880	(51,663)	32,363
Loans and advances to banks	96,637,245	(179,853)	59,731
Loans and advances to customers	445,116,378	(17,139,655)	(2,344,684)
Financial investments at amortised cost	2,073,927	(21)	131,140
Off-balance sheet			
– Guarantees	27,628,498	(12,602)	(5,051)
– Commitments	132,205,442	(462,621)	(380,314)
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied in income statement	837,905,370	(17,846,415)	(2,506,815)
Financial investments at fair value through other comprehensive income	120,265,095	(77,794)	5,439
Total allowance for ECL/Total income statement ECL charge		(17,924,209)	(2,501,376)

Group – 31 December 2023

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
	USD	USD	USD	USD	USD	USD	USD	USD
Loans and advances to customers								
Balance at 1 January	332,452,354	(1,807,610)	124,620,784	(3,738,804)	102,531,826	(69,530,493)	559,604,964	(75,076,907)
Transfer to Stage 1	6,971,978	(126,023)	(6,971,978)	126,023	-	-	-	-
Transfer to Stage 2	(832,499)	3	832,499	(3)	-	-	-	-
Net remeasurement of loss allowance arising from stage transfers	-	(42,479)	-	(3,462)	-	-	-	(45,941)
Changes in risk parameters	-	(190,907)	-	263,929	-	(1,113,923)	-	(1,040,901)
New financial assets originated or purchased and further lending	408,211,815	(1,489,020)	45,065,103	(209,007)	54,684	(38,406)	453,331,602	(1,736,433)
Financial assets that have been repaid or partially repaid	(403,901,641)	1,662,934	(87,356,483)	299,504	(16,812,662)	1,394,348	(508,070,786)	3,356,786
Write-offs	-	-	(65,007)	26,711	(59,663,556)	56,149,594	(59,728,563)	56,176,305
Foreign exchange and other movements	5,420,136	169	(1,307,065)	(92)	1,005,079	(546,279)	5,118,150	(546,202)
Balance at 31 December	348,322,143	(1,992,933)	74,817,853	(3,235,201)	27,115,371	(13,685,159)	450,255,367	(18,913,293)
ECL change for the period								56,163,614
Assets written off								(59,728,563)
Change in expected credit losses excluding effect of write-offs								(3,564,949)
Recoveries								639,395
Foreign exchange and other movements								546,202
Change in expected credit losses and other credit impairment charges								(2,379,352)

	As at 31 December 2023		Twelve months ended 31 December 2023
	Gross carrying/ Nominal amount	Allowance for ECL	Net movement in expected credit losses and other credit impairment charges
	USD	USD	USD
Balances with Central Bank of Malta, treasury bills and cash	353,094,212	(84,026)	34,021
Loans and advances to banks	153,054,532	(239,584)	202,536
Loans and advances to customers	450,255,367	(18,913,293)	(2,379,352)
Financial investments at amortised cost	28,530,234	(131,161)	(91,474)
Off-balance sheet			
– Guarantees	28,025,274	(7,551)	36,224
– Commitments	147,803,707	(82,307)	194,813
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied in income statement	1,160,763,326	(19,457,922)	(2,003,232)
Financial investments at fair value through other comprehensive income	140,755,780	(83,233)	42,344
Total allowance for ECL/Total income statement ECL charge		(19,541,155)	(1,960,888)

Bank – 31 December 2024

	Non-credit impaired				Credit impaired		Total	
	Stage 1 Gross carrying amount USD	Allowance for ECL USD	Stage 2 Gross carrying amount USD	Allowance for ECL USD	Stage 3 Gross carrying amount USD	Allowance for ECL USD	Gross carrying amount USD	Allowance for ECL USD
Loans and advances to customers								
Balance at 1 January	574,232,438	(2,749,760)	36,066,877	(2,641,065)	20,605,923	(7,396,188)	630,905,238	(12,787,013)
Transfer to Stage 2	(10,513,718)	20,800	10,513,718	(20,800)	-	-	-	-
Net remeasurement of loss allowance arising from stage transfers	-	-	-	20,737	-	-	-	20,737
Changes in risk parameters	-	915,593	-	(1,469,666)	-	(3,372,617)	-	(3,926,690)
New financial assets originated or purchased and further lending	285,368,787	(1,315,820)	9,610,643	(16,845)	40,221	(40,221)	295,019,651	(1,372,886)
Financial assets that have been repaid or partially repaid	(342,169,821)	1,194,120	(21,337,893)	11,112	(5,876,002)	1,176,694	(369,383,716)	2,381,926
Write-offs	-	-	-	-	(1,161,683)	-	(1,161,683)	-
Foreign exchange and other movements	(19,943,057)	-	(1,437,662)	-	(722,361)	191,427	(22,103,080)	191,427
Balance at 31 December	486,974,629	(1,935,067)	33,415,683	(4,116,527)	12,886,098	(9,440,905)	533,276,410	(15,492,499)
ECL change for the period								(2,705,486)
Assets written off								(1,161,683)
Change in expected credit losses excluding effect of write-offs								(3,867,169)
Recoveries								793,350
Foreign exchange and other movements								(191,427)
Change in expected credit losses and other credit impairment charges								(3,265,246)

	As at 31 December 2024		Twelve months ended 31 December 2024
	Gross carrying/ Nominal amount USD	Allowance for ECL USD	Net movement in expected credit losses and other credit impairment charges USD
Balances with Central Bank of Malta, treasury bills and cash	134,230,953	(51,663)	32,363
Loans and advances to banks	90,276,925	(178,801)	36,877
Loans and advances to customers	533,276,410	(15,492,499)	(3,265,246)
Financial investments at amortised cost	2,073,927	(21)	131,140
Off-balance sheet			
– Guarantees	27,632,552	(12,606)	(4,778)
– Commitments	111,629,563	(198,519)	(116,212)
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied in income statement	899,120,330	(15,934,109)	(3,185,856)
Financial investments at fair value through other comprehensive income	120,265,095	(77,794)	5,439
Total allowance for ECL/Total income statement ECL charge		(16,011,903)	(3,180,417)

Bank – 31 December 2023

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross carrying amount USD	Allowance for ECL USD	Gross carrying amount USD	Allowance for ECL USD	Gross carrying amount USD	Allowance for ECL USD	Gross carrying amount USD	Allowance for ECL USD
Loans and advances to customers								
Balance at 1 January	620,988,500	(1,730,647)	72,447,468	(2,562,047)	93,835,376	(64,068,223)	787,271,344	(68,360,917)
Transfer to Stage 1	18,021	-	(18,021)	-	-	-	-	-
Transfer to Stage 2	(832,479)	3	832,479	(3)	-	-	-	-
Net remeasurement of loss allowance arising from stage transfers	-	-	-	(3,462)	-	-	-	(3,462)
Changes in risk parameters	-	(859,172)	-	(156,717)	-	121,343	-	(894,546)
New financial assets originated or purchased and further lending	337,283,426	(1,372,156)	27,933,694	(11,111)	54,684	(38,406)	365,271,804	(1,421,673)
Financial assets that have been repaid or partially repaid	(396,312,437)	1,212,212	(65,168,753)	65,564	(15,182,710)	1,280,426	(476,663,900)	2,558,202
Write-offs	-	-	(65,007)	26,711	(59,583,023)	56,069,062	(59,648,030)	56,095,773
Foreign exchange and other movements	13,087,407	-	105,017	-	1,481,596	(760,390)	14,674,020	(760,390)
Balance at 31 December	574,232,438	(2,749,760)	36,066,877	(2,641,065)	20,605,923	(7,396,188)	630,905,238	(12,787,013)
ECL change for the period								55,573,904
Assets written off								(59,648,030)
Change in expected credit losses excluding effect of write-offs								(4,074,126)
Recoveries								102,086
Foreign exchange and other movements								760,390
Change in expected credit losses and other credit impairment charges								(3,211,650)

	As at 31 December 2023		Twelve months ended 31 December 2023
	Gross carrying/ Nominal amount USD	Allowance for ECL USD	Net movement in expected credit losses and other credit impairment charges USD
Balances with Central Bank of Malta, treasury bills and cash	353,081,083	(84,026)	34,021
Loans and advances to banks	114,540,921	(215,678)	202,093
Loans and advances to customers	630,905,238	(12,787,013)	(3,211,650)
Financial investments at amortised cost	28,530,234	(131,161)	(91,474)
Off-balance sheet			
– Guarantees	39,074,998	(7,828)	67,596
– Commitments	100,220,087	(82,307)	(36,522)
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied in income statement	1,266,352,561	(13,308,013)	(3,035,936)
Financial investments at fair value through other comprehensive income	140,755,780	(83,233)	42,344
Total allowance for ECL/Total income statement ECL charge		(13,391,246)	(2,993,592)

4.2.1.6 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 Watch List and Non-Performing Assets Policy which is in line with the EBA/GL/2018/06 Guidelines on management of non-performing forborne exposures. Forbearance refers only to loan modifications 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 3.9.

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 is based on the same methodology described in Note 4.2.1.2.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (unless the exposure is deemed to be credit-impaired at the time of derecognition, in which case the exposure will be classified as POCI).

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 Watch List and Non-Performing Assets Policy, loan forbearance is granted on a selective basis if a) the debtor is currently in default or if there is a high risk of default; b) there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms; and c) the debtor is expected to be able to meet the revised terms.

The renegotiated terms usually relate to extensions to the contractual maturity, changes to the timing of interest payments and amendments to the terms of loan covenants.

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 Watch List and Non-Performing Assets 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 3.9.5). A renegotiated loan is typically presented as credit-impaired when there has been a change in contractual cash flows as a result of a concession which the lender would otherwise not consider and it is probable that, without the concession, the borrower would be unable to meet contractual payment obligations in full. Accordingly, this will represent a significant concern regarding the borrower's ability to meet contractual payments, and the loan will be classified as credit-impaired, unless the concession granted is insignificant.

Renegotiated loans are classified as non-credit impaired where the renegotiation has resulted from significant concern about a borrower's ability to meet contractual payment terms, but contractual cash flows are expected to be collected in full following the renegotiation and no other unlikely-to-pay indicators are evident.

In the event that a forborne exposure is deemed to be credit-impaired, the renegotiated loan will continue to be disclosed as credit-impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, and there are no other indicators of impairment. In this respect, 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 credit risk is considered to have decreased such that the exposure reverts to being classified as Stage 2 or Stage 1. In accordance with the Group's policy, a loan typically continues to be classified as renegotiated until maturity, early repayment or write-off.

For the Group, the aggregate amount of renegotiated and forborne loans at reporting date amounted to USD22,347,178 (2023: USD17,918,227), of which USD10,632,504 are fully collateralised Stage 2 exposures (2023: USD8,111,785) with an ECL allowance of USD Nil (2023: USD Nil), whilst USD11,714,674 are Stage 3 exposures (2023: USD9,806,442) with an ECL allowance of USD8,657,780 (2023: USD6,482,231) and an extendible collateral value of USD11,669,787 (2023: USD7,995,438). Interest income recognised during 2024 in respect of renegotiated and forborne assets amounted to USD1,139,136 (2023: USD534,747).

For the Bank, the aggregate amount of renegotiated and forborne loans at reporting date amounted to USD22,143,019 (2023: USD16,992,136), of which USD10,632,504 are fully collateralised Stage 2 exposures (2023: USD8,111,785) with an ECL allowance of USD Nil (2023: USD Nil), whilst USD11,510,515 are Stage 3 exposures (2023: USD8,880,351) with an ECL allowance of USD8,453,622 (2023: USD5,673,547) and an extendible collateral value of USD11,669,787 (2023: USD7,995,438). Interest income recognised during 2024 in respect of renegotiated and forborne assets amounted to USD1,091,876 (2023: USD431,581).

Movement in forbearance activity during the year is as follows:

Group – 31 December 2024

	2024		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	8,111,785	9,806,442	17,918,227
Additions	3,238,881	4,241,696	7,480,577
Recovered	(718,162)	(1,983,986)	(2,702,148)
Written off	-	(349,478)	(349,478)
At 31 December	10,632,504	11,714,674	22,347,178
Loss allowances	-	(8,657,780)	(8,657,780)

Group – 31 December 2023

	2023		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	273,947	12,150,683	12,424,630
Additions	7,855,466	234,957	8,090,423
Recovered	(17,628)	(2,539,684)	(2,557,312)
Written off	-	(39,514)	(39,514)
At 31 December	8,111,785	9,806,442	17,918,227
Loss allowances	-	(6,482,231)	(6,482,231)

Bank – 31 December 2024

	2024		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	8,111,785	8,880,352	16,992,137
Additions	3,238,881	4,241,696	7,480,577
Recovered	(718,162)	(1,611,533)	(2,329,695)
At 31 December	10,632,504	11,510,515	22,143,019
Loss allowances	-	(8,453,622)	(8,453,622)

Bank – 31 December 2023

	2023		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	273,947	9,973,632	10,247,579
Additions	7,855,466	2,325	7,857,791
Recovered	(17,628)	(976,829)	(994,457)
Written off	-	(118,777)	(118,777)
At 31 December	8,111,785	8,880,351	16,992,136
Loss allowances	-	(5,673,547)	(5,673,547)

4.2.1.7 Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since initial recognition as well as the measurement of ECL, as described in more detail in Notes 4.2.1.2 and 4.2.1.3.

The macroeconomic modelling methodology used by the Group in the measurement of ECL in respect of Stage 1 and Stage 2 exposures is based on a model developed by Moody's that leverages updates in market data across industries and countries to estimate conditional PiT PDs and LGDs by reference to observed and forecasted economic conditions.

The modelling methodology applied by the Group in the estimation of ECLs utilises macroeconomic correlation models to determine the historical correlation of a borrower's financial performance with overall macroeconomic conditions, with the correlation factor being estimated principally by reference to borrower size as well as the industry and country in which the borrower operates.

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 identifies and documents key drivers of credit risk and credit losses. The key drivers of credit risk for the Group's portfolios are: GDP growth rates, unemployment rates and equity prices. For exposures to specific industries and/or regions, the key drivers of credit risk 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 information in respect of a specific country exposure is not available, the Group maps the exposure to the geographical region with the closest economic structure and credit risk drivers.

The Group applies three economic scenarios to capture non-linearity across portfolios in the estimation of ECLs: a base case, which is the median scenario assigned a 40% probability of occurring, and two less likely scenarios, namely an upside and a downside scenario, each assigned a 30% probability of occurrence. Moody's Analytics regularly updates the base case forecast and alternative scenarios. The upside and downside scenarios represent hypothetical events that push the economy away from the base case outlook.

Forecasted economic data in respect of each of the three scenarios is sourced from Moody's Analytics on a quarterly basis. The historical data in the Group's model reflects economic data published by national statistics offices and reputable third-party aggregators such as the World Bank and the International Monetary Fund.

The economic scenarios are developed by Moody's Analytics through a Global Macro Model used to establish 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. The scenarios are constructed in accordance with a target severity for each scenario. The probability weights assigned to each scenario are calibrated by reference to their severity and on how well they approximate possible future economic developments.

The model applies three possible scenarios covering a wide range of possible outcomes. Each scenario assumes different economic circumstances with the main assumptions used in the model applying varying levels of:

- geopolitical tensions, growth outlook, labour market conditions, supply chain shortages;
- financial market conditions, debt sustainability, fiscal stimulus, consumer and business sentiment;
- oil prices, gas supply, surging energy costs, inflation, unemployment rates, GDP rates, input prices and demand for services; and
- deposit rates, bond yields, disposable income, interbank market rates, money and bond market sentiment.

As at 31 December 2024 and 31 December 2023, the projected macroeconomic paths in respect of the key macroeconomic variables selected for the top five geographical regions applied in the ECL calculation across the three macroeconomic scenarios and for the five-year forecasted period from the financial year ending 31 December 2025 to 2029 (2023: 31 December 2024 to 2028) are presented in the following tables. Given that the Group and Bank present information in respect of the top five geographical regions in terms of exposure amounts at each reporting date, different countries might be presented for different financial years in order to present information which is relevant for the ECL calculation at each respective reporting date.

31 December 2024

		Year-on-year change				
Country: Malta		2025	2026	2027	2028	2029
Equity: MSE index, year-on-year	Base	16.3%	9.5%	9.4%	7.0%	5.4%
	Upside	24.1%	11.3%	8.4%	6.1%	5.0%
	Downside	-7.4%	11.3%	15.3%	10.3%	6.2%
Real GDP growth rate	Base	4.8%	5.2%	3.4%	2.9%	2.7%
	Upside	7.9%	4.7%	3.1%	2.6%	2.6%
	Downside	-1.1%	5.8%	4.6%	3.0%	2.7%
Unemployment rate	Base	3.2%	3.1%	3.1%	3.0%	3.0%
	Upside	3.2%	3.1%	3.0%	3.0%	3.0%
	Downside	3.3%	3.5%	3.4%	3.3%	3.2%
Country: Germany		2025	2026	2027	2028	2029
Equity: DAX index, year-on-year	Base	0.9%	2.3%	3.3%	3.1%	2.9%
	Upside	8.7%	3.2%	2.1%	1.1%	2.7%
	Downside	-34.6%	11.5%	19.8%	13.7%	5.3%
Real GDP growth rate	Base	1.0%	1.5%	1.8%	1.0%	0.9%
	Upside	3.7%	1.2%	1.6%	1.0%	0.9%
	Downside	-4.3%	2.0%	2.8%	1.1%	0.8%
Unemployment rate	Base	6.5%	5.9%	5.6%	5.6%	5.6%
	Upside	5.6%	5.2%	5.2%	5.4%	5.5%
	Downside	7.8%	7.4%	6.4%	6.1%	6.0%
Country: India		2025	2026	2027	2028	2029
Equity: Sensex index, year-on-year	Base	2.0%	3.1%	6.4%	7.4%	7.0%
	Upside	11.3%	2.7%	4.6%	5.9%	6.4%
	Downside	-31.4%	17.2%	18.6%	12.5%	8.0%
Real GDP growth rate	Base	6.1%	6.4%	6.6%	6.7%	6.4%
	Upside	8.1%	7.6%	7.0%	6.7%	6.4%
	Downside	-2.5%	5.3%	7.1%	7.6%	7.1%
Unemployment rate	Base	7.0%	7.2%	7.3%	7.2%	7.1%
	Upside	6.6%	6.7%	7.0%	7.0%	7.0%
	Downside	9.3%	10.0%	8.6%	7.7%	7.3%
Exchange rate, INR per USD	Base	83.85	86.20	86.75	87.90	87.58
	Upside	82.47	84.92	85.46	86.59	86.27
	Downside	88.08	91.11	91.70	92.91	92.57
Country: Egypt		2025	2026	2027	2028	2029
Equity: EGX 30 index, year-on-year	Base	-1.5%	0.0%	5.0%	3.9%	3.2%
	Upside	11.2%	-3.6%	2.4%	2.2%	3.1%
	Downside	-41.0%	21.7%	22.4%	11.0%	5.1%
Real GDP growth rate	Base	4.6%	5.3%	5.7%	5.4%	5.1%
	Upside	7.2%	5.3%	5.7%	5.4%	5.1%
	Downside	-0.5%	5.4%	6.6%	6.2%	5.5%
Unemployment rate	Base	7.2%	7.4%	7.5%	7.6%	7.7%
	Upside	6.8%	7.1%	7.4%	7.6%	7.7%
	Downside	9.1%	9.0%	8.4%	8.0%	7.9%

31 December 2024 (continued)

Country: United Arab Emirates		2025	2026	2027	2028	2029
Equity: ADX general index, year-on-year	Base	-3.2%	-0.7%	5.6%	4.9%	4.5%
	Upside	4.2%	-1.9%	4.5%	4.2%	4.5%
	Downside	-38.3%	18.4%	11.6%	8.5%	6.9%
Unemployment rate	Base	2.6%	2.4%	2.4%	2.3%	2.3%
	Upside	1.9%	2.1%	2.4%	2.3%	2.3%
	Downside	3.4%	2.8%	2.6%	2.4%	2.4%
Futures price: NYMEX light sweet crude oil, USD per barrel	Base	70.97	66.31	66.24	67.25	67.83
	Upside	75.84	69.36	67.52	68.43	69.08
	Downside	52.14	57.06	63.44	64.69	65.84

31 December 2023

		Year-on-year change				
Country: Germany		2024	2025	2026	2027	2028
Equity: DAX index, year-on-year	Base	8%	2%	3%	3%	2%
	Upside	15%	6%	4%	2%	1%
	Downside	-29%	29%	14%	5%	2%
Real GDP growth rate	Base	1%	2%	2%	1%	1%
	Upside	3%	2%	2%	1%	1%
	Downside	-5%	2%	3%	2%	1%
Unemployment rate	Base	0%	-3%	-2%	-2%	-2%
	Upside	-8%	-2%	1%	0%	-1%
	Downside	18%	3%	-11%	-8%	-4%
Country: Malta		2024	2025	2026	2027	2028
Equity: MSE index, year-on-year	Base	9%	12%	13%	11%	8%
	Upside	22%	9%	12%	9%	7%
	Downside	-22%	31%	26%	13%	9%
Real GDP growth rate	Base	4%	4%	3%	3%	3%
	Upside	7%	4%	3%	3%	3%
	Downside	-3%	5%	4%	3%	3%
Unemployment rate	Base	25%	-1%	-4%	0%	0%
	Upside	24%	-3%	-4%	0%	0%
	Downside	40%	1%	-13%	0%	1%
Country: India		2024	2025	2026	2027	2028
Equity: Sensex index, year-on-year	Base	11%	7%	7%	8%	7%
	Upside	19%	6%	8%	6%	6%
	Downside	-26%	22%	19%	12%	6%
Real GDP growth rate	Base	7%	6%	6%	6%	6%
	Upside	9%	7%	7%	6%	6%
	Downside	-2%	5%	7%	7%	7%
Unemployment rate	Base	1%	0%	-1%	-1%	-1%
	Upside	-4%	0%	1%	0%	0%
	Downside	34%	5%	-15%	-11%	-5%
Exchange rate, INR per USD	Base	-1%	1%	0%	0%	1%
	Upside	-3%	1%	0%	0%	1%
	Downside	4%	1%	0%	0%	1%

31 December 2023 (continued)

Country: Egypt		2024	2025	2026	2027	2028
Equity: EGX 30 index, year-on-year	Base	14%	6%	6%	4%	3%
	Upside	30%	3%	4%	1%	2%
	Downside	-34%	33%	24%	11%	4%
Real GDP growth rate	Base	4%	6%	5%	5%	5%
	Upside	7%	6%	5%	5%	5%
	Downside	-1%	6%	6%	6%	5%
Unemployment rate	Base	3%	0%	2%	2%	1%
	Upside	-3%	1%	5%	4%	1%
	Downside	29%	-3%	-6%	-4%	-2%
Country: Italy		2024	2025	2026	2027	2028
Equity: FTSE MIB index, year-on-year	Base	8%	9%	11%	6%	4%
	Upside	17%	9%	9%	4%	4%
	Downside	-28%	30%	23%	9%	4%
Unemployment rate	Base	3%	3%	1%	0%	0%
	Upside	0%	2%	2%	1%	1%
	Downside	35%	4%	-6%	-5%	-3%
Real GDP growth rate	Base	1%	2%	2%	2%	1%
	Upside	3%	2%	2%	2%	1%
	Downside	-5%	2%	3%	2%	1%

Sensitivity of expected credit losses to future economic conditions

The ECL is sensitive to judgements and assumptions made in respect of the formulation and calibration of forward-looking macroeconomic scenarios and how such scenarios are incorporated into the ECL calculation.

The level of economic uncertainty remained elevated during the financial year ended 31 December 2024, primarily driven by the interest rate environment being experienced as a result of the European Central Bank's ('ECB') monetary policy actions. The macroeconomic situation is characterised by a slowdown in economic growth, with lower levels of private consumption as a result of a steep rise in commodity prices, as well as subdued investment.

In addition, the level of macroeconomic uncertainty is exacerbated by global geopolitical conflicts, in particular the protracted military conflict between Russia and Ukraine and the military conflict in the Middle East. In this respect, the level of estimation uncertainty and judgement has remained high during 2024. Risks to the economic outlook include the potential impacts from anticipated changes to the United States of America's ('USA') economic and trade policy, including higher tariffs, and the possibility of retaliatory measures. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions, remain highly subjective. In this respect, Management performs a sensitivity analysis on the ECL recognised in respect of material asset classes.

The tables below show the loss allowance assuming that 100% probability weights were assigned to each of the three forward-looking macroeconomic scenarios (e.g. base case, upside and downside) instead of applying a weighted average ECL across the three macroeconomic scenarios. For ease of comparison, the tables also include the probability-weighted amounts excluding judgemental adjustments on Loans and advances to customers of USD1,547,817 (2023: USD1,941,961) at Group level and USD1,235,916 (2023: USD1,941,961) at Bank level (see Note 4.2.1.3). Judgemental adjustments are accounted for in the financial statements and included in tables in Note 4.2.1.4.

Group – 31 December 2024

	Upside	2024 Base case	Downside	Probability- weighted
	USD	USD	USD	USD
Loans and advances to customers				
Gross exposure	445,116,378	445,116,378	445,116,378	445,116,378
Loss allowance	15,234,246	15,461,212	16,345,585	15,591,838

Group – 31 December 2023

	Upside	2023 Base case	Downside	Probability- weighted
	USD	USD	USD	USD
Loans and advances to customers				
Gross exposure	450,255,367	450,255,367	450,255,367	450,255,367
Loss allowance	16,996,812	17,728,585	21,341,671	16,971,332

Bank – 31 December 2024

	Upside	2024 Base case	Downside	Probability- weighted
	USD	USD	USD	USD
Loans and advances to customers				
Gross exposure	533,276,410	533,276,410	533,276,410	533,276,410
Loss allowance	13,765,901	14,007,285	15,301,639	14,256,583

Bank – 31 December 2023

	Upside	2023 Base case	Downside	Probability- weighted
	USD	USD	USD	USD
Loans and advances to customers				
Gross exposure	630,905,238	630,905,238	630,905,238	630,905,238
Loss allowance	9,477,335	10,049,349	13,187,940	10,845,052

4.2.1.8 Write-off policy

The Group writes off an exposure (and any related allowances for impairment losses) when it has been determined that the exposure is partially or fully uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's or issuer's financial position such that the borrower or 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 in Note 4.2.1.5 shows the gross carrying value of loans written off during the financial years ended 31 December 2024 and 31 December 2023 and the reversal of related loss allowance.

4.2.1.9 Collateral analysis

The Group employs a range of policies and practices to mitigate credit risk. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Group's Board established a policy regarding the acceptability of types of collateral and valuation parameters.

Loans are typically secured by cash collateral, property (including shipping vessels), credit insurance cover, bank guarantees, corporate guarantees, personal guarantees, pledged goods or some combination thereof. A haircut is applied to each collateral type depending on the haircuts 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 under default events. Estimates of fair value are also updated periodically together with such reviews. Collateral is usually not held against investment securities, and no such collateral was held as at 31 December 2024 and 31 December 2023.

The nominal value is disclosed for all types of collateral other than for (a) shipping mortgages which are disclosed on the basis of the ship scrap prices as provided on a weekly basis by a ship broker based on the vessel type, size and location of vessel and (b) property which is disclosed at the market value obtained from an independent third party. An estimate of the fair value of collateral and other security enhancements held against financial assets is shown overleaf:

Group – 31 December 2024

	Gross carrying amount USD	Cash USD	Property USD	Guarantees USD	Shipping mortgages USD	Insurance cover USD	Total collateral USD	Net uncovered amount USD
Loans and advances to customers								
Stage 1	379,138,523	6,353,744	76,662,321	111,054,424	-	39,864,560	233,935,049	145,203,474
Stage 2	52,291,989	477,023	19,063,669	2,379,907	-	640,588	22,561,187	29,730,802
Stage 3	13,685,866	-	1,250,102	-	-	-	1,250,102	12,435,764
	445,116,378	6,830,767	96,976,092	113,434,331	-	40,505,148	257,746,338	187,370,040
Commitments								
Stage 1	116,811,990	650,375	62,247,577	8,066,034	-	-	70,963,986	45,848,004
Stage 2	15,393,452	7,406,256	5,067,549	-	-	-	12,473,805	2,919,647
Stage 3	-	-	-	-	-	-	-	-
	132,205,442	8,056,631	67,315,126	8,066,034	-	-	83,437,791	48,767,651
Guarantees								
Stage 1	26,778,944	9,729,563	1,589,304	-	-	-	11,318,867	15,460,077
Stage 2	849,554	849,554	-	-	-	-	849,554	-
Stage 3	-	-	-	-	-	-	-	-
	27,628,498	10,579,117	1,589,304	-	-	-	12,168,421	15,460,077

Group – 31 December 2023

	Gross carrying amount USD	Cash USD	Property USD	Guarantees USD	Shipping mortgages USD	Insurance cover USD	Total collateral USD	Net uncovered amount USD
Loans and advances to customers								
Stage 1	348,322,143	26,402,184	69,988,324	79,334,188	29,500,000	21,643,209	226,867,905	121,454,238
Stage 2	74,817,853	4,368,835	8,784,388	2,805,735	-	9,955	15,968,913	58,848,940
Stage 3	27,115,371	1,155,046	3,119,493	-	-	-	4,274,539	22,840,832
	450,255,367	31,926,065	81,892,205	82,139,923	29,500,000	21,653,164	247,111,357	203,144,010
Commitments								
Stage 1	135,277,631	2,028,970	59,157,272	25,758,372	-	-	86,944,614	48,333,017
Stage 2	12,526,076	7,406,256	2,892,495	-	-	-	10,298,751	2,227,325
Stage 3	-	-	-	-	-	-	-	-
	147,803,707	9,435,226	62,049,767	25,758,372	-	-	97,243,365	50,560,342
Guarantees								
Stage 1	27,995,205	10,028,880	-	-	-	-	10,028,880	17,966,325
Stage 2	30,069	-	-	-	-	-	-	30,069
Stage 3	-	-	-	-	-	-	-	-
	28,025,274	10,028,880	-	-	-	-	10,028,880	17,996,394

Bank – 31 December 2024

	Gross carrying amount USD	Cash USD	Property USD	Guarantees USD	Shipping mortgages USD	Insurance cover USD	Total collateral USD	Net uncovered amount USD
Loans and advances to customers								
Stage 1	486,974,629	5,705,226	76,662,321	32,153,141	-	6,675,147	121,195,835	365,778,794
Stage 2	33,415,683	474,510	19,063,669	-	-	450,000	19,988,179	13,427,504
Stage 3	12,886,098	-	1,250,102	-	-	-	1,250,102	11,635,996
	533,276,410	6,179,736	96,976,092	32,153,141	-	7,125,147	142,434,116	390,842,294
Commitments								
Stage 1	96,236,111	650,375	62,247,577	8,066,034	-	-	70,963,986	25,272,125
Stage 2	15,393,452	7,406,256	5,067,549	-	-	-	12,473,805	2,919,647
Stage 3	-	-	-	-	-	-	-	-
	111,629,563	8,056,631	67,315,126	8,066,034	-	-	83,437,791	28,191,772
Guarantees								
Stage 1	26,782,998	9,729,563	1,589,304	-	-	-	11,318,867	15,464,131
Stage 2	849,554	849,554	-	-	-	-	849,554	-
Stage 3	-	-	-	-	-	-	-	-
	27,632,552	10,579,117	1,589,304	-	-	-	12,168,421	15,464,131

Bank – 31 December 2023

	Gross carrying amount USD	Cash USD	Property USD	Guarantees USD	Shipping mortgages USD	Insurance cover USD	Total collateral USD	Net uncovered amount USD
Loans and advances to customers								
Stage 1	574,232,438	26,402,184	69,988,324	24,727,608	29,500,000	13,537,521	164,155,637	410,076,801
Stage 2	36,066,877	4,368,835	8,784,388	563,079	-	2,925	13,719,227	22,347,650
Stage 3	20,605,923	1,155,046	3,119,493	-	-	-	4,274,539	16,331,384
	630,905,238	31,926,065	81,892,205	25,290,687	29,500,000	13,540,446	182,149,403	448,755,835
Commitments								
Stage 1	87,694,011	2,028,970	59,157,272	17,558,372	-	-	78,744,614	8,949,397
Stage 2	12,526,076	7,406,256	2,892,495	-	-	-	10,298,751	2,227,325
Stage 3	-	-	-	-	-	-	-	-
	100,220,087	9,435,226	62,049,767	17,558,372	-	-	89,043,365	11,176,722
Guarantees								
Stage 1	39,044,929	10,397,443	-	-	-	-	10,397,443	28,647,486
Stage 2	30,069	-	-	-	-	-	-	30,069
Stage 3	-	-	-	-	-	-	-	-
	39,074,998	10,397,443	-	-	-	-	10,397,443	28,677,555

4.2.1.10 Offsetting financial assets and financial liabilities

With the exception of cash collateral, as disclosed in this Note and in Notes 32 and 34, the Group and Bank do not carry financial instruments which are subject to offsetting in the Statements of Financial Position. Group entities have a legally enforceable right to offset such collaterals against the respective facilities for which the collateral is taken under default events. At 31 December 2024 and 2023, all financial assets and respective collaterals are disclosed separately in the Financial Statements without any offsetting.

4.2.2 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 more diversified on- and off- balance sheet lending portfolios.

Single-name counterparty limits follow the prudential rules emanating from the Capital Requirements Regulation 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 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 requests and counterparty approval requests to the Group Risk Management function 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 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 an analysis 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 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Balances with the Central Bank of Malta, treasury bills and cash				
– Europe	134,192,217	353,010,186	134,179,290	352,997,057
	134,192,217	353,010,186	134,179,290	352,997,057
Trading assets				
– Europe	15,503,975	31,828,756	-	-
– Sub-Saharan Africa	132,814,796	139,775,814	-	-
– Middle East and North Africa (MENA)	27,490,373	110,850,563	-	-
– Commonwealth of Independent States (CIS) region	20,083,995	16,246,223	-	-
– Others	78,840,159	75,475,752	-	-
	274,733,298	374,177,108	-	-
Loans and advances to banks				
– Europe	22,465,207	34,656,678	21,394,650	33,749,056
– Sub-Saharan Africa	10,060,051	45,171,224	10,060,051	45,171,224
– Commonwealth of Independent States (CIS) region	-	330,624	-	330,624
– Middle East and North Africa (MENA)	10,992,094	19,113,436	9,863,372	11,463,939
– Others	52,940,040	53,542,986	48,780,051	23,610,400
	96,457,392	152,814,948	90,098,124	114,325,243
Loans and advances to customers				
– Europe	171,257,671	155,078,652	308,392,051	370,179,082
– Sub-Saharan Africa	2,265,041	52,698,508	-	51,842,806
– Middle East and North Africa (MENA)	127,422,992	133,279,528	80,245,938	101,208,100
– Others	127,031,019	90,285,386	129,145,922	94,888,237
	427,976,723	431,342,074	517,783,911	618,118,225
Financial investments at fair value through profit or loss				
– Europe	13,958,450	18,688,853	13,958,450	18,688,853
– Middle East and North Africa (MENA)	-	640,987	-	640,987
	13,958,450	19,329,840	13,958,450	19,329,840
Financial investments at fair value through other comprehensive income				
– Europe	120,265,095	140,755,780	120,265,095	140,755,780
	120,265,095	140,755,780	120,265,095	140,755,780
Financial investments at amortised cost				
– Europe	2,073,906	18,754,079	2,073,906	18,754,079
– Middle East and North Africa (MENA)	-	9,644,994	-	9,644,994
	2,073,906	28,399,073	2,073,906	28,399,073
Guarantees				
– Europe	26,960,857	27,605,515	26,964,911	38,655,239
– Middle East and North Africa (MENA)	667,641	419,759	667,641	419,759
	27,628,498	28,025,274	27,632,552	39,074,998
Commitments				
– Europe	77,398,295	72,422,491	77,398,146	72,422,491
– Sub-Saharan Africa	25,149,384	39,544,662	22,573,654	9,759,120
– Middle East and North Africa (MENA)	29,657,763	22,752,586	11,657,763	17,752,586
– Others	-	13,083,968	-	285,890
	132,205,442	147,803,707	111,629,563	100,220,087

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

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Balances with the Central Bank of Malta, treasury bills and cash				
– Financial intermediation	129,007,716	221,758,441	128,994,789	221,745,312
– Public administration	5,184,501	131,251,745	5,184,501	131,251,745
	134,192,217	353,010,186	134,179,290	352,997,057
Trading assets				
– Industrial raw materials	61,161,310	37,734,232	-	-
– Shipping and transportation	177,596	351,497	-	-
– Wholesale and retail trade	36,773,889	16,995,057	-	-
– Financial intermediation	94,067,479	239,193,354	-	-
– Public administration	82,553,024	68,654,187	-	-
– Other services	-	11,248,781	-	-
	274,733,298	374,177,108	-	-
Loans and advances to banks				
– Financial intermediation	96,457,392	152,814,948	90,098,124	114,325,243
	96,457,392	152,814,948	90,098,124	114,325,243
Loans and advances to customers				
– Industrial raw materials	193,753,742	183,171,375	35,845,467	55,658,839
– Shipping and transportation	388,528	966,513	388,528	673,989
– Wholesale and retail trade	106,561,751	127,745,154	69,001,030	95,547,769
– Financial intermediation	41,543,071	52,927,880	320,569,034	383,386,425
– Real estate activities	54,487,870	46,908,035	82,460,317	77,308,258
– Other services	31,241,761	19,623,117	9,519,535	5,542,945
	427,976,723	431,342,074	517,783,911	618,118,225
Financial investments at fair value through profit or loss				
– Financial intermediation	13,906,093	19,277,483	13,906,093	19,277,483
– Other services	52,357	52,357	52,357	52,357
	13,958,450	19,329,840	13,958,450	19,329,840
Financial investments at fair value through other comprehensive income				
– Shipping and transportation	5,045,848	5,304,461	5,045,848	5,304,461
– Financial intermediation	25,136,046	39,578,149	25,136,046	39,578,149
– Public administration	90,083,201	95,873,170	90,083,201	95,873,170
	120,265,095	140,755,780	120,265,095	140,755,780
Financial investments at amortised cost				
– Financial intermediation	-	17,060,289	-	17,060,289
– Public administration	2,073,906	11,338,784	2,073,906	11,338,784
	2,073,906	28,399,073	2,073,906	28,399,073
Guarantees				
– Industrial raw materials	10,646,552	8,129,749	10,646,552	8,129,749
– Wholesale and retail trade	368,564	368,564	368,564	368,564
– Financial intermediation	16,317,133	16,155,043	16,321,187	27,204,767
– Real estate activities	130,714	3,351,702	130,714	3,351,702
– Other services	165,535	20,216	165,535	20,216
	27,628,498	28,025,274	27,632,552	39,074,998
Commitments				
– Industrial raw materials	20,910,119	39,245,995	20,910,118	28,382,235
– Wholesale and retail trade	22,178,153	20,733,217	22,178,153	20,733,217
– Financial intermediation	44,679,422	53,686,665	24,107,598	16,966,805
– Real estate activities	37,717,249	27,988,824	37,717,249	27,988,824
– Other services	6,720,499	6,149,006	6,716,445	6,149,006
	132,205,442	147,803,707	111,629,563	100,220,087

4.2.3 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.

The use of derivatives within the Group is limited to hedging balance sheet positions, hedging capital investments, and interest rate hedging on behalf of LFC. 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.

4.2.4 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 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.

4.2.5 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 borrower's probability of default. When a customer borrows in a currency that is pegged to their main currency of operations, such as a Dubai based customer borrowing in USD, the Group considers that such borrowing does not represent a foreign exchange lending risk.

Customers may be sufficiently sophisticated that they manage such foreign exchange risks as part of their day-to-day operations. Transactions may be for the purchase of a commodity that is purchased and settled in the same currency, such as USD, ensuring that the foreign exchange risk is neutralised even if the currency of the transaction is different to that of the client's primary currency of operations. Other customers may engage in back-to-back transactions that are in matching currencies such that the completion of the first leg of the transaction will generate cash in the same currency necessary to settle the second leg. It may also be the case that customers hedge transactions on a portfolio or case-by-case basis as necessary to protect themselves from foreign exchange risk. Such hedges may be purchased from the Group or from third parties. The Group considers the presence of such mitigants as part of its risk assessment processes when granting credit limits or approving transactions. The Group accepts any residual 'open' FX lending risk as part of its business.

4.3 Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet its obligations as they become due because of an inability to liquidate assets or obtain adequate funding 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 primarily due to mismatches in the maturity profile of financial assets and liabilities, which exposes the Group to the risk that it might not be able to meet its liabilities as they become due or will have to do so at excessive cost. Liquidity risk may also be affected by the depth of the market in which the Group operates.

Liquidity risk is divided into two categories:

- market liquidity risk: risk of losses arising from difficulties in accessing the market at the required time, price and volume.
- funding liquidity risk: risk of losses arising from a timing mismatch in respect of the maturities of financial assets and liabilities, resulting in a risk that the Bank does not meet obligations when due or will have to raise funding at higher than normal rates.

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 ongoing Russia/Ukraine conflict and other geopolitical headwinds, the Group maintained a strong liquidity profile with an elevated level of high-quality liquid assets maintaining its Liquidity Coverage Ratio on average close to 340% to mitigate the risk of unexpected liquidity outflows or shortfalls, well above the regulatory minimum of 100%.

4.3.1 Management of liquidity risk

Liquidity risk is managed by maintaining significant levels of liquid funds, and by 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. The Treasury unit then maintains a portfolio of liquid assets, largely made up of high-quality liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained. 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 coordination 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.

4.3.2 Exposure to liquidity risk

The key measures used by the Group for managing liquidity risk are presented below.

4.3.2.1 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 quickly convert 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%. During the financial years ended 31 December 2024 and 2023, the LCR was in excess of both the regulatory minimum and the risk appetite thresholds set by the Group and Bank. Additional disclosures are included within the Pillar 3 Disclosures Report published on the Bank’s website.

4.3.2.2 Net stable funding ratio (“NSFR”)

The NSFR ratio requires the Group to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. By maintaining a stable funding structure the Group reduces the likelihood that disruptions to the regular sources of funding will erode its liquidity position in a way that would increase the risk of failure, which will potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability. During the financial years ended 31 December 2024 and 2023, the NSFR was in excess of both the regulatory minimum and the risk appetite thresholds set by the Group and Bank. The regulatory minimum is set at 100%. Additional disclosures are included within the Pillar 3 Disclosures Report.

4.3.2.3 Concentration risk with regards to liquidity management

In addition to monitoring overall liquidity risk via the LCR and NSFR, the Group also takes into consideration the proportion of total funding arising from wholesale sources, the value of deposits raised from the top 10 bank, corporate and retail depositors, and the concentration of deposits raised from Online Deposit Platforms. The Group’s single largest source of deposits is an Online Deposit Platform that aggregates deposits from a large number of individual retail depositors. These depositors place up to a maximum of Euro 100,000 with the Bank (to ensure the entire balance is covered under the Depositor Compensation Scheme) based on their assessment of the country risk associated with Malta and the interest rate offered by the Bank. The Bank manages the volume of deposits via adjustments to the offered rates to either encourage or discourage new deposits or the roll-over of existing deposits. These additional liquidity risk measures are managed on a day-to-day basis by the Treasury function, monitored by the Risk Management Department, and reported to and overseen by the ALCO and Board Risk Committee.

4.3.2.4 Residual contractual maturities of financial assets and liabilities

Group - 31 December 2024

	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 & 5 years USD	More than 5 years USD	No maturity USD
Assets									
Balances with the Central Bank of Malta, treasury bills and cash	134,192,217	134,212,439	126,535,462	-	-	-	-	-	7,676,977
Trading assets	274,733,298	295,127,546	19,109,688	64,468,906	72,745,542	55,684,685	82,572,065	546,660	-
Derivative assets held for risk management	1,464,641	1,464,641	818,015	353,351	293,275	-	-	-	-
Loans and advances to banks	96,457,392	96,958,434	83,200,272	4,063,684	-	980,289	8,714,189	-	-
Loans and advances to customers	427,976,723	452,485,607	149,388,743	99,512,653	57,178,150	53,647,809	83,661,916	9,096,336	-
Financial investments at fair value through profit or loss	13,958,450	13,958,450	-	-	-	-	-	-	13,958,450
Financial investments at fair value through OCI	120,265,095	125,587,411	-	-	12,564,841	16,313,499	35,209,825	61,499,246	-
Financial investments at amortised cost	2,073,906	2,077,254	2,077,254	-	-	-	-	-	-
Other assets	6,964,808	6,964,808	6,964,808	-	-	-	-	-	-
Total assets	1,078,086,530	1,128,836,590	388,094,242	168,398,594	142,781,808	126,626,282	210,157,995	71,142,242	21,635,427
Liabilities									
Derivative liabilities held for risk management	(1,109,346)	(1,109,346)	(572,635)	(319,787)	(216,924)	-	-	-	-
Amounts owed to institutions and banks	(241,193,331)	(244,364,400)	(181,695,974)	(20,794,611)	(9,767,275)	(23,474,999)	(8,631,541)	-	-
Amounts owed to customers	(679,118,749)	(683,122,975)	(382,133,856)	(195,234,488)	(61,750,961)	(28,631,820)	(15,371,850)	-	-
Debt securities in issue	(15,851,701)	(15,992,195)	(5,340,911)	(5,328,407)	(5,322,877)	-	-	-	-
Other liabilities	(18,691,243)	(18,976,425)	(15,802,700)	(117,309)	(458,801)	(442,946)	(2,154,669)	-	-
Total liabilities	(955,964,370)	(963,565,341)	(585,546,076)	(221,794,602)	(77,516,838)	(52,549,765)	(26,158,060)	-	-
Liquidity gap			(197,451,834)	(53,396,008)	65,264,970	74,076,517	183,999,935	71,142,242	
Cumulative liquidity gap			(197,451,834)	(250,847,842)	(185,582,872)	(111,506,355)	72,493,580	143,635,822	

Group - 31 December 2023

	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 & 5 years USD	More than 5 years USD	No maturity USD
Assets									
Balances with the Central Bank of Malta, treasury bills and cash	353,010,186	353,071,229	232,384,310	63,022,868	33,015,391	16,239,560	-	-	8,409,100
Trading assets	374,177,108	410,280,357	11,529,342	60,824,498	110,472,027	110,387,195	117,067,295	-	-
Derivative assets held for risk management	715,713	715,713	603,886	99,879	-	11,948	-	-	-
Loans and advances to banks	152,814,948	153,994,103	96,007,756	38,126,895	7,883,657	2,721,814	9,253,981	-	-
Loans and advances to customers	431,342,074	458,572,278	126,252,520	71,866,719	83,430,623	82,730,854	64,882,921	29,408,641	-
Financial investments at fair value through profit or loss	19,329,840	19,329,840	-	-	-	-	-	-	19,329,840
Financial investments at fair value through OCI	140,755,780	147,651,397	5,103,566	-	-	12,903,183	55,835,883	73,808,765	-
Financial investments at amortised cost	28,399,073	32,497,878	-	2,458,798	5,653,384	9,513,458	14,872,238	-	-
Other assets	5,218,619	5,218,619	5,218,619	-	-	-	-	-	-
Total assets	1,505,763,341	1,581,331,414	477,099,999	236,399,657	240,455,082	234,508,012	261,912,318	103,217,406	27,738,940
Liabilities									
Derivative liabilities held for risk management	(626,476)	(626,476)	(455,055)	(86,901)	-	(84,520)	-	-	-
Amounts owed to institutions and banks	(412,570,931)	(415,245,710)	(275,542,230)	(88,401,569)	(33,298,863)	(9,371,546)	(8,631,502)	-	-
Amounts owed to customers	(934,738,942)	(942,582,357)	(455,267,877)	(189,778,254)	(155,205,077)	(131,534,323)	(10,796,826)	-	-
Debt securities in issue	(27,543,864)	(27,940,439)	(5,524,862)	(11,049,724)	(11,365,853)	-	-	-	-
Other liabilities	(19,771,614)	(19,977,929)	(17,660,332)	(163,907)	(267,974)	(382,487)	(1,482,198)	(21,031)	-
Total liabilities	(1,395,251,827)	(1,406,372,911)	(754,450,356)	(289,480,355)	(200,137,767)	(141,372,876)	(20,910,526)	(21,031)	-
Liquidity gap			(277,350,357)	(53,080,698)	40,317,315	93,135,136	241,001,792	103,196,375	
Cumulative liquidity gap			(277,350,357)	(330,431,055)	(290,113,740)	(196,978,604)	44,023,188	147,219,563	

Bank - 31 December 2024

	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 & 5 years USD	More than 5 years USD	No maturity USD
Assets									
Balances with the Central Bank of Malta, treasury bills and cash	134,179,290	134,199,512	126,535,462	-	-	-	-	-	7,664,050
Derivative assets held for risk management	1,464,641	1,464,641	818,015	353,351	293,275	-	-	-	-
Loans and advances to banks	90,098,124	90,590,259	76,845,879	4,063,684	-	966,507	8,714,189	-	-
Loans and advances to customers	517,783,911	579,416,217	56,911,771	86,995,842	247,061,871	23,102,821	95,908,805	69,435,107	-
Financial investments at fair value through profit or loss	13,958,450	13,958,450	-	-	-	-	-	-	13,958,450
Financial investments at fair value through OCI	120,265,095	125,587,411	-	-	12,564,841	16,313,499	35,209,825	61,499,246	-
Financial investments at amortised cost	2,073,906	2,077,254	2,077,254	-	-	-	-	-	-
Other assets	6,676,958	6,676,958	6,676,958	-	-	-	-	-	-
Total assets	886,500,375	953,970,702	269,865,339	91,412,877	259,919,987	40,382,827	139,832,819	130,934,353	21,622,500
Liabilities									
Derivative liabilities held for risk management	(1,165,387)	(1,165,387)	(628,676)	(319,787)	(216,924)	-	-	-	-
Amounts owed to institutions and banks	(168,729,126)	(168,839,409)	(154,933,608)	(368,222)	(289,376)	(4,616,662)	(8,631,541)	-	-
Amounts owed to customers	(679,691,057)	(683,700,956)	(382,564,210)	(195,280,979)	(61,852,097)	(28,631,820)	(15,371,850)	-	-
Other liabilities	(8,584,443)	(8,610,227)	(8,040,535)	(2,069)	(224,760)	(21,707)	(321,156)	-	-
Total liabilities	(858,170,012)	(862,315,978)	(546,167,029)	(195,971,057)	(62,583,157)	(33,270,189)	(24,324,547)	-	-
Liquidity gap			(276,301,690)	(104,558,180)	197,336,830	7,112,638	115,508,272	130,934,353	
Cumulative liquidity gap			(276,301,690)	(380,859,870)	(183,523,040)	(176,410,402)	(60,902,130)	70,032,223	

Bank - 31 December 2023

	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 & 5 years USD	More than 5 years USD	No maturity USD
Assets									
Balances with the Central Bank of Malta, treasury bills and cash	352,997,057	353,058,099	232,384,309	63,022,868	33,015,391	16,239,560	-	-	8,395,971
Derivative assets held for risk management	812,609	812,609	700,782	99,879	-	11,948	-	-	-
Loans and advances to banks	114,325,243	115,441,453	58,455,595	38,126,895	7,875,752	1,729,230	9,253,981	-	-
Loans and advances to customers	618,118,225	648,124,541	116,830,361	102,597,981	256,609,008	78,137,786	64,540,764	29,408,641	-
Financial investments at fair value through profit or loss	19,329,840	19,329,840	-	-	-	-	-	-	19,329,840
Financial investments at fair value through OCI	140,755,780	147,651,397	5,103,566	-	-	12,903,183	55,835,883	73,808,765	-
Financial investments at amortised cost	28,399,073	32,497,878	-	2,458,798	5,653,384	9,513,458	14,872,238	-	-
Other assets	4,619,670	4,619,670	4,619,670	-	-	-	-	-	-
Total assets	1,279,357,497	1,321,535,487	418,094,283	206,306,421	303,153,535	118,535,165	144,502,866	103,217,406	27,725,811
Liabilities									
Derivative liabilities held for risk management	(626,476)	(626,476)	(455,055)	(86,901)	-	(84,520)	-	-	-
Amounts owed to institutions and banks	(333,498,402)	(334,541,899)	(241,844,225)	(57,762,015)	(22,436,754)	(3,867,403)	(8,631,502)	-	-
Amounts owed to customers	(951,166,330)	(959,014,206)	(451,792,246)	(189,778,254)	(174,979,244)	(131,667,636)	(10,796,826)	-	-
Other liabilities	(10,633,538)	(10,671,057)	(9,096,790)	(3,985)	(3,985)	(771,505)	(773,761)	(21,031)	-
Total liabilities	(1,295,924,745)	(1,304,853,637)	(703,188,316)	(247,631,155)	(197,419,983)	(136,391,064)	(20,202,089)	(21,031)	-
Liquidity gap			(285,094,033)	(41,324,734)	105,733,552	(17,855,899)	124,300,777	103,196,375	
Cumulative liquidity gap			(285,094,033)	(326,418,767)	(220,685,215)	(238,541,114)	(114,240,337)	(11,043,962)	

The gross nominal inflow/outflow for financial assets and financial liabilities represent undiscounted cash flows based on the carrying amount and include the estimated interest payments. The time buckets in the above tables are representative of this gross nominal inflow/outflow based on the residual contractual maturities.

The following amounts are representative of the gross nominal inflows/outflows for the foreign exchange derivative liabilities held for risk management at Group level and for the foreign exchange and interest rate derivative liabilities held for risk management at Bank level. In the tables below, the inflows are representative of the 'buy' leg of the derivative transaction while the outflows are representative of the 'sell' leg of the derivative transaction:

Group – 31 December 2024

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Total USD	Carrying amount USD
Derivatives						
Inflows	62,584,964	8,259,115	16,748,022	5,922,922	93,515,023	
Outflows	(63,026,888)	(8,366,750)	(17,316,023)	(6,000,000)	(94,709,661)	
	(441,924)	(107,635)	(568,001)	(77,078)	(1,194,638)	1,109,346

Group – 31 December 2023

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Total USD	Carrying amount USD
Derivatives						
Inflows	10,056,599	32,325,281	2,424,485	14,862,818	59,669,183	
Outflows	(10,030,539)	(32,445,437)	(2,432,018)	(14,901,056)	(59,809,050)	
	26,060	(120,156)	(7,533)	(38,238)	(139,867)	626,476

Bank – 31 December 2024

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Total USD	Carrying amount USD
Derivatives						
Inflows	62,584,964	8,290,380	16,748,022	5,922,922	93,546,288	
Outflows	(63,026,888)	(8,454,056)	(17,316,023)	(6,000,000)	(94,796,967)	
	(441,924)	(163,676)	(568,001)	(77,078)	(1,250,679)	1,165,387

Bank – 31 December 2023

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Total USD	Carrying amount USD
Derivatives						
Inflows	10,056,599	32,325,281	2,424,485	14,862,818	59,669,183	
Outflows	(10,030,539)	(32,445,437)	(2,432,018)	(14,901,056)	(59,809,050)	
	26,060	(120,156)	(7,533)	(38,238)	(139,867)	626,476

4.4 Market risk

Market risk is the risk that the fair value of a financial instrument or future cash flows derived therefrom fluctuate due to 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.

The management of market risk, which is described in further detail below, is tracked by ALCO using various metrics and by the BRC on a quarterly basis against the Group's Risk Appetite Statement.

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 that the six interest rate shock scenarios mandated by the European Central Bank have on net interest income ("NII") and the economic value of equity ("EVE").

4.4.1 Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument fluctuates due to changes in foreign exchange rates. Foreign exchange risk is related to monetary assets and liabilities of the Group and Bank that are not denominated in the functional currency. Transactional exposures give rise to foreign currency gains and losses that are recognised in the Statements of Profit or Loss. The Group and Bank manage this risk by ensuring that foreign currency denominated liabilities are matched to corresponding assets in the same currency. Open currency positions are monitored closely and managed through matching of assets and liabilities denominated in the same currency as well as through hedging strategies such as forward contracts, or swaps to mitigate this risk and offset any potential losses caused by fluctuations in currency values. The Bank has set a low tolerance threshold for the absolute value of open foreign currency positions that can be held overnight, which is monitored and managed on a daily basis by Treasury.

Mismatches could arise where the Group enters into foreign exchange transactions 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, as specified in the Treasury Policy and the Group's Risk Appetite Statement, and any excesses are regularised immediately. Open foreign exchange positions are monitored by the Treasury and Risk Management functions to ensure that mismatches remain within agreed parameters, which have been set by the Board Risk Committee as the level of currency risk it is willing to accept. This threshold is set as an absolute value. The threshold is reviewed and confirmed on a regular basis to ensure that it remains aligned with the risk appetite. The Group ensures that its net exposure is kept to an acceptable level by entering into forward currency contracts when considered appropriate.

To monitor and control foreign exchange risk the Group's risk appetite statement includes: (i) a Foreign Exchange Sensitivity metric, which limits the maximum open foreign exchange position at Bank level (excluding any unhedged portion of the investment in India Factoring); and (ii) an INR Hedging metric, which sets the minimum level of hedging that must be in place for the investment in India Factoring. The first is monitored daily and the second is reaffirmed at execution of each hedging contract. The daily FX position report reflects actual balances, and as of 31 December 2024 the FX open position was within the risk appetite of the Group. As at 31 December 2024 the Group's investment in India Factoring was 100% hedged and therefore within the Group's risk appetite.

Group - 31 December 2024

<i>All amounts are expressed in USD</i>	In reporting currency	EUR	INR	Other currencies	Total
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	3,523	134,183,833	-	4,861	134,192,217
Trading assets	163,208,780	111,158,974	-	365,544	274,733,298
Loans and advances to banks	69,283,478	22,167,773	2,779,632	2,226,509	96,457,392
Loans and advances to customers	177,323,570	179,743,478	42,666,886	28,242,789	427,976,723
Financial investments at fair value through profit or loss	52,358	13,906,092	-	-	13,958,450
Financial investments at fair value through other comprehensive income	25,173,723	95,091,372	-	-	120,265,095
Financial investments at amortised cost	2,073,906	-	-	-	2,073,906
Other assets	1,859,267	4,144,818	883,745	76,978	6,964,808
Liabilities					
Amounts owed to institutions and banks	(191,595,367)	(14,389,768)	(13,518,899)	(21,689,297)	(241,193,331)
Amounts owed to customers	(59,413,142)	(617,988,208)	(567,282)	(1,150,117)	(679,118,749)
Debt securities in issue	-	(15,851,701)	-	-	(15,851,701)
Other liabilities	(9,644,775)	(4,596,711)	(2,217,744)	(2,232,013)	(18,691,243)
Net on balance sheet financial position	178,325,321	(92,430,048)	30,026,338	5,845,254	121,766,865
Notional amount of derivative instruments held for risk management	(21,813,537)	60,791,642	(32,115,838)	(6,862,267)	
Net foreign exchange exposure		(31,638,406)	(2,089,500)	(1,017,013)	

Group - 31 December 2023

<i>All amounts are expressed in USD</i>	In reporting currency	EUR	INR	Other currencies	Total
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	26,008,194	326,995,938	25	6,029	353,010,186
Trading assets	200,298,343	171,679,279	-	2,199,486	374,177,108
Loans and advances to banks	68,308,035	66,654,529	12,882,667	4,969,717	152,814,948
Loans and advances to customers	190,371,780	185,303,365	24,412,566	31,254,363	431,342,074
Financial investments at fair value through profit or loss	52,358	18,636,495	-	640,987	19,329,840
Financial investments at fair value through other comprehensive income	36,432,839	104,322,941	-	-	140,755,780
Financial investments at amortised cost	16,517,720	2,236,359	-	9,644,994	28,399,073
Other assets	142,137	3,827,124	1,099,918	149,440	5,218,619
Liabilities					
Amounts owed to institutions and banks	(331,446,875)	(52,596,240)	(9,792,313)	(18,735,503)	(412,570,931)
Amounts owed to customers	(55,716,559)	(873,460,598)	(1,606)	(5,560,179)	(934,738,942)
Debt securities in issue	-	(27,543,864)	-	-	(27,543,864)
Other liabilities	(8,688,932)	(7,270,725)	(2,502,551)	(1,309,407)	(19,771,615)
Net on balance sheet financial position	142,279,040	(81,215,397)	26,098,706	23,529,927	110,422,276
Notional amount of derivative instruments held for risk management	20,808,471	31,636,970	(30,024,203)	(22,421,238)	
Net foreign exchange exposure		(49,578,427)	(3,925,497)	838,689	

In addition to the positions shown in the tables overleaf, the Bank also has an exposure to Indian Rupees in respect of the investment in India Factoring, which had a carrying amount of USD33.7 million as at 31 December 2024 and 31 December 2023. In this respect, the Bank entered into forward foreign exchange derivative contracts to hedge its exposure to INR. As at 31 December 2024, the notional amount of these derivative contracts amounts to USD32.1 million (2023: USD30.0 million). The foreign currency risk associated with the Group's equity investment in India Factoring, is managed by way of non-deliverable foreign exchange forward contracts. The Group uses a 'dynamic hedging' tool that determines the minimum percentage of the capital investment that must be hedged at all times. This minimum hedging level is included in the Risk Appetite Statement. The Treasury unit is responsible for ensuring the appropriate forward contracts are purchased in a timely manner for risk mitigation and the Risk Management Department monitors the level of hedging in place.

Bank - 31 December 2024

<i>All amounts are expressed in USD</i>	In reporting currency	EUR	Other currencies	Total
Assets				
Balances with the Central Bank of Malta, treasury bills and cash	-	134,179,125	165	134,179,290
Loans and advances to banks	67,567,735	21,310,259	1,220,130	90,098,124
Loans and advances to customers	210,299,169	300,816,039	6,668,703	517,783,911
Financial investments at fair value through profit or loss	52,358	13,906,092	-	13,958,450
Financial investments at fair value through other comprehensive income	25,173,723	95,091,372	-	120,265,095
Financial investments at amortised cost	2,073,906	-	-	2,073,906
Other assets	2,498,034	4,163,721	15,203	6,676,958
Liabilities				
Amounts owed to institutions and banks	(160,028,860)	(8,696,684)	(3,582)	(168,729,126)
Amounts owed to customers	(59,792,501)	(619,425,991)	(472,565)	(679,691,057)
Other liabilities	(3,796,466)	(4,262,497)	(525,480)	(8,584,443)
Net on balance sheet financial position	84,047,098	(62,918,564)	6,902,574	28,031,108
Notional amount of derivative instruments held for risk management	(21,813,537)	60,791,642	(6,862,267)	
Net foreign exchange exposure		(2,126,922)	40,307	

Bank - 31 December 2023

<i>All amounts are expressed in USD</i>	In reporting currency	EUR	Other currencies	Total
Assets				
Balances with the Central Bank of Malta, treasury bills and cash	26,004,091	326,989,945	3,021	352,997,057
Loans and advances to banks	47,335,276	65,971,956	1,018,011	114,325,243
Loans and advances to customers	244,372,334	361,849,371	11,896,520	618,118,225
Financial investments at fair value through profit or loss	52,358	18,636,495	640,987	19,329,840
Financial investments at fair value through other comprehensive income	36,432,839	104,322,941	-	140,755,780
Financial investments at amortised cost	16,517,720	2,236,359	9,644,994	28,399,073
Other assets	127,420	4,382,043	110,207	4,619,670
Liabilities				
Amounts owed to institutions and banks	(280,898,394)	(52,596,240)	(3,768)	(333,498,402)
Amounts owed to customers	(75,093,701)	(875,641,852)	(430,777)	(951,166,330)
Other liabilities	(2,028,658)	(8,524,723)	(80,157)	(10,633,538)
Net on balance sheet financial position	12,821,285	(52,373,705)	22,799,038	(16,753,382)
Notional amount of derivative instruments held for risk management	20,808,471	31,636,970	(22,421,238)	
Net foreign exchange exposure		(20,736,735)	377,800	

The following exchange rates against the US Dollar were applied during the year:

	Average rate		Reporting date mid-spot rate	
	2024	2023	2024	2023
1 EUR	1.0828	1.0813	1.0389	1.1050
1 INR	0.0120	0.0121	0.0117	0.0120

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
2024				
EUR	(2,495,503)	(2,495,503)	(148,884)	(148,884)
INR	(86,400)	-	(2,248,109)	(2,248,109)
Other currencies	101,190	101,190	2,821	2,821
2023				
EUR	(3,457,974)	(3,457,974)	(1,295,848)	(1,295,848)
INR	(230,138)	-	(2,101,694)	(2,101,694)
Other currencies	64,841	64,841	27,202	27,202

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

4.4.2 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.

The forfeiting 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 records the unrealised and realised profits and losses. The performance of this portfolio remained within the risk parameters and within the stress tests applied as part of the regular ICAAP process; where the assessment applied in 2024 assumed a shock to credit spreads and an additional shock relating to an unexpected change in interest rates.

4.4.3 Interest rate risk

Interest rate risk refers to the risk to earnings from the Group's financial instruments in the non-trading (i.e. banking) book to movements in interest rates. The Group uses two complementary approaches to measuring Interest Rate Risk in the Banking Book ("IRRBB"):

- changes in economic value (i.e. economic value or EVE when assessing the change in value relative to equity); and
- changes in expected earnings (i.e. changes in forecast net interest income or 'NII').

The key difference between the two measures is that EVE calculates the change in the net present value of the balance sheet under a range of yield curve stress scenarios while NII looks at the change in expected earnings.

EVE measures the changes in the net present value of the interest rate sensitive instruments over their remaining life resulting from interest rate movements, i.e. until all positions have run off. A run-off balance sheet is a balance sheet where existing non-trading book positions amortise and are not replaced by any new business. In this way, EVE is a long-term measure, assessing the impact over the remaining life of the balance sheet while NII is a short-medium term measure, assessing the impact to expected future profitability within a given time horizon resulting from interest rate movements.

Accordingly, interest rate risk is managed through the use of maturity/re-pricing schedules that distribute interest-bearing assets and liabilities into different time bands. The determination of each instrument into the appropriate time period is dependent on the contractual maturity (if fixed rate) or time remaining to their next re-pricing date (if floating rate). This method, also referred to as 'gap analysis', will eventually portray the Group's sensitivity of earnings and equity to interest rate movements.

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 rates. 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.

The IRRBB on a consolidated basis is managed on a monthly basis. Additional disclosures are included within the Pillar 3 Disclosures Report published on the Bank's website.

Whilst treasury bills are not interest-bearing instruments, their value is interest rate sensitive. The price of treasury bills at issuance is reflective of the risk-free rates at the time of issuance. Within the following tables, treasury bills are not marked as non-interest bearing and, instead, are replaced on maturity at a price that reflects a changed reference rate. This aligns the treatment of treasury bills in this analysis with the IRRBB assessment detailed in the Pillar 3 Disclosures Report published on the Bank's website.

The tables below are representative of the carrying amounts of the exposures subject to interest rate risk in the banking book broken down by repricing dates.

Group – 31 December 2024

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 5 years USD	More than 5 years USD	Not subject to interest rate risk USD	Total USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	134,175,556	-	-	-	-	-	16,661	134,192,217
Trading assets	44,321,330	75,168,149	52,279,367	31,275,053	70,833,342	408,461	447,596	274,733,298
Loans and advances to banks	83,186,831	3,727,341	-	981,008	7,869,997	-	692,215	96,457,392
Loans and advances to customers	267,587,430	124,410,859	20,583,500	10,233,575	3,541,540	-	1,619,819	427,976,723
Financial investments at fair value through other comprehensive income	-	-	12,485,597	16,237,787	34,265,728	56,890,339	385,644	120,265,095
Financial investments at amortised cost	1,999,420	-	-	-	-	-	74,486	2,073,906
	531,270,567	203,306,349	85,348,464	58,727,423	116,510,607	57,298,800	3,236,421	1,055,698,631
Liabilities								
Amounts owed to institutions and banks	(195,082,463)	(22,708,027)	(7,500,000)	(5,832,264)	(8,517,194)	-	(1,553,383)	(241,193,331)
Amounts owed to customers	(373,784,583)	(193,508,272)	(60,885,765)	(27,121,692)	(14,784,853)	-	(9,033,584)	(679,118,749)
Debt securities in issue	(5,194,266)	(5,194,266)	(5,194,266)	-	-	-	(268,903)	(15,851,701)
	(574,061,312)	(221,410,565)	(73,580,031)	(32,953,956)	(23,302,047)	-	(10,855,870)	(936,163,781)
Interest sensitivity gap	(42,790,745)	(18,104,216)	11,768,433	25,773,467	93,208,560	57,298,800	(7,619,449)	
Cumulative gap		(60,894,961)	(49,126,528)	(23,353,061)	69,855,499	127,154,299	119,534,850	

Group – 31 December 2023

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 5 years USD	More than 5 years USD	Not subject to interest rate risk USD	Total USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	240,701,293	63,022,868	33,015,391	16,239,560	-	-	31,074	353,010,186
Trading assets	80,639,382	193,032,230	64,490,802	26,217,441	9,257,253	-	540,000	374,177,108
Loans and advances to banks	94,213,686	37,935,502	7,885,432	2,680,135	8,360,926	-	1,739,267	152,814,948
Loans and advances to customers	291,462,685	13,914,819	110,025,707	8,687,579	4,092,834	2,149,494	1,008,956	431,342,074
Financial investments at fair value through other comprehensive income	4,985,000	-	-	12,644,664	54,601,339	67,942,320	582,457	140,755,780
Financial investments at amortised cost	-	2,392,239	14,593,174	9,152,734	1,985,111	-	275,815	28,399,073
	712,002,046	310,297,658	230,010,506	75,622,113	78,297,463	70,091,814	4,177,569	1,480,499,169
Liabilities								
Amounts owed to institutions and banks	(283,644,872)	(81,653,270)	(32,099,448)	(3,867,403)	(8,517,194)	-	(2,788,744)	(412,570,931)
Amounts owed to customers	(427,615,143)	(186,247,544)	(170,838,046)	(109,646,533)	(26,698,463)	-	(13,693,213)	(934,738,942)
Debt securities in issue	(5,443,771)	(10,729,398)	(11,049,724)	-	-	-	(320,971)	(27,543,864)
	(716,703,786)	(278,630,212)	(213,987,218)	(113,513,936)	(35,215,657)	-	(16,802,928)	(1,374,853,737)
Interest sensitivity gap	(4,701,740)	31,667,446	16,023,288	(37,891,823)	43,081,806	70,091,814	(12,625,359)	
Cumulative gap		26,965,706	42,988,994	5,097,171	48,178,977	118,270,791	105,645,432	

Bank – 31 December 2024

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 5 years USD	More than 5 years USD	Not subject to interest rate risk USD	Total USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	134,175,556	-	-	-	-	-	3,734	134,179,290
Loans and advances to banks	76,840,553	3,727,341	-	968,211	7,869,997	-	692,022	90,098,124
Loans and advances to customers	294,363,354	154,718,115	29,218,511	34,667,059	1,732,381	-	3,084,491	517,783,911
Financial investments at fair value through other comprehensive income	-	-	12,485,597	16,237,787	34,265,728	56,890,339	385,644	120,265,095
Financial investments at amortised cost	1,999,420	-	-	-	-	-	74,486	2,073,906
	507,378,883	158,445,456	41,704,108	51,873,057	43,868,106	56,890,339	4,240,377	864,400,326
Liabilities								
Amounts owed to institutions and banks	(154,366,529)	-	-	(4,604,197)	(8,517,194)	-	(1,241,206)	(168,729,126)
Amounts owed to customers	(375,590,618)	(193,552,423)	(60,985,306)	(27,121,692)	(14,784,853)	-	(7,656,165)	(679,691,057)
	(529,957,147)	(193,552,423)	(60,985,306)	(31,725,889)	(23,302,047)	-	(8,897,371)	(848,420,183)
Interest sensitivity gap	(22,578,264)	(35,106,967)	(19,281,198)	20,147,168	20,566,059	56,890,339	(4,656,994)	
Cumulative gap		(57,685,231)	(76,966,429)	(56,819,261)	(36,253,202)	20,637,137	15,980,143	

Bank – 31 December 2023

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 5 years USD	More than 5 years USD	Not subject to interest rate risk USD	Total USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	240,701,293	63,022,868	33,015,391	16,239,560	-	-	17,945	352,997,057
Loans and advances to banks	56,876,233	37,935,502	7,879,420	1,733,848	8,360,926	-	1,539,314	114,325,243
Loans and advances to customers	452,436,857	-	156,471,975	5,281,294	-	2,149,494	1,778,605	618,118,225
Financial investments at fair value through other comprehensive income	4,985,000	-	-	12,644,664	54,601,339	67,942,320	582,457	140,755,780
Financial investments at amortised cost	-	2,392,239	14,593,174	9,152,734	1,985,111	-	275,815	28,399,073
	754,999,383	103,350,609	211,959,960	45,052,100	64,947,376	70,091,814	4,194,136	1,254,595,378
Liabilities								
Amounts owed to institutions and banks	(239,953,166)	(56,599,448)	(22,099,448)	(3,867,403)	(8,517,194)	-	(2,461,743)	(333,498,402)
Amounts owed to customers	(449,500,336)	(186,247,544)	(170,838,046)	(109,776,533)	(26,698,463)	-	(8,105,408)	(951,166,330)
	(689,453,502)	(242,846,992)	(192,937,494)	(113,643,936)	(35,215,657)	-	(10,567,151)	(1,284,664,732)
Interest sensitivity gap	65,545,881	(139,496,383)	19,022,466	(68,591,836)	29,731,719	70,091,814	(6,373,015)	
Cumulative gap		(73,950,502)	(54,928,036)	(123,519,872)	(93,788,153)	(23,696,339)	(30,069,354)	

4.4.3.1 Sensitivity analysis for financial instruments subject to interest rate risk

The tables below depict the changes in Economic Value of Equity and Net Interest Income from movement in stressed yield curves on a consolidated basis and solo basis for the end of financial years 2024 and 2023. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. IRRBB is reported monthly on a consolidated basis, however Bank computations are calculated and presented as at year end. The IRRBB tool is in line with the latest EBA guidelines. Further information related to the measurement of interest rate risk can be located in the Pillar 3 Disclosures Report. The impact on EVE and NII resulting from stresses performed on the banking book fall within the Group's risk appetite.

2024

	Parallel up USD	Parallel down USD	Short rates up USD	Short rates down USD	Steeper USD	Flattener USD
Sensitivity of equity to interest rate movements						
Group	(7,306,782)	3,552,582	(1,603,126)	396,874	(1,953,472)	149,469
Group (incl. trading book)	(10,932,647)	5,819,914	(5,190,952)	2,514,034	(685,791)	(1,925,540)
Bank	(7,714,856)	3,966,945	(2,141,459)	943,312	(1,525,959)	(70,262)
Sensitivity of net interest income to interest rate movements						
Group	(3,727,994)	1,171,399	N/A	N/A	N/A	N/A
Group (incl. trading book)	(1,706,917)	(1,224,407)	N/A	N/A	N/A	N/A
Bank	(1,911,200)	(440,606)	N/A	N/A	N/A	N/A

2023

	Parallel up USD	Parallel down USD	Short rates up USD	Short rates down USD	Steeper USD	Flattener USD
Sensitivity of equity to interest rate movements						
Group	(7,487,322)	4,281,044	(80,259)	(338,276)	(3,885,533)	1,154,989
Group (incl. trading book)	(9,333,056)	5,418,460	(2,186,933)	1,129,388	(2,929,820)	(322,506)
Bank	(7,517,131)	4,408,833	(93,716)	(143,029)	(3,788,942)	1,099,473
Sensitivity of net interest income to interest rate movements						
Group	(4,682,140)	2,340,881	N/A	N/A	N/A	N/A
Group (incl. trading book)	(369,710)	(1,672,173)	N/A	N/A	N/A	N/A
Bank	(671,968)	335,984	N/A	N/A	N/A	N/A

The specified size of the interest rate shocks for the Group's material currencies according to Annex 1 of the EBA Consultation Paper on Draft Regulatory Technical Standards are as follows (to note that INR is only considered as material currency for Group):

	EUR in basis points	USD in basis points	INR in basis points
Parallel up	+200	+200	+400
Parallel down	-200	-200	-400
Short rates up	+250	+300	+500
Short rates down	-250	-300	-500
Steeper			
short rates down	-250	-300	-500
long rates down	+100	+150	+300
Flattener			
short rates up	+250	+300	+500
long rates down	-100	-150	-300

4.4.4 Price risk

The Group is also exposed to price risk on financial assets 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.

Other price risk arises from equity investments measured at fair value through profit or loss. Investments recorded at fair value through profit or loss are measured by reference to their market values, ideally in active markets. The financial assets mandatorily measured 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.

Additionally, the financial assets measured at fair value through other comprehensive income include a mixture of high-quality liquid assets and non-high-quality liquid assets. All things being equal, the less liquid the assets are, the more their susceptibility to price risk.

The table below presents the carrying amount of the Group's and Bank's financial assets which are deemed to be exposed to price risk as at 31 December 2024 and 2023:

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Financial investments at fair value through profit or loss	13,958,450	19,329,840	13,958,450	19,329,840
Financial investments at fair value through other comprehensive income	120,265,095	140,755,780	120,265,095	140,755,780
Trading assets	274,733,298	374,177,108	-	-

4.4.4.1 Sensitivity analysis for price risk

The Group and Bank hold portfolios of assets measured at fair value and, as such, any movements in market interest rates have an impact on their capital base. The Group and Bank manage the risk attributable to these portfolios with risk sensitivity analyses. In this respect, a 10% increase in market price, applied to the fair value of the abovementioned assets, 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	
	Impact on pre-tax profit	Impact on other components of equity	Impact on pre-tax profit	Impact on other components of equity
	USD	USD	USD	USD
2024	28,869,175	12,026,510	1,395,845	12,026,510
2023	39,350,695	14,075,578	1,932,984	14,075,578

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.

4.5 Operational risk

The Group defines operational risk 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 and 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 and the appointed Operational Risk Champion in each department, an independent ORM Unit within Risk Management Group and a Senior Management ORM Committee 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 ORM Unit 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 ORM Committee for review of corrective measures to be eventually considered.

The Group has in place an enterprise wide ORM 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 ORM Committee 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 and ongoing operation following a business continuity event.

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.

4.5.1 IT risk

Information Technology (“IT”) risk comes about as a result of internal and external events arising from the use of 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.

4.5.2 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 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 function devoted 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.

4.6 Climate related risk

The Group recognises that it has a responsibility towards the environment and society beyond legal and regulatory requirements. The Group has established a Board committee called the Board Environmental, Social and Governance Committee ("BESGC") and a management committee called the Management Environmental, Social and Governance Committee ("MESGC") to oversee its initiatives and activities with respect to ESG. These committees have the responsibility for incorporating ESG considerations into the Group's strategy, and governance, risk management and monitoring arrangements.

With respect to the environmental, social and governance responsibilities applicable to the Group's own activities and staff, the Group prepares annual ESG statistics that are shared with the Ministry of the Environment, Energy and Public Cleanliness, which publishes these statistics on its website.

The physical risks faced by the Group's borrowers are comprised of acute and chronic risks. The acute risks can occur at any time, although climate change may make these events more frequent. Chronic risks are those that persist and worsen over time. Acute physical risks can pose an immediate threat to the financial viability of a borrower through damage to or loss of assets, loss or limitation of access to raw materials or power, or other constraints that prevent the borrower from being able to operate profitably and service its financial obligations. To a varying extent, acute physical risks can be mitigated by physical defences or by purchasing adequate insurance. Chronic risks more often affect the long-term viability of a borrower's business if steps are not taken to mitigate or adapt to the risk. Chronic risks typically take longer to have a manifest impact on a borrower's financial performance and so typically impact a borrower's ability to meet its long-term financial obligations. Transition risks are inherently longer term in effect, either slowly reducing the sphere of economic activity of an impacted sector or increasing costs (by way of levies, taxes, etc.) making it unprofitable to operate in affected sectors, or both. Given the Group's short-dated book, which on average has a tenor of less than one-year, chronic physical risks and transition risks are considered to be of limited impact on credit risk. The primary longer-term risk posed to the Group by climate change is the need to replace business that might be lost from clients who choose not to or fail to make the necessary adaptations to address climate and regulatory change.

During 2024 the Group continued to work with external advisors to complete a Business Environment Assessment to quantify both the physical and transition risks associated with its lending activities. The assessment of physical risk mapped the geographic location of obligors to the ThinkHazard! (thinkhazard.org) database of physical risks. In each location, each physical risk (up to a total of 11 risks) was given a level of severity, this level of severity was mapped to a numeric score, and the results were aggregated to an overall physical risk score for a specific location. Transition risk was assessed on an industry basis taking into account influencing factors such as regulatory expectations (both in the borrower's and the Group's jurisdictions of operation), industry research, published transition pathways, published legislation (such as the Cross Border Adjustment Mechanism) and others. The estimated timeframe within which these factors might affect a particular industry and whether the impact would lead to market growth, have no impact or lead to market shrinkage was assessed and a final transition risk score was allocated.

The outcome of the physical and transition risk assessments was a number of recommendations for the Group to consider, and potentially incorporate, into its Risk Appetite Statement, policies, and overall strategy to address the effects of climate change. In addition, the Group developed a scoring tool to assist relationship managers in assessing the climate risk faced by their clients. The intent is for the output of the scoring tool to be incorporated into a client's credit review to assist in decision making.

During 2024 the Group also began: developing its Impacts, Risks and Opportunities library of ESG related factors, developing its value chain map, and its double materiality assessments in preparation for satisfying its Pillar 3 and potential CSRD reporting requirements.

4.7 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 AML 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.

4.7.1 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 Group promotes a culture of openness, transparency and fairness in respect of both employee-employee and employee-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 Group 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.

4.7.2 Reputational risk

Reputational risk at FIMBank is defined as the risk of possible damage to the Group’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 Group’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 of its employees, shareholders, depositors, creditors, and from the public in general. The ensuing damage to the Group’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 Group’s brand.

Much like conduct risk, the Group 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 Group 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 Group is not inadvertently supporting criminal activity.

4.8 Capital management

The Group's regulatory capital consists of Common Equity Tier 1 ("CET1") capital, which includes ordinary share capital, related share premium, 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.

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 level of capital held has an impact on shareholders' returns 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 adheres to the requirements set out in the Capital Requirements Regulation ("CRR") and Capital Requirements Directive ("CRD").

Pillar I covers credit, market, and operational risks which provides the minimum capital requirements as a percentage of risk-weighted assets. The Group utilises the Standardised Approach for credit risk and market risk, and the basic indicator approach for operational risk in order to calculate the Pillar I minimum capital requirements. Pillar II 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.

In addition to the prescribed minimum regulatory capital requirements, Banking Rule BR/15: 'Capital Buffers of Credit Institutions authorised under the Banking Act 1994' requires banks to hold additional buffers, namely the 'capital conservation buffer' and the 'countercyclical buffer'. Automatic restrictions on capital distributions apply if the Group's CET1 capital falls below the level of its combined buffer requirement. The Group is required to maintain a conservation buffer of 2.5% and the institution-specific countercyclical buffer to address macro-prudential or systemic risk, composed of CET1 capital. The countercyclical buffer is expected to be set in the range of 0-2.5% of relevant credit exposure risk-weighted assets, whereby the rate shall consist of the weighted average of the 'countercyclical buffer' rates that apply in the jurisdiction where the relevant exposures are located.

In addition to the regulatory requirements stated above, the Group is expected to maintain a Pillar 2 Requirement ("P2R") to be held in excess of the minimum own funds requirement and to be maintained at all times in accordance with Article 104a of CRD V. In addition, a Pillar 2 Guidance ("P2G") made up entirely of CET1 capital is to be held over and above the Overall Capital Requirement ("OCR"), comprising the Pillar 1 capital requirement, P2R and the combined buffer requirements.

The Group and its individually regulated operations have complied with all externally imposed capital requirements during the financial years ended 31 December 2024 and 2023.

The 2024 Pillar 3 Disclosures Report published on the Bank's website includes additional regulatory disclosures 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'.

5 Fair values of financial instruments

The Group's Accounting Policy on fair value measurements is discussed in Accounting Policy 3.9.7.

5.1 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. 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 5.2.

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 and interest 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 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.

5.2 Determining fair values and fair value hierarchy

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 Board 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 27 – property and equipment; and
- Note 28 – investment property.

5.3 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 2024

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
– foreign exchange	19	-	1,464,641	-	1,464,641
Trading assets	20	-	-	274,733,298	274,733,298
Financial investments at fair value through profit or loss	23	-	-	13,958,450	13,958,450
Financial investments at fair value through other comprehensive income	24	120,265,095	-	-	120,265,095
Liabilities					
Derivative liabilities held for risk management:					
– foreign exchange	19	-	1,109,346	-	1,109,346

Group – 31 December 2023

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
– foreign exchange	19	-	715,713	-	715,713
Trading assets	20	-	-	374,177,108	374,177,108
Financial investments at fair value through profit or loss	23	-	-	19,329,840	19,329,840
Financial investments at fair value through other comprehensive income	24	140,755,780	-	-	140,755,780
Liabilities					
Derivative liabilities held for risk management:					
– foreign exchange	19	-	626,476	-	626,476

Bank – 31 December 2024

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
– foreign exchange	19	-	1,464,641	-	1,464,641
Financial investments at fair value through profit or loss	23	-	-	13,958,450	13,958,450
Financial investments at fair value through other comprehensive income	24	120,265,095	-	-	120,265,095
Liabilities					
Derivative liabilities held for risk management:					
– foreign exchange	19	-	1,109,346	-	1,109,346
– interest rate	19	-	56,041	-	56,041

Bank – 31 December 2023

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
– foreign exchange	19	-	715,713	-	715,713
– interest rate	19	-	96,896	-	96,896
Financial investments at fair value through profit or loss	23	-	-	19,329,840	19,329,840
Financial investments at fair value through other comprehensive income	24	140,755,780	-	-	140,755,780
Liabilities					
Derivative liabilities held for risk management:					
– foreign exchange	19	-	626,476	-	626,476

As highlighted previously, transfers of financial instruments between different levels of the fair value hierarchy, if any, are recorded as of the end of the reporting period. There were no transfers between the different levels in the fair value hierarchy during the reporting periods.

5.4 Level 3 fair value measurements

5.4.1 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 2024

	Trading assets USD	Financial investments at fair value through profit or loss USD	Total USD
Balance at 1 January 2024	374,177,108	19,329,840	393,506,948
Total gains/(losses) in profit or loss	1,017,282	(718,609)	298,673
Purchases	879,020,797	-	879,020,797
Settlements and redemptions	(970,314,190)	(3,607,970)	(973,922,160)
Write-offs	(2,650,000)	-	(2,650,000)
Effects of movement in exchange rates	(6,517,699)	(1,044,811)	(7,562,510)
Balance at 31 December 2024	274,733,298	13,958,450	288,691,748

Group – 31 December 2023

	Trading assets USD	Financial investments at fair value through profit or loss USD	Total USD
Balance at 1 January 2023	444,583,661	18,179,220	462,762,881
Total (losses)/gains in profit or loss	(3,304,340)	768,541	(2,535,799)
Purchases	772,551,650	-	772,551,650
Settlements and redemptions	(847,048,996)	(249,464)	(847,298,460)
Effects of movement in exchange rates	7,395,133	631,543	8,026,676
Balance at 31 December 2023	374,177,108	19,329,840	393,506,948

Bank – 31 December 2024

	Trading assets USD	Financial investments at fair value through profit or loss USD	Total USD
Balance at 1 January 2024	-	19,329,840	19,329,840
Total gains/(losses) in profit or loss	146,076	(718,609)	(572,533)
Purchases	9,900,000	-	9,900,000
Settlements and redemptions	(10,046,076)	(3,607,970)	(13,654,046)
Effects of movement in exchange rates	-	(1,044,811)	(1,044,811)
Balance at 31 December 2024	-	13,958,450	13,958,450

Bank – 31 December 2023

Financial investments
at fair value through
profit or loss
USD

Balance at 1 January 2023	18,179,220
Total gains in profit or loss	768,541
Redemptions	(249,464)
Effects of movement in exchange rates	631,543
Balance at 31 December 2023	19,329,840

The change in unrealised gains or losses for the year for the Group, included in 'Total gains/(losses) in profit or loss' relating to 'Trading assets' held at 31 December 2024 amounted to a gain of USD1,537,849 (2023: loss of USD2,730,234).

For the Group and Bank, the change in unrealised gains or losses for the year, included in 'Total gains in profit or loss' relating to 'Financial investments at fair value through profit or loss' held at 31 December 2024, amounted to a loss of USD358,188 (2023: gain of USD628,500).

The gains and losses in respect of 'Trading assets' and 'Financial investments at fair value through profit or loss' are recognised in profit or loss as 'Net trading results' and 'Net (loss)/gain from equity investments measured at fair value through profit or loss' respectively.

5.4.2 Unobservable inputs used in measuring fair value

The below sets out information about significant unobservable inputs used at 31 December 2024 and 31 December 2023, in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

5.4.2.1 Trading assets

The 'Trading assets' portfolio represents forfeiting 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 market interest rates at the reporting date. Inputs to the valuation technique reasonably represent market expectation and measures of risk-return factors inherent in the financial instrument.

At 31 December 2024 and 31 December 2023, the Group used the Risk Free Rates ("RFR") yield curve plus an adequate estimated credit margin spread to discount cash flows attributable to the trading assets held.

At 31 December 2024, the discount rates used range between 5.39% and 13.57% (2023: between 5.20% and 14.47%).

The effect of a one-percentage point increase/(decrease) in the interest rate on trading assets at 31 December 2024 would increase/(decrease) the Group's profit or loss by approximately USD1,065,181 (2023: USD1,069,133).

During the year ended 31 December 2024, the Bank acquired trading assets amounting to USD9,900,000 which were disposed of before year-end, resulting in a total gain in the Bank's Statement of profit or loss of USD146,076. As a result, at 31 December 2023 and 31 December 2024 there are no trading assets on the Bank's Statement of Financial Position.

5.4.2.2 Financial investments at fair value through profit or loss

As at 31 December 2024, 'Financial investments 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 the United Kingdom. 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 market. 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 2024 would increase/(decrease) the Bank and Group profit or loss by approximately USD1,278,055 (2023: USD1,694,097).

- 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 the United Kingdom. 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 market. 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 2024 would increase/(decrease) the Bank and Group equity by approximately USD112,554 (2023: USD169,553).

At 31 December 2023, the Group's and Bank's 'Financial investments at fair value through profit or loss' also comprised an investment in other unlisted equity shares of a foreign holding company registered in Kuwait. The fair value at 31 December 2023 was measured based on a market price quoted by a custodian. These shares were sold during the financial year ended 31 December 2024 for a consideration of USD586,504, resulting in a loss on disposal of USD55,320.

5.4.3 Financial instruments not measured at fair value

At 31 December 2024, the Group's and Bank's 'Financial investments measured at amortised cost' comprise debt instruments amounting to USD2,073,906 (2023: USD28,399,073). The fair value of these financial instruments as at 31 December 2024, determined by reference to quoted market prices, is USD1,999,380 (2023: USD28,200,233). The fair value of these debt instruments is classified as Level 1 as at 31 December 2024 and 31 December 2023, as it is based on quoted bid prices in active markets. An exception applies to one debt instrument with a carrying amount of USD9,644,994, which was classified as Level 3 at 31 December 2023. This instrument has an interest rate that reprices within one year, and therefore its carrying amount is considered a reasonable approximation of fair value.

At 31 December 2024, the carrying amount of the Group's and Bank's investment in treasury bills measured at amortised cost and classified within 'Balances with Central Bank of Malta, treasury bills and cash' amounted to USD5,184,501 (2023: USD131,251,745). The fair value of these financial instruments as at 31 December 2024, determined by reference to quoted market prices, is USD5,191,564 (2023: USD131,366,498). The fair value of these debt instruments is classified as Level 1, as it is determined by reference to quoted bid prices in active markets. However, at 31 December 2023, treasury bills held with the Government of Malta are classified as Level 2, since their fair value is based on quoted prices in inactive markets.

At 31 December 2024 and 31 December 2023, the fair value of the below financial assets and liabilities measured at amortised cost is approximately equal to the carrying amount and, as such, the fair value estimate is considered to be a Level 3 fair value estimate. The approximate fair value is based on the following:

- **'Balances with Central Bank of Malta and cash'**
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. More than 81% of the Group's (2023: 80%) and more than 79% of the Bank's (2023: 80%) loans and advances to banks and customers are all repayable within a period of less than 12 months and the interest is re-priced to take into account changes in benchmark rates. As a result, the carrying amount of loans and advances to banks and customers is deemed to be a reasonable approximation of fair value.
- **'Amounts owed to institutions and 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 in issue' are disclosed in Note 35.

6 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 2024

	Mandatorily at fair value through profit or loss USD	Fair value through other comprehensive income USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	134,192,217	134,192,217
Derivative assets held for risk management	1,464,641	-	-	1,464,641
Trading assets	274,733,298	-	-	274,733,298
Loans and advances to banks	-	-	96,457,392	96,457,392
Loans and advances to customers	-	-	427,976,723	427,976,723
Financial investments at fair value through profit or loss	13,958,450	-	-	13,958,450
Financial investments at fair value through other comprehensive income	-	120,265,095	-	120,265,095
Financial investments at amortised cost	-	-	2,073,906	2,073,906
Total financial assets	290,156,389	120,265,095	660,700,238	1,071,121,722
Derivative liabilities held for risk management	1,109,346	-	-	1,109,346
Amounts owed to institutions and banks	-	-	241,193,331	241,193,331
Amounts owed to customers	-	-	679,118,749	679,118,749
Debt securities in issue	-	-	15,851,701	15,851,701
Total financial liabilities	1,109,346	-	936,163,781	937,273,127

Group – 31 December 2023

	Mandatorily at fair value through profit or loss USD	Fair value through other comprehensive income USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	353,010,186	353,010,186
Derivative assets held for risk management	715,713	-	-	715,713
Trading assets	374,177,108	-	-	374,177,108
Loans and advances to banks	-	-	152,814,948	152,814,948
Loans and advances to customers	-	-	431,342,074	431,342,074
Financial investments at fair value through profit or loss	19,329,840	-	-	19,329,840
Financial investments at fair value through other comprehensive income	-	140,755,780	-	140,755,780
Financial investments at amortised cost	-	-	28,399,073	28,399,073
Total financial assets	394,222,661	140,755,780	965,566,281	1,500,544,722
Derivative liabilities held for risk management	626,476	-	-	626,476
Amounts owed to institutions and banks	-	-	412,570,931	412,570,931
Amounts owed to customers	-	-	934,738,942	934,738,942
Debt securities in issue	-	-	27,543,864	27,543,864
Total financial liabilities	626,476	-	1,374,853,737	1,375,480,213

Bank – 31 December 2024

	Mandatorily at fair value through profit or loss USD	Fair value through other comprehensive income USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	134,179,290	134,179,290
Derivative assets held for risk management	1,464,641	-	-	1,464,641
Loans and advances to banks	-	-	90,098,124	90,098,124
Loans and advances to customers	-	-	517,783,911	517,783,911
Financial investments at fair value through profit or loss	13,958,450	-	-	13,958,450
Financial investments at fair value through other comprehensive income	-	120,265,095	-	120,265,095
Financial investments at amortised cost	-	-	2,073,906	2,073,906
Total financial assets	15,423,091	120,265,095	744,135,231	879,823,417
Derivative liabilities held for risk management	1,165,387	-	-	1,165,387
Amounts owed to institutions and banks	-	-	168,729,126	168,729,126
Amounts owed to customers	-	-	679,691,057	679,691,057
Total financial liabilities	1,165,387	-	848,420,183	849,585,570

Bank – 31 December 2023

	Mandatorily at fair value through profit or loss USD	Fair value through other comprehensive income USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	352,997,057	352,997,057
Derivative assets held for risk management	812,609	-	-	812,609
Loans and advances to banks	-	-	114,325,243	114,325,243
Loans and advances to customers	-	-	618,118,225	618,118,225
Financial investments at fair value through profit or loss	19,329,840	-	-	19,329,840
Financial investments at fair value through other comprehensive income	-	140,755,780	-	140,755,780
Financial investments at amortised cost	-	-	28,399,073	28,399,073
Total financial assets	20,142,449	140,755,780	1,113,839,598	1,274,737,827
Derivative liabilities held for risk management	626,476	-	-	626,476
Amounts owed to institutions and banks	-	-	333,498,402	333,498,402
Amounts owed to customers	-	-	951,166,330	951,166,330
Total financial liabilities	626,476	-	1,284,664,732	1,285,291,208

7 Operating segments

The Group has five significant reportable segments (trade finance, forfeiting, factoring, real estate and treasury) which are represented by different Group entities. Further information on the Group's key business lines is set out in Note 4.2.1.2.

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. Executive Management is further defined in the Remuneration Report. 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.

7.1 Information about operating segments

Group – 2024

	Trade finance USD	Forfeiting USD	Factoring USD	Real estate USD	Treasury USD	Total USD
External revenue						
Net interest income/(expense)	7,948,889	20,808,528	17,690,782	8,094,780	(695,278)	53,847,701
Net fee and commission income/(expense)	1,597,259	385,059	(2,236,845)	350,575	786,386	882,434
Net trading and other operating income/(expense)	605,986	(419,499)	66,394	54,634	(1,119,619)	(812,104)
	10,152,134	20,774,088	15,520,331	8,499,989	(1,028,511)	53,918,031
Reportable segment profit/ (loss) before income tax	675,780	11,105,922	4,955,101	(190,796)	(2,111,296)	14,434,711
Reportable segment assets	62,251,071	278,557,068	271,311,696	103,458,445	654,326,409	1,369,904,689
Reportable segment liabilities	15,860,868	198,745,632	174,321,513	410,893	826,661,619	1,216,000,525

Group – 2023

	Trade finance USD	Forfeiting USD	Factoring USD	Real estate USD	Treasury USD	Total USD
External revenue						
Net interest income	8,027,712	23,257,486	18,746,955	5,930,069	13,355	55,975,577
Net fee and commission income/(expense)	3,902,911	(393,872)	(2,163,995)	300,218	(1,962,677)	(317,415)
Net trading and other operating income/(expense)	233,279	(2,292,693)	85,731	445	(981,868)	(2,955,106)
	12,163,902	20,570,921	16,668,691	6,230,732	(2,931,190)	52,703,056
Reportable segment profit/ (loss) before income tax	1,209,019	11,332,596	1,790,819	(987,684)	(6,446,263)	6,898,487
Reportable segment assets	123,677,975	415,141,901	276,454,596	85,607,287	963,029,764	1,863,911,523
Reportable segment liabilities	15,217,052	297,671,485	170,250,754	4,698,615	1,240,765,441	1,728,603,347

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

The financial position and financial performance of activities not falling within any of the significant reportable segments are grouped as 'other', and these include non-core activities mainly related to the letting of property to third parties and equity investments classified at fair value through profit or loss.

Group

	2024 USD	2023 USD
Revenues		
Total revenue for reportable segments	53,918,031	52,703,056
Consolidation adjustments	(2,326,607)	1,601,200
Other net revenue for non-reportable segments	(368,841)	(2,708,560)
Consolidated revenue	51,222,583	51,595,696
Profit or loss		
Total profit for reportable segments	14,434,711	6,898,487
Other losses	(5,519,550)	(5,468,106)
	8,915,161	1,430,381
Effect of other consolidation adjustments on segment results	(595,252)	4,363,826
Consolidated profit before tax	8,319,909	5,794,207
Assets		
Total assets for reportable segments	1,369,904,689	1,863,911,523
Other assets	283,719,567	341,480,700
	1,653,624,256	2,205,392,223
Effect of other consolidation adjustments on segment financial position	(507,464,289)	(624,708,259)
Consolidated assets	1,146,159,967	1,580,683,964
Liabilities		
Total liabilities for reportable segments	1,216,000,525	1,728,603,347
Other liabilities	59,448,688	63,385,906
	1,275,449,213	1,791,989,253
Effect of other consolidation adjustments on segment financial position	(312,937,185)	(390,602,421)
Consolidated liabilities	962,512,028	1,401,386,832

7.3 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

	Consolidated revenue	
	2024	2023
	USD	USD
Malta	3,147,678	2,268,827
India	14,454,505	11,542,591
Egypt	8,134,035	8,459,326
Turkey	5,611,866	7,663,662
Other countries (individually less than 10%)	19,874,499	21,661,290
	51,222,583	51,595,696

Group

	Non-current assets	
	2024	2023
	USD	USD
Malta	44,979,865	48,060,047
India	437,925	647,296
Egypt	375,971	558,072
Other countries (individually less than 10%)	1,615,602	801,439
	47,409,363	50,066,854

‘Non-current assets’ include ‘Property and equipment’, ‘Investment property’ and ‘Intangible assets’.

8 Net interest income

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Interest income				
On balances with the Central Bank of Malta and amounts owed to institutions	5,554,771	4,342,713	5,554,771	4,342,713
On treasury bills purchased at a discount	1,976,673	3,477,300	1,976,673	3,477,300
On loans and advances to banks	4,143,612	3,867,664	3,344,929	3,090,962
On loans and advances to customers	45,883,832	41,969,565	18,946,325	18,141,501
On loans and advances to subsidiary companies	-	-	23,328,266	21,893,224
On trading assets	38,599,740	39,962,687	167,946	-
On financial investments at fair value through other comprehensive income	665,587	702,406	665,587	702,406
On financial investments at amortised cost	495,699	1,170,202	495,699	1,170,202
	97,319,914	95,492,537	54,480,196	52,818,308
Interest expense				
On amounts owed to institutions	5,089,551	8,680,808	5,089,551	8,680,808
On amounts owed to other banks	9,411,166	9,576,451	831,987	3,088,051
On amounts owed to customers	29,734,073	21,304,973	29,734,073	21,304,973
On debt securities in issue	1,106,910	545,041	-	-
On amounts owed to subsidiary companies	-	-	102,852	22,361
On lease liability owed to third parties (Note 29)	130,630	134,203	11,778	45
On lease liability owed to subsidiary companies (Note 29)	-	-	27,429	59,468
Other interest expense	-	1,196	-	1,196
	45,472,330	40,242,672	35,797,670	33,156,902
Net interest income	51,847,584	55,249,865	18,682,526	19,661,406

The Group's interest income recognised on credit-impaired loans and advances to customers during the financial year ended 31 December 2024, which is entirely included in 'Interest income on loans and advances to customers', amounted to USD219,952 (2023: USD1,720,738).

The Banks's interest income recognised on credit-impaired loans and advances to customers during the financial year ended 31 December 2024, which is entirely included in 'Interest income on loans and advances to customers', amounted to USD26,838 (2023: USD1,956).

Included in the table above are 'Interest income' receivable from and 'Interest expense' payable to the parent company and other related companies. Refer to Note 43 for further details.

9 Net fee and commission income/(expense)

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Fee and commission income				
Business introductions and other services provided in respect of trading assets	2,543,845	2,021,134	1,427	-
Issuance and confirmation of letters of credit	1,783,255	1,663,966	1,783,255	1,663,966
Issuance and confirmation of letters of credit to subsidiary companies	-	-	38,709	-
Issuance of guarantees and other fees and commissions receivable in respect of real estate lending	901,385	657,666	901,385	662,108
Payment fees and other bank charges	868,582	903,116	868,386	721,538
Payment fees and other bank charges charged to subsidiary companies	-	-	179,729	14,610
Administrative fees on factoring receivables	851	971	851	963
Issuance of guarantees to subsidiary companies	-	-	11,527	52,993
	6,097,918	5,246,853	3,785,269	3,116,178
Fee and commission expense				
Commissions paid to correspondent factors	2,306,168	2,320,383	200,762	227,988
Insurance fees in respect of factoring receivables	1,195,861	774,977	637,473	638,628
Agent fees and other administrative fees in respect of trading assets	1,414,611	2,097,160	4,250	-
Issuance of guarantees and other fees payable in respect of real estate lending	78,042	135,017	78,042	135,017
Bank charges	322,913	298,884	196,198	196,990
Other fees payable	47,205	360,009	47,206	7,564
	5,364,800	5,986,430	1,163,931	1,206,187
Net fee and commission income/(expense)	733,118	(739,577)	2,621,338	1,909,991

Included in Group and Bank are 'Fee and commission income' receivable from and 'Fee and commission expense' payable to related parties. Refer to Note 43 for further details.

10 Net trading results

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Fair value movements on trading assets	(527,570)	(2,311,622)	41,414	-
Fair value movements on derivatives held for risk management	(5,536,989)	(1,905,241)	(5,157,262)	(2,265,273)
Net income from foreign exchange activities	4,588,680	995,994	4,581,365	1,343,629
	(1,475,879)	(3,220,869)	(534,483)	(921,644)

'Fair value movements on derivatives held for risk management' include Nil (2023: USD74,484) payable to subsidiary companies of the Bank.

See Note 43 for transactions with other related parties.

11 Net (loss)/gain from equity investments measured at fair value through profit or loss

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Investment securities				
Fair value movements on equity investments at fair value through profit or loss	(718,609)	768,541	(718,609)	768,541
	(718,609)	768,541	(718,609)	768,541

A reconciliation of the movement in the carrying amount of equity investments measured at fair value through profit or loss is presented in Note 5.4.1.

12 Dividend income

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Dividend income from equity investments at fair value through profit or loss	-	40,228	-	40,228
Dividend income from subsidiary companies	-	-	6,000,000	12,181,635
	-	40,228	6,000,000	12,221,863

13 Other operating income

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Rental income from leased property (Note 29)	1,056,126	840,123	-	-
Income receivable from subsidiary companies	-	-	175,000	251,000
Other income	24,634	80,894	19,273	77,330
	1,080,760	921,017	194,273	328,330

Income from subsidiary companies relates to amounts received by the Bank during the financial years ended 31 December 2024 and 31 December 2023 for the provision of IT hosting services to subsidiary companies.

14 Other operating expenses

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Property maintenance expenses	244,391	-	-	-
Other expenses	-	24,531	-	24,531
	244,391	24,531	-	24,531

15 Administrative expenses

15.1 Administrative expenses for the year

Administrative expenses incurred during the year are analysed as follows:

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Personnel expenses (Note 15.2)	24,411,482	25,176,736	12,948,719	13,743,575
Professional fees	4,004,354	5,528,781	2,425,690	3,114,704
IT software and hardware maintenance	4,352,921	3,924,983	3,286,044	3,332,988
Regulatory fees	482,758	1,898,843	292,053	1,675,708
Travel and telecommunication costs	717,515	1,051,094	477,254	562,172
Insurance	501,500	532,452	329,902	334,609
Property and equipment maintenance	725,632	516,835	32,227	82,948
Subscriptions to service providers	443,818	409,804	306,568	292,488
Marketing and advertising expenses	354,231	351,807	213,086	228,779
Recruitment and training	192,571	178,902	89,261	108,379
Expenses relating to short-term leases and leases of low-value assets (Note 29)	356,766	501,735	188,192	285,930
Expenses relating to short-term leases and leases of low-value assets – subsidiary companies (Note 29)	-	-	30,386	22,830
Recharge of services provided by subsidiary companies	-	-	201,676	803,001
Other administrative expenses	308,912	592,292	189,301	236,414
	36,852,460	40,664,264	21,010,359	24,824,525

See Note 43 for transactions with other related parties.

Included in 'Professional fees' are the following fees charged by the Group and Bank Statutory Auditors in respect of the services provided during the financial years ended 31 December 2024 and 31 December 2023:

Group

	Audit services		Other assurance services		Tax advisory services		Other non-audit services	
	2024	2023	2024	2023	2024	2023	2024	2023
	USD	USD	USD	USD	USD	USD	USD	USD
By the auditors of the parent	460,305	464,972	137,529	3,259	-	-	12,258	125,907
By the auditors of subsidiary companies	526,031	604,282	56,685	34,661	10,916	9,240	-	5,154

Bank

	Audit services		Other assurance services		Tax advisory services		Other non-audit services	
	2024	2023	2024	2023	2024	2023	2024	2023
	USD	USD	USD	USD	USD	USD	USD	USD
By the auditors of the parent	447,434	325,967	137,529	3,259	-	-	12,258	125,907

The fees charged by the auditor of the parent at Group level also comprise the fees charged by the auditor of the parent at Bank level.

During the current year, there were no fees charged to the Bank by connected undertakings of the Bank's auditors in respect of other assurance services. During the year ended 31 December 2023, fees amounting to USD3,260 have been charged to the Bank by connected undertakings of the Bank's auditor, in respect of other assurance services relating to the Calculation of Contributions to the Single Resolution Fund. In addition, fees amounting to USD430,357 (2023: USD1,393,807) have been charged to the Bank by connected undertakings of the Bank's auditor, in respect of regulatory advisory services and compliance services.

All fees are inclusive of indirect taxes.

15.2 Personnel expenses incurred during the year

	Group		Bank	
	2024 USD	2023 USD	2024 USD	2023 USD
Directors' emoluments	334,817	388,497	334,817	388,497
Staff costs:				
- wages, salaries and allowances	22,872,239	23,510,705	12,161,546	12,900,801
- defined contribution costs	1,204,426	1,177,534	452,356	454,277
- end of service compensation (Note 37)	-	100,000	-	-
	24,411,482	25,176,736	12,948,719	13,743,575

Defined contribution benefits

The Group and Bank also contribute towards an employee pension plan with no commitment beyond the payment of fixed contributions.

End of service compensation

As part of the Group's strategic initiatives to enhance the operational structure of its subsidiary entities, an end-of-service compensation of USD593,198 was paid to the Chief Executive Officer of a subsidiary company during the financial year ended 31 December 2024.

As at 31 December 2022, the Group had already accrued USD500,000 for this compensation. During the financial year ended 31 December 2023, the accrual was increased by USD100,000, bringing the total accumulated accrual to USD600,000.

As at 31 December 2023, the accrual was classified under 'Other liabilities' (Refer to Note 37).

15.3 Average number of employees

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

	Group		Bank	
	2024 No. of employees	2023 No. of employees	2024 No. of employees	2023 No. of employees
Executive and senior managerial	42	40	22	24
Other managerial, supervisory and clerical	268	274	140	148
Other staff	7	8	-	-
	317	322	162	172

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. The scheme was applicable between 2019 and 2023.

During year 2024 and year 2023 the Bank did not award 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 2024, the company had 2,152,800 (31 December 2023: 2,152,800) outstanding share options, at an exercise price of INR10/option (31 December 2023: INR10/option).

During 2023, the entity's Board of Directors approved the cancellation of the ESOP scheme. The entity has filed an application to the National Company Law Tribunal for permission to cancel the shares held by India Factoring Employee Welfare Trust under ESOP scheme. At 31 December 2024, the entity was still awaiting the decision from the National Company Law Tribunal.

In view of the insignificance of the outstanding amount of share options at reporting date, the disclosure requirements emanating from IFRS 2 – Share-based payment are not deemed necessary.

16 Taxation

16.1 Amounts recognised in profit or loss

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Current tax	(4,866,964)	(2,809,884)	(915,246)	(806,755)
Deferred tax	(3,302,956)	(2,976,649)	-	-
Taxation	(8,169,920)	(5,786,533)	(915,246)	(806,755)

16.2 Amounts recognised in other comprehensive income

Group – 31 December 2024

	Before tax USD	Tax (charge)/credit USD	Net of tax USD
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(986,428)	-	(986,428)
	(986,428)	-	(986,428)
Fair valuation of debt instruments:			
- Fair value movement	5,192,685	-	5,192,685
- Movement in loss allowance	(5,439)	-	(5,439)
	5,187,246	-	5,187,246
	4,200,818	-	4,200,818

In view of the assessment performed by Management to determine the recoverability of deferred tax assets in future periods, no additional deferred tax was recognised in respect of foreign currency translation differences for foreign operations and fair value movements in respect of debt instruments during the financial year ended 31 December 2024. Refer to Note 31.2 for further details.

Group – 31 December 2023

	Before tax USD	Tax (charge)/credit USD	Net of tax USD
Items that will not be reclassified subsequently to profit or loss			
Fair valuation of property	1,314,568	(34,308)	1,280,260
	1,314,568	(34,308)	1,280,260
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(621,862)	-	(621,862)
	(621,862)	-	(621,862)
Fair valuation of debt instruments:			
- Fair value movement	8,161,730	-	8,161,730
- Movement in loss allowance	(42,344)	-	(42,344)
	8,119,386	-	8,119,386
	8,812,092	(34,308)	8,777,784

In view of the assessment performed by Management to determine the recoverability of deferred tax assets in future periods, no additional deferred tax was recognised in respect of foreign currency translation differences for foreign operations and fair value movements on debt instruments during the financial year ended 31 December 2023. Refer to Note 31.2 for further details.

Bank – 31 December 2024

	Before tax USD	Tax (charge)/credit USD	Net of tax USD
Items that are or may be reclassified subsequently to profit or loss			
Fair valuation of debt instruments:			
- fair value movement	5,192,685	-	5,192,685
- movement in loss allowance	(5,439)	-	(5,439)
	5,187,246	-	5,187,246

In view of the assessment performed by Management to determine the recoverability of deferred tax assets in future periods, no additional deferred tax was recognised in respect of the cumulative unrealised fair value losses as at 31 December 2024. Refer to Note 31.2 for further details.

Bank – 31 December 2023

	Before tax USD	Tax (charge)/credit USD	Net of tax USD
Items that are or may be reclassified subsequently to profit or loss			
Fair valuation of debt instruments:			
- fair value movement	8,161,730	-	8,161,730
- movement in loss allowance	(42,344)	-	(42,344)
	8,119,386	-	8,119,386

In view of the assessment performed by Management to determine the recoverability of deferred tax assets in future periods, no additional deferred tax was recognised in respect of the cumulative unrealised fair value losses as at 31 December 2023. Refer to Note 31.2 for further details.

16.3 Reconciliation of effective tax rate

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Profit/(Loss) before tax	8,319,909	5,794,207	(2,288,440)	3,296,903
Tax (expense)/income using the domestic income tax rate of 35%	(2,911,968)	(2,027,972)	800,954	(1,153,916)
Tax effect of:				
Non-deductible expenses	(19,776)	(126,599)	(4,045)	(3,578)
Non-deductible impairment charge on investment in subsidiary	-	-	(525,000)	-
Non-taxable income	-	-	2,100,000	4,263,572
Unrecognised temporary differences	(6,257,745)	(4,539,628)	(2,613,986)	(3,304,036)
Different tax rates in foreign jurisdictions	1,019,504	907,507	(673,169)	(608,797)
Other	65	159	-	-
Taxation	(8,169,920)	(5,786,533)	(915,246)	(806,755)

17 Earnings per share

17.1 Basic earnings per share

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

As at 31 December 2024 and 2023, basic and diluted earnings per share are equal.

17.2 Profit/(Loss) attributable to ordinary shareholders

	Group 2024 USD	2023 USD
Profit/(Loss) attributable to the equity holders of the Group	119,426	(30,812)

17.3 Weighted average number of ordinary shares

	Group 2024 No. of shares	2023 No. of shares
Weighted average number of ordinary shares during the year	522,443,763	522,443,763

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

	Group		Bank	
	2024 USD	2023 USD	2024 USD	2023 USD
Cash	16,661	19,916	3,734	6,787
Balances with the Central Bank of Malta	129,037,059	221,803,752	129,037,059	221,803,752
Treasury bills	5,190,160	131,270,544	5,190,160	131,270,544
Loss allowance	(51,663)	(84,026)	(51,663)	(84,026)
	134,192,217	353,010,186	134,179,290	352,997,057

'Balances with the Central Bank of Malta' include a minimum reserve deposit requirement of EUR7,376,086 converted to USD7,662,670 using the year-end spot exchange rate (2023: EUR7,598,371 converted to USD8,395,990 using the year-end spot exchange rate) in terms of Regulation (EC) No: 1745/2003 of the European Central Bank. The loss allowance on the reserve deposit amounts to USD2,354 (2023: USD7,218).

At 31 December 2024, none of the Group's and Bank's 'Treasury bills' were pledged in favour of the European Central Bank to secure funding. At 31 December 2023, all of the Group's and Bank's 'Treasury bills' were pledged in favour of the European Central Bank and 'Treasury bills' with a carrying amount of USD89,327,367 were utilised against these credit lines.

19 Derivatives held for risk management

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Derivative assets held for risk management:				
- foreign exchange	1,464,641	715,713	1,464,641	715,713
- interest rate	-	-	-	96,896
	1,464,641	715,713	1,464,641	812,609
Derivative liabilities held for risk management:				
- foreign exchange	(1,109,346)	(626,476)	(1,109,346)	(626,476)
- interest rate	-	-	(56,041)	-
	(1,109,346)	(626,476)	(1,165,387)	(626,476)

The notional amount of interest rate derivative contracts as at the end of the financial year ended 31 December 2024 is USD46,815,915 (2023: USD72,116,559). The notional amount of foreign exchange derivative contracts is presented in Note 4.4.1.

See Note 43 for derivatives with related parties.

19.1 Net investment hedge

The Bank has an exposure to Indian Rupees ("INR") in respect of the investment in India Factoring, which had a carrying amount of USD33.7 million as at 31 December 2024 and 31 December 2023. In this respect, the Bank entered into forward foreign exchange derivative contracts to hedge its exposure to INR. As at 31 December 2024, the notional amount of these derivative contracts amounts to USD32.1 million (2023: USD30.0 million).

The Bank applies hedge accounting in respect of the net investment in India Factoring to mitigate the risk of changes in spot exchange rates. Hedging is undertaken using forward foreign exchange contracts where an economic relationship exists between the hedged net investment and hedging instrument due to the foreign currency risk exposure.

	Carrying amount			Movement in hedged item recognised in OCI USD	Movement in fair value of hedging instrument USD	Hedge ineffectiveness recognised in income statement USD
	Derivative assets USD	Derivative liabilities USD	Nominal amount USD			
2024						
Indian rupee denominated foreign exchange	518,146	-	32,115,838	447,075	441,962	(5,113)
2023						
Indian rupee denominated foreign exchange	-	98,017	30,024,203	(370,022)	(369,918)	104

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 issued by foreign banks and other foreign issuers. These assets are held for short-term trading. None of the trading assets were listed as at 31 December 2024 and 31 December 2023.

At 31 December 2024 and 31 December 2023, there were no 'Trading assets' pledged in favour of third parties under reverse-repos or borrowing arrangements.

A reconciliation of the movement in the carrying amount of 'Trading assets' is presented in Note 5.4.1.

21 Loans and advances to banks

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Unencumbered loans and advances to banks:				
- Repayable on call and at short notice	60,315,627	51,126,590	55,720,208	20,893,167
- Term loans and advances	19,125,528	76,778,698	17,360,627	68,498,510
Pledged in favour of third parties	17,196,090	25,149,244	17,196,090	25,149,244
Gross loans and advances to banks	96,637,245	153,054,532	90,276,925	114,540,921
Loss allowance	(179,853)	(239,584)	(178,801)	(215,678)
Net loans and advances to banks	96,457,392	152,814,948	90,098,124	114,325,243

'Pledged in favour of third parties' represent amounts pledged in favour of third parties under borrowing arrangements or under collateral margin agreements in respect of derivatives held for risk management purposes.

See Note 43 for balances due from related parties other than the Bank's subsidiary companies.

22 Loans and advances to customers

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Unencumbered loans and advances to customers:				
- Repayable on call and at short notice	283,154,355	248,664,594	59,389,431	61,976,250
- Term loans and advances	161,617,109	201,313,207	161,617,109	201,313,207
Pledged in favour of third parties	344,914	277,566	344,914	277,566
Loans and advances to subsidiary companies	-	-	311,924,956	367,338,215
Gross loans and advances to customers	445,116,378	450,255,367	533,276,410	630,905,238
Loss allowance on loans and advances to customers	(17,139,655)	(18,913,293)	(14,825,820)	(11,166,753)
Loss allowance on loans and advances to subsidiary companies	-	-	(666,679)	(1,620,260)
Net loans and advances to customers	427,976,723	431,342,074	517,783,911	618,118,225

'Pledged in favour of third parties' is comprised exclusively of assets pledged in favour of third parties under borrowing arrangements.

'Loans and advances to subsidiary companies' include facilities that are unsecured and repayable on demand. The pricing of such facilities is dependent on the currency of the funding and market conditions.

See Note 43 for balances due from related parties other than the Bank's subsidiary companies.

23 Financial investments 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 the United Kingdom. At 31 December 2024, the Group's and Bank's 'Financial investments at fair value through profit or loss' comprise an investment amounting to USD12,780,554 (2023: USD16,940,971) in the 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 USD1,125,539 (2023: USD1,695,525) in the Global Opportunities Fund, a sub-fund that invests in a variety of investments (including real estate), with relative complex structures and limited liquidity.

At reporting date, the Group and Bank held more than 50% of the units in the 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.

As at 31 December 2023, the Group's and Bank's 'Financial investments at fair value through profit or loss' also comprised an investment in other unlisted equity shares of a foreign holding company registered in Kuwait, amounting to USD640,987. The fair value as at 31 December 2023 was measured by reference to a market price quoted by a custodian. These shares were sold during the financial year ended 31 December 2024 for a consideration of USD586,504, resulting in a loss on disposal of USD55,320.

As at 31 December 2024, the Group and Bank held an investment in other unlisted equity shares with a carrying amount of USD52,357 (2023: USD52,357).

A reconciliation of the movement in the carrying amount of equity investments measured at fair value through profit or loss is presented in Note 5.4.1.

24 Financial investments at fair value through other comprehensive income

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Debt instruments:				
- issued by the Government of Malta	34,643,038	35,947,692	34,643,038	35,947,692
- issued by foreign sovereigns	43,079,221	55,328,079	43,079,221	55,328,079
- issued by foreign corporates	42,542,836	49,480,009	42,542,836	49,480,009
	120,265,095	140,755,780	120,265,095	140,755,780
Loss allowance	(77,794)	(83,233)	(77,794)	(83,233)

As at 31 December 2024, USD36,109,819 (2023: USD140,755,780) of the Group's and Bank's 'Financial investments at fair value through other comprehensive income' were pledged in favour of the European Central Bank to secure funding. As at 31 December 2024, debt instruments with a carrying amount of USD30,049,725 (2023: USD104,218,777) were utilised against these credit lines.

All financial investments at fair value through other comprehensive income were listed as at 31 December 2024 and 31 December 2023. An analysis of credit risk in respect of these instruments is presented in Note 4 of these financial statements.

24.1 Reconciliation of carrying amount

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Opening balance	140,755,780	143,189,022	140,755,780	143,189,022
Redemptions	(17,882,889)	(13,745,002)	(17,882,889)	(13,745,002)
Changes in fair value	4,259,441	8,972,322	4,259,441	8,972,322
Amortisation of premium or discount	(737,067)	(949,593)	(737,067)	(949,593)
Movement in accrued interest	(196,812)	(101,234)	(196,812)	(101,234)
Effects of movement in exchange rate	(5,933,358)	3,390,265	(5,933,358)	3,390,265
Closing balance	120,265,095	140,755,780	120,265,095	140,755,780

25 Financial investments at amortised cost

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Debt instruments:				
- issued by foreign sovereigns	2,073,927	13,792,757	2,073,927	13,792,757
- issued by foreign corporates	-	14,737,477	-	14,737,477
Loss allowance	(21)	(131,161)	(21)	(131,161)
	2,073,906	28,399,073	2,073,906	28,399,073

As at 31 December 2024, none of the Group's and Bank's 'Financial investments at amortised cost' were pledged in favour of the European Central Bank to secure funding.

As at 31 December 2023, all of the Group's and Bank's 'Financial investments at amortised cost' were pledged in favour of the European Central Bank to secure funding. Debt instruments with a carrying amount of USD10,813,735 were utilised against these credit lines.

As at 31 December 2024, all financial investments at amortised cost were listed. As at 31 December 2023, all financial investments at amortised cost were listed, except for a debt instrument with a carrying amount of USD9,644,994 issued by Kuwait Projects Company (Holding) K.S.C.P., the ultimate parent entity of the Group. An analysis of credit risk in respect of these instruments is presented in Note 4 of these financial statements.

See Note 43 for financial investments issued by related parties.

25.1 Reconciliation of carrying amount

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Opening balance	28,399,073	14,602,008	28,399,073	14,602,008
Acquisitions	-	13,440,236	-	13,440,236
Redemptions and disposals	(26,429,022)	-	(26,429,022)	-
Amortisation of premium or discount	120,586	212,416	120,586	212,416
Movement in accrued interest	(201,328)	258,339	(201,328)	258,339
Effects of movement in exchange rate	53,457	(22,452)	53,457	(22,452)
Movement in loss allowance	131,140	(91,474)	131,140	(91,474)
Closing balance	2,073,906	28,399,073	2,073,906	28,399,073

26 Investments in subsidiaries

26.1 Material subsidiaries

Name of company	Country of incorporation	Nature of business	Equity interest		Bank	
			2024 %	2023 %	2024 USD	2023 USD
FIM Business Solutions Limited *	Malta	IT services provider	-	100	-	5,000
FIM Property Investment Limited	Malta	Property management	100	100	1,006,000	1,006,000
London Forfaiting Company Limited **	United Kingdom	Forfaiting	100	100	72,966,435	112,966,435
The Egyptian Company for Factoring S.A.E.	Egypt	Factoring	100	100	8,523,448	10,023,448
FIMFactors B.V.	Netherlands	Holding company	100	100	33,686,690	33,686,690
					116,182,573	157,687,573

' * ' On 25 January 2024, the Bank issued a Company Announcement, announcing that the Bank's Board of Directors resolved to approve a merger by acquisition between the Bank, as the acquiring company, and FIM Business Solutions Limited as the company acquired (the "Merger"). The Bank obtained regulatory approval from the Malta Financial Services Authority in relation to the Merger. Upon Merger, the Bank has succeeded to all the assets, rights, liabilities, and obligations of FIM Business Solutions Limited, which in turn, has ceased to exist. The impact of the Merger on the financial position and financial performance of the Bank was insignificant.

' * * ' On 23 May 2024, the directors of London Forfaiting Company Limited ("LFC") resolved to reduce the issued share capital from USD115,600,000 to USD75,600,000 by cancelling and extinguishing 40,000,000 of the issued ordinary shares of USD1.00 each in the company, each of which was fully paid up. This reduction in share capital is part of the strategic reorganisation of the Group.

The carrying amount of the 'Investments in subsidiaries' is stated net of impairment, amounting to USD67,644,660 (2023: USD66,144,660), in relation to FIMFactors B.V. and The Egyptian Company for Factoring S.A.E ("Egypt Factors"). Refer to Note 26.3 for details on the impairment assessment as at 31 December 2024, which resulted in a USD1,500,000 impairment charge attributable to Egypt Factors.

The Bank, indirectly through FIMFactors B.V., controls India Factoring and Finance Solutions Private Limited ("India Factoring"), an entity incorporated in India and carrying out the business of factoring in India. As at 31 December 2024, the Bank held 88.16% (2023: 88.16%) shareholding.

The Bank, indirectly through London Forfaiting Company Limited, controls London Forfaiting International Limited, a holding company incorporated in the United Kingdom. As at 31 December 2024, the Bank held 100% (2023: 100%) shareholding.

In turn, London Forfaiting International Limited controls the following subsidiaries:

Name of company	Country of incorporation	Nature of business	Equity interest	
			2024 %	2023 %
London Forfaiting Americas Inc.	United States of America	Marketing	100	100
London Forfaiting do Brasil Ltda.	Brazil	Marketing	100	100

See Note 43 for related party balances and transactions.

26.2 Movement in carrying amount

	Bank 2024 USD	2023 USD
At 1 January	157,687,573	152,687,573
Additional investment in London Forfaiting Company Limited *	-	5,000,000
Merger by acquisition of FIM Business Solutions Limited (refer to Note 26.1)	(5,000)	-
Reduction of share capital in London Forfaiting Company Limited (refer to Note 26.1)	(40,000,000)	-
Impairment of investment in The Egyptian Company for Factoring S.A.E. (refer to Note 26.3)	(1,500,000)	-
At 31 December	116,182,573	157,687,573

* During the financial year ended 31 December 2023, the Bank was paid a scrip dividend amounting to USD5,000,000 by London Forfaiting Company Limited, through the issue of 5,000,000 bonus shares at USD1 per share.

26.3 Impairment assessment

At each reporting date, the Bank conducts an assessment to detect any indication of impairment in its investments in subsidiaries. If an indication of impairment is detected, the Bank performs an impairment assessment to determine whether the recoverable amount of the investment in that subsidiary is less than the carrying amount. The recoverable amount of the investments in subsidiaries is determined based on the higher of 'fair value less costs to sell' and 'value-in-use'. If the recoverable amount is less than the carrying amount, an impairment charge would be required. Impairment losses amounting to USD1,500,000 were recognised during the financial year ended 31 December 2024 (2023: USD Nil).

As at 31 December 2024, the Bank performed an assessment to identify any impairment triggers based on the underlying performance of each subsidiary. This involved a retrospective analysis to test the effectiveness of the assumptions and projections used in the assessment as at 31 December 2023.

The recoverable amounts of the cash generating units ("CGUs") fall in their entirety under Level 3 fair value hierarchy, as they are based on valuation techniques that include unobservable inputs that have a significant effect on the valuation of the CGUs.

No impairment indicators were identified by the Bank in respect of its investment in London Forfaiting Company Limited, whereas an impairment assessment was performed in respect of the Bank's investment in India Factoring and Egypt Factors, as disclosed in further detail hereunder.

Where an indication of impairment was present, the Group updated the assumptions and projections to reflect current conditions. Based on this assessment, it was determined that, as of 31 December 2024, the recoverable amount of India Factoring was higher than the carrying amount in the financial statements, whereas for Egypt Factors an impairment charge was considered necessary.

26.3.1 India Factoring and Finance Solutions Private Limited

As at 31 December 2024 and 31 December 2023, the recoverable amount of this CGU is 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.

As at 31 December 2024 and 31 December 2023, the recoverable amount is determined to be higher than the carrying amount of the CGU and therefore the carrying amount is deemed to be appropriate.

The key assumptions used in the estimation of the recoverable amount using the 'value-in-use' approach are as follows:

Financial projections

The financial projections for a ten-year period form the basis for the discounted cash flow analysis used to determine 'value-in-use'. These projections are based on expectations of future outcomes, taking into account past experience adjusted for the anticipated revenue cumulative annual growth rate of 21.1% (2023: 19.2%). Revenue growth is 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

The terminal value or the value attributed to the CGU beyond the explicit forecast period is estimated using a 'Gordon Growth Model'. This determination assumes a long-term growth rate of 5.0% (2023: 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 holders, the valuation model adopts the 'cost of equity' as the discount rate.

IAS 36 requires pre-tax cash flows to be discounted using a pre-tax discount rate. The pre-tax and post-tax discount rates for the CGU were 19.8% and 15.5% (2023: 18.1% and 15.0%) 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 assessment above was performed by reference to key assumptions which are deemed to be reasonable by management at the end of each reporting period. The key assumptions described above may change as economic, political and market conditions change. 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 Bank will recover the carrying amount of its investment in the CGU. Sensitivities performed in respect of the key assumptions resulted in an insignificant impact on the carrying amount.

26.3.2 The Egyptian Company for Factoring S.A.E.

The recoverable amount of this CGU is 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, management revised the projected cash flows for Egypt Factors which resulted in the recoverable amount of this subsidiary to be lower than the carrying amount of the investment. Consequently, an impairment loss of USD1,500,000 (2023: USD Nil) was recognised in the Bank's Statement of Profit or Loss during the year ended 31 December 2024, resulting in a total accumulated impairment of USD10,354,194.

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 are based on expectations of future outcomes based on past experience, adjusted for a revenue cumulative annual growth rate of 7.7% (2023: 3.8%). Revenue growth is projected by taking into consideration the updated business model of the entity and the estimated growth over the projection period.

Terminal value

The terminal value, or the value attributed to the CGU beyond the explicit forecast period, is estimated using a 'Gordon Growth Model'. This determination assumes a long-term growth rate of 3.0% as at 31 December 2024 (2023: 3.0%), 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 holders, the valuation model adopts the 'cost of equity' as the discount rate. IAS 36 requires pre-tax cash flows to be discounted using a pre-tax discount rate.

As at 31 December 2024, the pre- and post-tax discount rate for the CGU is 20.31% (2023: 21.46%). The discount rate (representing the cost of equity) applied on valuation date, is based on the rate of 20-year US Government bonds (2023: 20-year US Government bonds) representing the functional currency and equity of the company, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific entity.

Valuation risks

The assessment above was performed by reference to key assumptions which are deemed to be reasonable by management at the end of each reporting period. The key assumptions described above may change as economic, political and market conditions change. 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 Bank will recover the carrying amount of its investment in the CGU. Sensitivities performed in respect of the key assumptions resulted in an insignificant impact on the carrying amount.

27 Property and equipment

27.1 Reconciliation of carrying amount

Group

	Freehold land USD	Buildings USD	Right-of-use assets USD	Improvement to premises USD	Computer equipment USD	Others USD	Total USD
Cost							
At 1 January 2023	6,482,521	18,607,781	4,346,868	1,333,068	5,454,692	3,126,051	39,350,981
Reclassification of land and buildings to investment property	(299,423)	(941,687)	-	-	-	-	(1,241,110)
Fair value movement	(952,938)	(2,114,168)	-	-	-	-	(3,067,106)
Additions	-	28,314	74,604	1,863	70,684	53,985	229,450
Disposals	-	-	-	-	-	(85,639)	(85,639)
Write-offs	-	-	-	(181,347)	(2,970,474)	(336,720)	(3,488,541)
Derecognition of right-of-use asset upon termination of lease	-	-	(41,120)	-	-	-	(41,120)
Effect of movement in exchange rates	233,218	886,181	8,812	(858)	794	9,825	1,137,972
At 31 December 2023	5,463,378	16,466,421	4,389,164	1,152,726	2,555,696	2,767,502	32,794,887
At 1 January 2024	5,463,378	16,466,421	4,389,164	1,152,726	2,555,696	2,767,502	32,794,887
Additions	-	185,315	1,881,237	24,598	284,365	64,063	2,439,578
Disposals	-	-	-	-	(6,039)	(13,346)	(19,385)
Lease modifications that decrease the scope of the lease	-	-	(1,255)	-	-	-	(1,255)
Derecognition of right-of-use asset upon termination of lease	-	-	(1,257,081)	-	-	-	(1,257,081)
Effect of movement in exchange rates	(326,917)	(974,521)	(35,491)	(6,276)	(13,199)	(34,329)	(1,390,733)
At 31 December 2024	5,136,461	15,677,215	4,976,574	1,171,048	2,820,823	2,783,890	32,566,011

Group

	Freehold land USD	Buildings USD	Right-of-use assets USD	Improvement to premises USD	Computer equipment USD	Others USD	Total USD
Depreciation							
At 1 January 2023	-	2,889,283	1,668,848	947,805	4,326,919	2,800,187	12,633,042
Charge for the year	-	660,267	769,270	131,643	435,605	216,252	2,213,037
Release on disposals	-	-	-	-	-	(85,639)	(85,639)
Write-offs	-	-	-	(160,686)	(2,970,474)	(335,926)	(3,467,086)
Derecognition of right-of-use asset upon termination of lease	-	-	(41,120)	-	-	-	(41,120)
Derecognition of depreciation upon revaluation of asset	-	(3,867,931)	-	-	-	-	(3,867,931)
Effects of movement in exchange rates	-	318,381	1,147	(879)	(7,955)	(85,360)	225,334
At 31 December 2023	-	-	2,398,145	917,883	1,784,095	2,509,514	7,609,637
At 1 January 2024	-	-	2,398,145	917,883	1,784,095	2,509,514	7,609,637
Charge for the year	-	1,183,976	896,671	101,693	405,246	94,684	2,682,270
Release on disposals	-	-	-	-	(6,039)	(13,346)	(19,385)
Derecognition of right-of-use asset upon termination of lease	-	-	(1,229,701)	-	-	-	(1,229,701)
Effects of movement in exchange rates	-	-	(16,723)	(6,276)	(9,897)	(20,737)	(53,633)
At 31 December 2024	-	1,183,976	2,048,392	1,013,300	2,173,405	2,570,115	8,989,188
Carrying amounts							
At 1 January 2023	6,482,521	15,718,498	2,678,020	385,263	1,127,773	325,864	26,717,939
At 31 December 2023	5,463,378	16,466,421	1,991,019	234,843	771,601	257,988	25,185,250
At 31 December 2024	5,136,461	14,493,239	2,928,182	157,748	647,418	213,775	23,576,823
Carrying amount had the assets been carried at cost							
At 31 December 2024	3,251,322	8,306,860	2,928,182	157,748	647,418	213,775	15,505,305

Group (continued)

During the financial year ended 31 December 2024, the Group made no reclassifications of land and buildings to 'Investment property', whereas during the financial year ended 31 December 2023, the Group reclassified land and buildings with a net carrying amount of USD1,241,110 to reflect a change in the use of part of the Group's property which was leased out to third parties.

During 2024, equipment which was fully depreciated was disposed of, giving rise to a gain on disposal amounting to USD5,361 (2023: USD31,064) recognised in profit or loss.

The Group did not write off any property and equipment in 2024. However, during the financial year ended 31 December 2023, property and equipment with a net carrying amount of USD21,455 were written off as these assets were no longer in use.

As at 31 December 2024, the Group's right-of-use assets with a net carrying amount of USD2,895,814 (2023: USD1,991,019) relates to the lease of office premises (see Note 29).

During the year ended 31 December 2024, the Group derecognised a right-of-use asset with a carrying amount of Nil, associated with a five-year lease agreement for the use of office space. The lease term expired on 25 September 2024 and the Group has no further obligations under this agreement.

In addition, the Group derecognised a right-of-use asset with a carrying amount of USD27,380 relating to the early termination of a five-year lease agreement for a motor vehicle during the financial year ended 31 December 2024. The termination resulted in an obligation to settle a penalty of USD8,488, and the Group has no further obligations under this agreement. Any associated costs have been fully recognised in the current financial year.

Bank

	Right-of-use assets USD	Improvement to premises USD	Computer equipment USD	Others USD	Total USD
Cost					
At 1 January 2023	4,190,791	710,821	4,586,581	2,040,315	11,528,508
Additions	74,512	1,863	14,633	18,376	109,384
Disposals	-	-	-	(55,568)	(55,568)
Write-offs	-	(181,347)	(2,970,474)	(336,720)	(3,488,541)
At 31 December 2023	4,265,303	531,337	1,630,740	1,666,403	8,093,783
At 1 January 2024	4,265,303	531,337	1,630,740	1,666,403	8,093,783
Additions	641,751	24,598	253,947	5,636	925,932
Lease modification that decrease the scope of the lease	(1,255)	-	-	-	(1,255)
Derecognition of right-of-use asset upon termination of lease	(32,185)	-	-	-	(32,185)
At 31 December 2024	4,873,614	555,935	1,884,687	1,672,039	8,986,275
Depreciation					
At 1 January 2023	822,567	484,318	3,528,548	1,922,834	6,758,267
Charge for the year	1,409,743	40,641	376,874	36,128	1,863,386
Release on disposals	-	-	-	(55,568)	(55,568)
Write-offs	-	(160,686)	(2,970,474)	(335,926)	(3,467,086)
At 31 December 2023	2,232,310	364,273	934,948	1,567,468	5,098,999
At 1 January 2024	2,232,310	364,273	934,948	1,567,468	5,098,999
Charge for the year	1,542,846	36,957	367,337	28,252	1,975,392
Derecognition of right-of-use asset upon termination of lease	(4,805)	-	-	-	(4,805)
At 31 December 2024	3,770,351	401,230	1,302,285	1,595,720	7,069,586
Carrying amounts					
At 1 January 2023	3,368,224	226,503	1,058,033	117,481	4,770,241
At 31 December 2023	2,032,993	167,064	695,792	98,935	2,994,784
At 31 December 2024	1,103,263	154,705	582,402	76,319	1,916,689

The Bank did not dispose of any property and equipment in 2024. However, during the financial year ended 31 December 2023, fully depreciated equipment was disposed of, resulting in a gain of USD27,500, which was recognised in profit or loss.

The Bank did not write off any property and equipment in 2024. However, during the financial year ended 31 December 2023, property and equipment with a net carrying amount of USD21,455 were written off as these assets were no longer in use.

None of the Bank's assets classified in 'Property and equipment' are measured at fair value.

As at 31 December 2024, the Bank's right-of-use assets with a net carrying amount of USD1,070,894 (2023: USD2,032,993) relates to the lease of office premises (Refer to Note 29).

During the year ended 31 December 2024, the Bank derecognised a right-of-use asset with a carrying amount of USD27,380 relating to the early termination of a five-year lease agreement for a motor vehicle. The termination resulted in an obligation to settle a penalty of USD8,488, and the Bank has no further obligations under this agreement. Any associated costs have been fully recognised in the current financial year.

27.2 Measurement of fair value

Land and buildings are revalued by an independent, professionally qualified architect in accordance with Accounting Policy 3.12. Valuations of land and buildings are done using the 'investment income approach' whereby 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.

The most recent valuation, conducted by an independent professionally qualified architect, was completed in December 2023. As a result, the investment property was last revalued on 31 December 2023. At 31 December 2024, the Group performed an assessment to determine whether there is any evidence that the carrying amount of the land and buildings differs materially from the fair value by reference to actual contracted rates as well as market comparables. No such indicators were identified and, in this respect, a refreshed valuation was not deemed necessary by Management.

The fair value measurement of property is classified as Level 3. 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 per annum	Inter-relationship between key unobservable inputs and fair value measurements
Office space	Investment income approach	Rental value per square metre	€286 to €553 (2023: €286 to €553)	The higher the rate per square metre the higher the fair value
		Capitalisation rate	6.25% (2023: 6.25%)	The higher the capitalisation rate the lower the fair value
Parking space	Investment income approach	Rental value per square metre	€96 to €233 (2023: €96 to €233)	The higher the rate per square metre the higher the fair value
		Capitalisation rate	7.0% (2023: 7.0%)	The higher the capitalisation rate the lower the fair value
Stores and ancillary	Investment income approach	Rental value per square metre	€64 to €200 (2023: €64 to €200)	The higher the rate per square metre the higher the fair value
		Capitalisation rate	7.0% to 8.0% (2023: 7.0% to 8.0%)	The higher the capitalisation rate the lower the fair value

The sensitivity of the property valuation to possible shifts in key assumptions as at both 31 December 2024 and 31 December 2023 is illustrated in the table below:

	Magnitude of sensitivity	Impact (USD)
Shift in rental value per square metre	+ 5%	1,031,724
	- 5%	(1,031,724)
Shift in capitalisation rate	- 50bps	1,767,289
	+ 50bps	(1,508,254)

28 Investment property

28.1 Reconciliation of carrying amount

	Group 2024 USD	2023 USD
At 1 January	22,257,617	21,637,065
Reclassification from 'Property and equipment'	-	1,241,110
Fair value movement	-	(1,398,978)
Effect of movement in exchange rates	(1,331,850)	778,420
At 31 December	20,925,767	22,257,617

Carrying amount

Cost	14,297,947	15,207,960
Cumulative fair value movements	6,627,820	7,049,657
Carrying amount	20,925,767	22,257,617

'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. The Group applies the fair value model to determine the carrying amount of investment property at reporting date.

During the financial year ended 31 December 2024, the Group made no reclassifications of land and buildings to 'Investment property', whereas during the financial year ended 31 December 2023, the Group reclassified land and buildings with a net carrying amount of USD1,241,110 to reflect a change in the use of part of the Group's property which was leased out to third parties.

Commitments in respect of investment property which were authorised but not yet contracted as at 31 December 2024 and 31 December 2023 are disclosed in Note 44. In addition, the Group has not capitalised any expenditure in relation to the investment property.

28.2 Measurement of fair value

Investment property is revalued by an independent professionally qualified architect in accordance with Accounting Policy 3.14. The valuation of investment property is prepared using the 'investment income approach', whilst the 'comparative value approach' is only considered as a validation technique.

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.

The most recent valuation, conducted by an independent professionally qualified architect, was completed in December 2023. As a result, the investment property was last revalued on 31 December 2023. At 31 December 2024, the Group performed an assessment to determine whether there is any evidence that the carrying amount of the property differs materially from the fair value by reference to actual contracted rates as well as market comparables. No such indicators were identified and, in this respect, a refreshed valuation was not deemed necessary by Management.

The fair value measurement of investment property is classified as Level 3 in the fair value hierarchy. 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 per annum	Inter-relationship between key unobservable inputs and fair value measurements
Office space	Investment income approach	Rental value per square metre	€286 to €553 (2023: €286 to €553)	The higher the rate per square metre the higher the fair value
		Capitalisation rate	6.25% (2023: 6.25%)	The higher the capitalisation rate the lower the fair value
Retail space	Investment income approach	Rental value per square metre	€237 to €365 (2023: €237 to €365)	The higher the rate per square metre the higher the fair value
		Capitalisation rate	6.25% to 6.75% (2023: 6.25% to 6.75%)	The higher the capitalisation rate the lower the fair value
Stores and ancillary	Investment income approach	Rental value per square metre	€64 to €200 (2023: €64 to €200)	The higher the rate per square metre the higher the fair value
		Capitalisation rate	7.0% to 8.0% (2023: 7.0% to 8.0%)	The higher the capitalisation rate the lower the fair value

The sensitivity of the property valuation to possible shifts in key assumptions as at both 31 December 2024 and 31 December 2023 is illustrated in the table below:

	Magnitude of sensitivity	Impact (USD)
Shift in rental value per square metre	+ 5%	1,046,276
	- 5%	(1,046,276)
Shift in capitalisation rate	- 50bps	1,769,098
	+ 50bps	(1,512,624)

29 Leases

29.1 Leases as lessee

The Group leases office premises and motor vehicles that are accounted for in accordance with IFRS 16 provisions. The leases run for a period ranging from three 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.

29.1.1 Right-of-use assets

Right-of-use assets relate to leased office premises and motor vehicles that are presented within 'Property and equipment' (see Note 27).

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Balance at 1 January	1,991,019	2,678,020	2,032,993	3,368,224
Depreciation charge for the year	(896,671)	(769,270)	(1,542,846)	(1,409,743)
Additions	1,881,237	74,604	641,751	74,512
Lease modifications that decrease the scope of the lease	(1,255)	-	(1,255)	-
Derecognition of right-of-use asset upon termination of lease	(27,380)	-	(27,380)	-
Effect of movement in exchange rates	(18,768)	7,665	-	-
Balance at 31 December	2,928,182	1,991,019	1,103,263	2,032,993

The Bank's right-of-use assets include the lease of office premises from a subsidiary with a carrying amount of USD553,926 (2023: USD1,959,718).

The Group and Bank do not sub-lease any of their right-of-use assets.

29.1.2 Lease liabilities

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Balance at 1 January	2,118,563	2,704,717	2,286,126	3,490,312
Additions	1,881,237	74,604	641,751	74,512
Lease modifications that decrease the scope of the lease	(744)	-	(744)	-
Derecognition of lease liability upon termination of lease	(28,451)	-	(28,451)	-
Interest expense	130,630	134,203	39,207	59,513
Payments	(1,103,468)	(830,369)	(1,732,785)	(1,450,567)
Effect of movement in exchange rates	(113,034)	35,408	(59,684)	112,356
Balance at 31 December	2,884,733	2,118,563	1,145,420	2,286,126

The Bank's lease liabilities include the lease of office premises from a subsidiary amounting to 687,114 (2023: USD2,211,725).

No variable lease payments are applicable to the Group's and Bank's liabilities in respect of the leased office premises and motor vehicles that are accounted for in accordance with IFRS 16 provisions.

29.1.3 Amounts recognised in profit or loss

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Interest on lease liabilities (Note 8)	130,630	134,203	39,207	59,513
Loss on lease modifications	7,417	-	7,417	-
Expenses relating to short-term leases (Note 15)	333,879	494,121	172,557	307,621
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets (Note 15)	22,887	7,614	46,021	1,139

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.

29.2 Leases as lessor

29.2.1 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 2024 was USD1,056,126 (2023: USD840,123) (refer to Note 13).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	Group 2024 USD	2023 USD
Less than one year	875,597	614,380
Between one and five years	2,398,426	1,540,060
Total	3,274,023	2,154,440

30 Intangible assets

30.1 Reconciliation of carrying amount

	Group USD	Bank USD
	Software	Software
Cost		
At 1 January 2023	12,098,878	12,029,804
Additions	490,433	490,433
Write-offs	(2,844,202)	(2,844,202)
Effects of movement in exchange rates	277	-
At 31 December 2023	9,745,386	9,676,035
At 1 January 2024	9,745,386	9,676,035
Additions	1,149,354	1,149,354
Effects of movement in exchange rates	14,065	-
At 31 December 2024	10,908,805	10,825,389
Accumulated amortisation and impairment losses		
At 1 January 2023	9,002,024	8,929,951
Charge for the year	963,300	965,550
Write-offs	(2,844,202)	(2,844,202)
Effects of movement in exchange rates	277	-
At 31 December 2023	7,121,399	7,051,299
At 1 January 2024	7,121,399	7,051,299
Charge for the year	866,568	867,317
Effects of movement in exchange rates	14,065	-
At 31 December 2024	8,002,032	7,918,616
Carrying amounts		
At 1 January 2023	3,096,854	3,099,853
At 31 December 2023	2,623,987	2,624,736
At 31 December 2024	2,906,773	2,906,773

No write-offs were made for 'Software' during the financial year ended 31 December 2024. During the financial year ended 31 December 2023, the Group wrote off fully amortised 'Software' as it was no longer in use.

31 Deferred taxation

31.1 Analysis of deferred taxation

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Deferred tax assets				
Tax effect of temporary differences relating to:				
- excess of capital allowances over depreciation	(388,322)	(512,806)	(432,790)	(562,820)
- expected credit loss allowances	4,568,003	7,643,657	4,021,841	4,021,841
- changes in fair value of financial instruments	76,463	76,463	76,463	76,463
- unabsorbed capital allowances	622,026	622,026	622,026	622,026
- unabsorbed tax losses	10,779,755	11,168,547	10,702,539	10,758,727
- lease liabilities	704,559	374,928	400,897	800,144
- right-of-use assets	(707,971)	(372,336)	(386,142)	(711,547)
Total deferred tax assets	15,654,513	19,000,479	15,004,834	15,004,834
Deferred tax liabilities				
Tax effect of temporary differences relating to:				
- fair valuation of property and equipment	2,337,574	2,486,352	-	-
- fair valuation of investment property	1,674,061	1,780,609	-	-
Total deferred tax liabilities	4,011,635	4,266,961	-	-

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been substantively enacted by the end of the reporting period. The principal tax rate used is 35% (2023: 35%), with the exception of:

- deferred taxation on the fair valuation of non-depreciable property, which is computed on the basis applicable to disposals of immovable property mainly giving rise to a tax effect of 8% of the transfer value (2023: 8%);
- deferred taxation on unabsorbed tax losses and expected credit loss allowances relating to India Factoring, which is computed using the applicable tax rate of 25.168% (2023: 25.168%); and
- deferred taxation on right-of-use assets and lease liabilities relating to London Forfaiting Company Limited, which is computed using the applicable tax rate of 25% (2023: 25%).

The Group and Bank have concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets.

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than 12 months from the end of the reporting period.

The unabsorbed tax losses can be carried forward indefinitely and have no expiry date, with the exception of USD0.3 million (2023: USD2.5 million) tax losses arising in respect of India Factoring, which expire by March 2027 (2023: March 2031).

31.2 Unrecognised deferred taxation

At financial reporting date, the Bank had unutilised tax losses and temporary differences in respect of which deferred taxation was unrecognised, amounting to USD167.5 million (2023: USD164.1 million). In addition, other Group entities had unutilised tax losses in respect of which deferred taxation was unrecognised amounting to USD23.1 million (2023: USD40.1 million).

31.3 Movements in temporary differences during the year

31.3.1 Deferred tax assets

Group

	Opening balance USD	Recognised in profit or loss USD	Effect of movement in exchange rates USD	Closing balance USD
2024				
Excess of capital allowances over depreciation	(512,806)	125,853	(1,369)	(388,322)
Expected credit loss allowances	7,643,657	(3,038,924)	(36,730)	4,568,003
Changes in fair values of financial instruments	76,463	-	-	76,463
Unabsorbed capital allowances	622,026	-	-	622,026
Unabsorbed tax losses	11,168,547	(384,275)	(4,517)	10,779,755
Lease liabilities	374,928	335,342	(5,711)	704,559
Right-of-use assets	(372,336)	(340,952)	5,317	(707,971)
	19,000,479	(3,302,956)	(43,010)	15,654,513

2023

Excess of capital allowances over depreciation	(680,857)	168,240	(189)	(512,806)
Expected credit loss allowances	8,932,627	(1,270,510)	(18,460)	7,643,657
Changes in fair values of financial instruments	76,463	-	-	76,463
Unabsorbed capital allowances	622,026	-	-	622,026
Unabsorbed tax losses	13,051,158	(1,888,237)	5,626	11,168,547
Lease liabilities	440,284	(66,411)	1,055	374,928
Right-of-use assets	(440,284)	68,934	(986)	(372,336)
	22,001,417	(2,987,984)	(12,954)	19,000,479

Bank

	Opening balance USD	Recognised in profit or loss USD	Closing balance USD
2024			
Excess of capital allowances over depreciation	(562,820)	130,030	(432,790)
Expected credit loss allowances	4,021,841	-	4,021,841
Changes in fair values of financial instruments	76,463	-	76,463
Unabsorbed capital allowances	622,026	-	622,026
Unabsorbed tax losses	10,758,727	(56,188)	10,702,539
Lease liabilities	800,144	(399,247)	400,897
Right-of-use assets	(711,547)	325,405	(386,142)
	15,004,834	-	15,004,834

2023

Excess of capital allowances over depreciation	(735,325)	172,505	(562,820)
Expected credit loss allowances	6,896,077	(2,874,236)	4,021,841
Changes in fair values of financial instruments	76,463	-	76,463
Unabsorbed capital allowances	622,026	-	622,026
Unabsorbed tax losses	8,145,593	2,613,134	10,758,727
Lease liabilities	597,709	202,435	800,144
Right-of-use assets	(597,709)	(113,838)	(711,547)
	15,004,834	-	15,004,834

31.3.2 Deferred tax liabilities

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
2024					
Changes in fair value of investment property and property and equipment	4,266,961	-	-	(255,326)	4,011,635
2023					
Changes in fair value of investment property and property and equipment	4,097,858	34,308	(12,911)	147,706	4,266,961

32 Other assets

	Group		Bank	
	2024 USD	2023 USD	2024 USD	2023 USD
Accounts receivable and prepayments	5,471,505	5,273,208	3,893,388	4,004,424
Accrued income	170,708	167,308	60,884	68,901
Indirect taxation receivable	159,374	210,013	72,886	160,427
Cash pledged in favour of the Depositor Compensation Scheme	2,975,052	2,811,005	2,975,052	2,811,005
Cash pledged in favour of the Single Resolution Fund	418,818	445,474	418,818	445,474
Other assets	1,892,665	254,052	1,891,367	256,879
	11,088,122	9,161,060	9,312,395	7,747,110

'Accounts receivable and prepayments' includes an amount of USD1,215,181 (2023: USD758,925) related to subsidiary companies of the Bank.

Cash amounting to USD2,975,052 (2023: USD2,811,005) has been pledged in favour of the Depositor Compensation Scheme. In addition, cash amounting to USD418,818 (2023: USD445,474) has been pledged in favour of the Single Resolution Fund as an Irrevocable Payment Commitment ("IPC") in terms of the Recovery and Resolution Regulations (refer to Note 40).

See Note 43 for balances with related parties.

33 Amounts owed to institutions and banks

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Term deposits	123,761,045	343,559,071	51,296,840	264,486,542
Repayable on demand	117,432,286	69,011,860	117,432,286	69,011,860
	241,193,331	412,570,931	168,729,126	333,498,402

As at 31 December 2024, the Group and Bank participated in liquidity-providing reverse repurchase operations with the European Central Bank. As disclosed in Note 24, 'Financial investments measured at fair value through other comprehensive income' with a carrying amount of USD36,109,819 at the year-end are pledged in favour of the Central Bank of Malta as collateral for these funding operations. The outstanding balances related to the Group's and the Bank's liquidity-providing operations as of 31 December 2024 amount to USD30,049,725. These amounts are included within 'Term deposits' in the table above.

As at 31 December 2023, the Group and Bank participated in Targeted Longer Term Refinancing Operations ("TLTROs") and other liquidity-providing reverse repurchase operations with the European Central Bank. In this respect and as disclosed in the respective notes, 'Treasury bills', 'Financial investments measured at fair value through other comprehensive income' and 'Financial investments measured at amortised cost' were pledged in favour of the Central Bank of Malta as collateral in respect of these funding operations. The Group's and Bank's outstanding amounts in respect of TLTROs and other liquidity providing operations as at 31 December 2023 were USD22,638,502 and USD148,252,792, respectively. These amounts are included within 'Term deposits' in the table above.

'Amounts owed to institutions and banks' include balances amounting to USD13,187,149 (2023: USD35,667,488) which are held as collateral in respect of term loans and advances to banks. Pledges are generally conducted under terms that are usual and customary for standard borrowing contracts.

See Note 43 for balances due to related parties.

34 Amounts owed to customers

	Group		Bank	
	2024 USD	2023 USD	2024 USD	2023 USD
Term deposits	579,062,597	814,978,653	579,062,597	814,978,653
Repayable on demand	100,056,152	119,760,289	98,672,997	114,172,044
Amounts owed to subsidiary companies	-	-	1,955,463	22,015,633
	679,118,749	934,738,942	679,691,057	951,166,330

At 31 December 2024, the Group and the Bank have customer deposits amounting to USD17,947,294 (2023: USD21,740,772) and USD17,943,240 (2023: USD21,740,772), respectively, which are pledged in favour of the Group and Bank respectively as collateral for loans and advances to customers. Pledges are generally conducted under terms that are usual and customary for standard borrowing contracts.

‘Amounts owed to subsidiary companies’ include facilities that are unsecured and repayable on demand and with the following interest profile:

			Bank	
			2023	
			2024	
	USD	Interest rate per annum	USD	Interest rate per annum
Amounts owed to subsidiary companies:				
- subject to 0% interest rate	420,708	Not applicable	19,789,279	Not applicable
- subject to floating interest rate	1,389,378	overnight Euro short term rate (“ESTR”)	2,095,913	overnight Euro short term rate (“ESTR”)
- subject to fixed interest rate	145,377	3.15% - 3.50%	130,441	2.5%
	1,955,463		22,015,633	

See Note 43 for balances due to related parties other than the Bank’s subsidiaries.

35 Debt securities in issue

	Group 2024 USD	2023 USD
Opening balance	27,543,864	15,451,068
Drawdowns	36,290,304	38,142,327
Principal repayments	(46,301,439)	(26,893,950)
Movement in accrued interest	(52,066)	288,991
Effects of movement in exchange rate	(1,628,962)	555,428
Closing balance	15,851,701	27,543,864

‘Debt securities in issue’ as at 31 December 2024 and 31 December 2023 comprise of unsecured promissory notes with a tenor of less than one year.

At 31 December 2024, all promissory notes are subject to a fixed interest rate, while as at 31 December 2023, one of the promissory notes, with a carrying amount of USD5,532,182, was subject to a fixed interest rate, whereas the remaining promissory notes, with a carrying amount of USD22,011,682, were subject to a floating interest rate (linked to 3-month or 6-month Secured Overnight Financing Rate (“SOFR”). At 31 December 2024, the effective interest rate in respect of ‘Debt securities in issue’ ranges between 5.036% and 5.678% (2023: 5.3% and 6.085%).

At 31 December 2024, the Group has an early repayment option on all promissory notes, whereas an early repayment option was applicable in respect of two of the promissory notes with a carrying amount of USD16,490,957 as at 31 December 2023. However, in view of the short-term maturity of the promissory notes, the potential impact of the Group exercising the option was deemed to be immaterial.

36 Provision for liabilities and charges

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Expected credit loss provision on guarantees	12,602	7,551	12,602	7,551
Expected credit loss provision on guarantees - subsidiary companies	-	-	4	277
Expected credit loss provision on commitments	462,621	82,307	198,508	82,307
Expected credit loss provision on commitments - subsidiary companies	-	-	11	-
Provision for restoration costs	107,178	92,093	-	-
Other provisions	-	54,263	-	-
	582,401	236,214	211,125	90,135

Expected credit loss in respect of off-balance sheet instruments

‘Provisions for liabilities and charges’ comprises the recognition of expected credit losses in respect of off-balance sheet financial guarantee contracts and commitments where the Group and Bank have become party to an irrevocable commitment, as defined under IFRS 9 ‘Financial instruments’. The movement in expected credit losses in respect of such instruments is disclosed within Note 4.

37 Other liabilities

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Creditors and accruals	13,920,008	15,299,353	6,131,667	7,322,316
Deferred fee income	762,834	1,124,775	207,604	442,924
Indirect taxation payable	23,914	46,752	-	-
Lease liabilities (Note 29)	2,884,733	2,118,563	1,145,420	2,286,126
Other liabilities	1,099,754	1,182,172	1,099,752	582,172
	18,691,243	19,771,615	8,584,443	10,633,538

‘Deferred fee income’ includes USD132 (2023: USD2,664) payable to subsidiary companies of the Bank. ‘Lease liabilities’ include USD687,114 (2023: USD2,211,725) payable to subsidiary companies of the Bank.

See Note 43 for balances due to related parties other than the Bank’s subsidiaries.

End of service compensation

As at 31 December 2023, ‘Other liabilities’ included an accrual for USD600,000 for an end-of-service compensation granted to the Chief Executive Officer of a subsidiary company. This provision was raised in respect of the planned termination of this Chief Executive Officer’s employment contract, as part of the Group’s strategic initiatives to enhance the operational structure of its subsidiary entities. End-of-service compensation of USD593,198 was paid to the Chief Executive Officer of this subsidiary company during the financial year ended 31 December 2024. Refer to Note 15.2 for further information.

	Group and Bank			
	2024		2023	
	Shares of 50 US cents Shares	USD	Shares of 50 US cents 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
			Group and Bank Ordinary shares	
			2024	2023
			No of shares	No of shares
On issue at 1 January			522,443,763	522,443,763
On issue at 31 December			522,443,763	522,443,763

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 dividends and allotment of shares under the executive share option schemes. This reserve is non-distributable.

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 instruments in relation to the net investment in foreign operations.

- the cumulative change in the fair value of revalued property, net of income taxes; and
- the cumulative change in the fair value of debt securities measured at fair value through other comprehensive income until the assets are derecognised or reclassified, net of income taxes and loss allowances.

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.

No dividends were declared or paid in respect of the financial years ended 31 December 2024 and 31 December 2023. 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 2024.

39 Non-controlling interests

The following table summarises the information relating to the subsidiary that has a material non-controlling interest ("NCI"), before any intra-group eliminations:

31 December 2024

Acquisition date	India Factoring 31 March 2014
NCI percentage	11.84%
	USD
Total assets	172,740,434
Total liabilities	(135,970,676)
Net assets	36,769,758
Carrying amount of NCI	534,525
Net revenue for the year	6,772,671
Net revenue for the year allocated to NCI	801,884
Profit for the year	258,133
Profit allocated to NCI	30,563
Net decrease in cash and cash equivalents	(7,535,970)

31 December 2023

Acquisition date	India Factoring 31 March 2014
NCI percentage	11.84%
	USD
Total assets	129,328,698
Total liabilities	(91,715,879)
Net assets	37,612,819
Carrying amount of NCI	519,162
Net revenue for the year	5,853,429
Net revenue for the year allocated to NCI	693,046
Profit for the year	325,047
Profit allocated to NCI	38,486
Net increase in cash and cash equivalents	11,156,992

40 Contingent liabilities

	Group 2024 USD	2023 USD	Bank 2024 USD	2023 USD
Payment commitments to the Depositor Compensation Scheme	2,909,470	2,811,005	2,909,470	2,811,005
Payment commitments to the Single Resolution Fund	418,818	445,474	418,818	445,474
Guarantees issued to banks	14,105,930	14,687,080	14,105,930	14,687,080
Guarantees issued to customers	13,522,568	13,338,194	13,522,568	13,338,194
Guarantees issued to subsidiary companies	-	-	4,054	11,049,724
	30,956,786	31,281,753	30,960,840	42,331,477

At 31 December 2024, an expected credit loss allowance, determined in accordance with IFRS 9, amounting to USD12,602 (2023: USD7,551) for the Group and USD12,606 (2023: USD7,828) for the Bank, was recognised and presented within 'Provision for liabilities and charges' in respect of guarantees issued by the Group and Bank respectively.

Payment commitments to the Depositor Compensation Scheme ("DCS") and the Single Resolution Fund ("SRF") relate to possible future contributions payable to the DCS and the SRF. The DCS provides compensation, up to certain limits, to eligible customers of credit institutions that are unable, or likely to be unable, to pay claims against them. The DCS may impose a further contribution on the Group and Bank to the extent the contributions imposed to date are not sufficient to cover the compensation due to customers in any future possible collapse. The ultimate contribution to the industry as a result of a collapse cannot be estimated reliably. It is dependent on various uncertain factors including the potential recovery of assets by the DCS, changes in the level of protected products (including deposits and investments) and the population of DCS members at the time. At 31 December 2024, assets pledged in favour of the DCS comprised of cash collateral amounting to USD2,975,052 (2023: USD2,811,005). The cash collateral is classified within 'Other assets' in the statement of financial position. At 31 December 2024, the Bank had excess contributions of USD65,582 (2023: Nil) pledged in favour of the DCS. A contingent liability for the contribution obligation of the Bank is disclosed in the table above to reflect the possibility that this commitment becomes payable.

In addition, in accordance with article 70(3) of Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, the available financial means of the SRF may include irrevocable payment commitments which are fully backed by unencumbered collateral of low-risk assets. The share of irrevocable payment commitments cannot exceed 30% of the total amount of contributions. At 31 December 2024, irrevocable payment commitments to the SRF amounted to USD418,818 (2023: USD445,474). The cash collateral is classified within 'Other assets' in the statement of financial position. In addition, a contingent liability for an identical amount is disclosed in the table above to reflect the possibility that this commitment becomes payable.

41 Commitments

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Commitments to purchase assets				
Undrawn credit facilities	89,945,159	72,943,304	89,945,159	72,943,304
Confirmed letters of credit	15,749,873	10,217,120	15,749,724	10,217,120
Documentary credits	5,934,680	17,059,663	5,934,680	17,059,663
Commitment to purchase assets	20,575,730	77,003,510	-	-
Commitments to sell assets				
Commitment to sell assets	-	(29,419,890)	-	-
	132,205,442	147,803,707	111,629,563	100,220,087

The Group has total sanctioned limits to customers amounting to USD1,396,993,751 (2023: USD1,824,476,886). At 31 December 2024, the Bank had USD3,905 confirmed documentary credits in favour of subsidiary companies (2023: USD Nil). At 31 December 2024, an expected credit loss allowance, determined in accordance with IFRS 9, amounting to USD462,621 (2023: USD82,307) for the Group and USD198,519 (2023: USD82,307) for the Bank, was recognised and presented within 'Provision for liabilities and charges'. In this respect, this disclosure presents information required by IFRS 7 – Financial Instruments: Disclosures in relation to credit related commitments.

42 Cash and cash equivalents

Balances of cash and cash equivalents as shown on the Statements of Financial Position are analysed as follows:

	Group		Bank	
	2024	2023	2024	2023
	USD	USD	USD	USD
Balances with the Central Bank of Malta, treasury bills and cash	129,053,721	221,812,510	129,040,793	221,799,380
Loans and advances to banks	67,400,658	53,246,027	62,805,240	18,200,076
Amounts owed to institutions and banks	(154,994,489)	(162,015,093)	(124,366,528)	(112,269,724)
Cash and cash equivalents at end of year	41,459,890	113,043,444	67,479,505	127,729,732
Adjustment to reflect balances with contractual maturity of more than three months	(52,003,612)	(19,789,241)	(11,931,217)	6,094,166
As per Statements of Financial Position	(10,543,722)	93,254,203	55,548,288	133,823,898
Analysed as follows:				
Balances with the Central Bank of Malta, treasury bills and cash	134,192,217	353,010,186	134,179,290	352,997,057
Loans and advances to banks	96,457,392	152,814,948	90,098,124	114,325,243
Amounts owed to institutions and banks	(241,193,331)	(412,570,931)	(168,729,126)	(333,498,402)
	(10,543,722)	93,254,203	55,548,288	133,823,898

43 Related parties

43.1 Identification of related parties

The majority shareholding of the Bank is held by United Gulf Holding Company B.S.C. ("UGH"), a subsidiary of Kuwait Projects Company (Holding) K.S.C.P. ("KIPCO") headquartered in Kuwait. All entities which are ultimately controlled by KIPCO, together with the other minority shareholders and entities controlled by them, are considered to be related parties.

Key Management personnel of the Bank, being the Bank's Directors and Executive Officers, and close family members of Key Management personnel are also considered to be related parties. Key Management personnel of the Bank and Group are deemed to be identical. The Executive Officers, which form part of the Bank's Executive Committee, are referred to within the Statement of Compliance with the Principles of Good Corporate Governance.

43.2 Parent, shareholder having significant influence and other related companies

The aggregate values of transactions and outstanding balances related to the parent and subsidiary companies of the parent company were as follows:

	Ultimate and immediate parent companies *		Subsidiaries of ultimate parent company **		Subsidiaries of immediate parent company ***	
	2024 USD	2023 USD	2024 USD	2023 USD	2024 USD	2023 USD
Assets						
Loans and advances to customers	20,477,047	21,917,150	-	-	-	-
Financial investments at amortised cost	-	9,771,244	-	-	-	-
Liabilities						
Amounts owed to institutions and banks	-	-	-	-	174,734	270,647
Amounts owed to customers	30,755	30,830	-	-	-	2,433
Statements of profit or loss						
Interest income	1,552,865	2,704,809	-	-	-	-
Interest expense	-	(8,389)	-	-	-	-
Fee and commission income	136	85	55	-	7,192	7,349
Fee and commission expense	-	(3,046)	-	-	(5,601)	-
Net trading results	-	-	-	-	-	144,018
Administrative expenses	-	-	(117,046)	-	(186,311)	(313,312)

' * ' Amounts presented in these columns represent balances and transactions with KIPCO and UGH.

' ** ' Amounts presented in these columns represent balances and transactions with subsidiary companies of KIPCO.

' *** ' Amounts presented in these columns represent balances and transactions with subsidiary companies of UGH.

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		Other related companies	
	2024 USD	2023 USD	2024 USD	2023 USD
Assets				
Loans and advances to banks	7,380	350,751	-	-
Loans and advances to customers	-	-	-	30,000
Other assets	-	-	-	1,431
Liabilities				
Amounts owed to customers	-	-	44,629	22,092
Other liabilities	-	-	669	712
Statements of profit or loss				
Interest income	-	-	28,968	145,040
Fee and commission income	-	-	575	20
Fee and commission expense	-	-	(16,305)	(15,829)
Administrative expenses	-	(11,596)	-	-

43.3 Transactions with key management personnel

	Directors		* Executives	
	2024 USD	2023 USD	2024 USD	2023 USD
Liabilities				
Amounts owed to customers	648,124	853,071	152,979	49,567
Statements of profit or loss				
Interest expense	(19,707)	(14,075)	(5,531)	(719)
Fee and commission income	80	240	6	16
Fee and commission expense	-	-	(27)	-
Administrative expenses - remuneration	(334,416)	(388,106)	(2,895,476)	(2,705,353)
Administrative expenses - other long-term benefits	(400)	(391)	(602,499)	(579,460)
Administrative expenses - short-term benefits	-	-	(33,663)	(15,113)
Administrative expenses - others	(10,907)	(18,366)	(13,570)	(59,175)

‘ * ’ The figures included in the above table in respect of ‘Executives’ comprises the remuneration payable to ‘Executive Directors’ and ‘Executive Management’ as defined in the Remuneration Report.

Directors of the Bank control less than 1 per cent of the voting shares of the Bank (2023: less than one per cent).

43.4 Other related party transactions

	Other related parties	
	2024 USD	2023 USD
Liabilities		
Amounts owed to customers	386,245	468,100
Statements of profit or loss		
Interest expense	(14,046)	(8,252)

Other related party transactions relate to family members of Directors of the Bank.

43.5 Transactions and balances with the bank's subsidiary companies

Information on amounts related to subsidiary companies are reported in Notes 8, 9, 10, 12, 13, 15, 19, 22, 26, 32, 34, 36, 37, 40 and 41 of these Financial Statements.

44 Capital commitments

Capital commitments refer to expenditure of a capital nature that was authorised by the Group and Bank but not yet incurred or payable. In this respect, this disclosure presents information required by IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets.

At financial reporting date, the Group and Bank had the following commitments:

	Group		Bank	
	2024 USD	2023 USD	2024 USD	2023 USD
Authorised and contracted	694,568	205,395	642,942	200,000
Authorised but not contracted	324,122	1,052,983	-	90,000
	1,018,690	1,258,378	642,942	290,000

45 Other commitments

Other commitments refer to expenditure of an administrative nature that the Group and the Bank have authorised but have not yet incurred since it relates to services which will be received subsequent to year-end and therefore relate to future financial periods.

At financial reporting date, the Group and Bank had the following commitments:

	Group		Bank	
	2024 USD	2023 USD	2024 USD	2023 USD
Authorised and contracted	4,821,457	6,028,022	6,414,195	5,664,108
Authorised but not contracted	529,624	678,127	529,624	670,116
	5,351,081	6,706,149	6,943,819	6,334,224

46 Subsequent events

46.1 Subordinated liabilities

In February 2025, the Bank received a subordinated loan of USD20,000,000 from a subsidiary of its ultimate parent. The loan carries a fixed interest rate of 5.5%, is priced on an arm's length basis, and has a contractual maturity of seven years. In the event of the Bank's liquidation, dissolution, or winding up, it will rank below the Bank's unsubordinated, secured, and unsecured creditors. This loan qualifies as Tier 2 capital under the Capital Requirements Regulation.

46.2 Investments in subsidiaries

In March 2025, the Bank made an additional investment of INR261,000,000 (USD3,012,817) in India Factoring and Finance Solutions Private Limited ("India Factoring"). This investment is intended to support the further growth of the company and its ability to do this within the regulatory capital requirements.

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 the State of Kuwait. The registered address is KIPCO Tower, Khalid Bin Al Waleed Street, Sharq, Kuwait City, P.O. Box 23982, Safat 13100, State of Kuwait.

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 capital markets rule 5.68

For the year ended 31 December 2024

We, the undersigned, declare that to the best of our knowledge, the Financial Statements set out on pages 46 to 191 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.

Approved by the Board of Directors and signed on its behalf by Dr. John C. Grech (Chairman) and Mr. Masaud M.J. Hayat (Vice Chairman) on 9 April 2025 as per Director's Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Financial Statements 2024.

Schedule I

Statements of profit or loss

Five-year summary – Bank

	2024	2023	2022 Restated	2021	2020
	USD	USD	USD	USD	USD
Interest income	54,480,196	52,818,308	30,248,635	19,588,232	22,721,724
Interest expense	(35,797,670)	(33,156,902)	(13,509,191)	(10,457,006)	(11,482,001)
Net interest income	18,682,526	19,661,406	16,739,444	9,131,226	11,239,723
Fee and commission income	3,785,269	3,116,178	2,744,994	4,940,843	5,366,867
Fee and commission expense	(1,163,931)	(1,206,187)	(1,924,794)	(2,165,538)	(2,552,278)
Net fee and commission income	2,621,338	1,909,991	820,200	2,775,305	2,814,589
Net trading results	(534,483)	(921,644)	1,411,029	542,868	(554,107)
Net loss/(gain) from equity instruments measured at fair value	(718,609)	768,541	(337,257)	-	-
Dividend income	6,000,000	12,221,863	10,321,545	16,989,049	7,240,817
Impairment charge in respect of investments in subsidiaries	(1,500,000)	-	(8,261,536)	(87,356)	(9,314,000)
Other operating income	194,273	328,330	566,474	133,940	120,725
Other operating expenses	-	(24,531)	(364,205)	(155,943)	-
Operating income before credit losses	24,745,045	33,943,956	20,895,694	29,329,089	11,547,747
Net movement in expected credit losses and other credit impairment charges	(3,180,417)	(2,993,592)	(17,424,101)	(3,699,557)	(34,272,400)
Operating income	21,564,628	30,950,364	3,471,593	25,629,532	(22,724,653)
Administrative expenses	(21,010,359)	(24,824,525)	(22,139,252)	(23,213,366)	(23,722,803)
Depreciation and amortisation	(2,842,709)	(2,828,936)	(2,811,670)	(2,965,967)	(2,962,370)
Total operating expenses	(23,853,068)	(27,653,461)	(24,950,922)	(26,179,333)	(26,685,173)
(Loss)/Profit before tax	(2,288,440)	3,296,903	(21,479,329)	(549,801)	(49,409,826)
Taxation	(915,246)	(806,755)	(530,755)	(113,418)	(6,566,776)
(Loss)/Profit for the year	(3,203,686)	2,490,148	(22,010,084)	(663,219)	(55,976,602)

Schedule II

Statements of financial position

Five-year summary – Bank

	2024	2023	2022	2021	2020
	USD	USD	Restated USD	Restated USD	USD
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	134,179,290	352,997,057	216,852,467	239,982,048	319,267,749
Derivative assets held for risk management	1,464,641	812,609	1,610,475	841,688	1,019,288
Loans and advances to banks	90,098,124	114,325,243	125,882,432	182,458,548	179,364,067
Loans and advances to customers	517,783,911	618,118,225	718,910,427	745,564,139	779,834,360
Financial investments at fair value through profit or loss	13,958,450	19,329,840	18,179,220	19,966,163	20,385,323
Financial investments at fair value through other comprehensive income	120,265,095	140,755,780	143,189,022	162,408,542	153,327,686
Financial investments at amortised cost	2,073,906	28,399,073	14,602,008	9,914,754	9,839,457
Investments in subsidiaries	116,182,573	157,687,573	152,687,573	159,448,858	147,436,214
Property and equipment	1,916,689	2,994,784	4,770,241	1,965,249	3,507,509
Intangible assets	2,906,773	2,624,736	3,099,853	3,774,315	4,008,725
Current tax assets	-	-	-	66,667	76,225
Deferred tax assets	15,004,834	15,004,834	15,004,834	16,336,538	15,590,954
Other assets	9,312,395	7,747,110	6,830,284	3,848,321	5,570,563
Total assets	1,025,146,681	1,460,796,864	1,421,618,836	1,546,575,830	1,639,228,120
Liabilities and equity					
Liabilities					
Derivative liabilities held for risk management	1,165,387	626,476	818,031	1,533,556	1,629,434
Amounts owed to institutions and banks	168,729,126	333,498,402	386,787,784	497,633,356	387,900,641
Amounts owed to customers	679,691,057	951,166,330	869,220,415	838,675,598	1,037,118,337
Provision for liabilities and charges	211,125	90,135	121,209	201,775	173,051
Other liabilities	8,584,443	10,633,538	10,498,948	7,921,481	7,645,488
Total liabilities	858,381,138	1,296,014,881	1,267,446,387	1,345,965,766	1,434,466,951
Equity					
Called-up share capital	261,221,882	261,221,882	261,221,882	261,221,882	261,221,882
Share premium	858,885	858,885	858,885	858,885	858,885
Reserve for general banking risks	-	-	-	2,218,995	3,358,738
Fair value reserve	(12,195,204)	(17,382,450)	(25,501,836)	(1,074,305)	2,413,581
Other reserve	2,681,041	2,681,041	2,681,041	2,681,041	2,681,041
Accumulated losses	(85,801,061)	(82,597,375)	(85,087,523)	(65,296,434)	(65,772,958)
Total equity	166,765,543	164,781,983	154,172,449	200,610,064	204,761,169
Total liabilities and equity	1,025,146,681	1,460,796,864	1,421,618,836	1,546,575,830	1,639,228,120
Memorandum items					
Contingent liabilities	30,960,840	42,331,477	38,670,533	39,327,362	44,246,902
Commitments	111,629,563	100,220,087	91,414,423	107,469,111	105,245,766

Schedule III

Cash flow statements

Five-year summary – Bank

	2024 USD	2023 USD	2022 USD	2021 USD	2020 USD
Net cash flows (used in)/from operating activities	(285,714,829)	118,887,081	10,641,732	(128,050,504)	73,253,835
Cash flows from investing activities					
Payments to acquire financial investments at fair value through other comprehensive income	-	-	(25,549,207)	(74,874,050)	(109,616,706)
Payments to acquire financial investments at amortised cost	-	(13,440,236)	(14,569,219)	-	-
Payments to acquire treasury bills at amortised cost	(31,587,228)	(288,263,020)	(429,590,021)	-	-
Payments to acquire shares in subsidiary companies	-	-	(252)	-	(1,801,829)
Payments to acquire property and equipment	(284,181)	(34,872)	(916,620)	(399,511)	(142,744)
Payments to acquire intangible assets	(1,149,354)	(490,433)	(318,308)	(779,881)	(393,096)
Proceeds on settlement of financial investments at fair value through profit or loss	3,607,970	249,464	127,493	160,770	105,639,259
Proceeds on maturity of financial investments at fair value through other comprehensive income	17,882,889	13,745,002	13,000,000	50,918,619	49,246,582
Proceeds on maturity of financial investments at amortised cost	26,429,022	-	9,800,719	-	-
Proceeds on maturity of treasury bills at amortised cost	156,492,976	288,934,098	296,265,806	-	-
Proceeds on extinguished shares of a subsidiary company	40,000,000	-	-	-	-
Proceeds on merger by acquisition of a subsidiary company	3,487	-	-	-	-
Proceeds on disposal of property and equipment	-	27,500	1,565	9,751	-
Receipt of dividend	6,000,000	7,221,863	8,821,545	4,889,049	240,817
Net cash flows from/(used in) investing activities	217,395,581	7,949,366	(142,926,499)	(20,075,253)	43,172,283
Cash flows from financing activities					
Payments of lease liabilities	(1,732,785)	(1,450,567)	(1,330,082)	(1,787,096)	(997,729)
Net cash flows used in financing activities	(1,732,785)	(1,450,567)	(1,330,082)	(1,787,096)	(997,729)
Effect of net exchange gains/(losses) attributable to assets and liabilities	9,801,806	(7,268,046)	15,912,422	9,317,492	(11,405,644)
(Decrease)/Increase in cash and cash equivalents	(60,250,227)	118,117,834	(117,702,427)	(140,595,361)	104,022,745
Cash and cash equivalents at beginning of year	127,729,732	9,611,898	127,314,325	267,909,686	163,886,941
Cash and cash equivalents at end of year	67,479,505	127,729,732	9,611,898	127,314,325	267,909,686

Schedule IV

Accounting ratios

Five-year summary – Bank

	2024 %	2023 %	2022 %	2021 %	2020 %
Net interest income and other operating income to total assets	2.67	2.41	2.21	2.05	1.43
Operating expenses to total assets	(2.33)	(1.89)	(1.76)	(1.69)	(1.63)
(Loss)/Profit before tax to total assets	(0.22)	0.23	(1.51)	(0.04)	(3.01)
Pre-tax return on capital employed	(1.37)	2.00	(13.93)	(0.27)	(24.13)
(Loss)/Profit after tax to equity	(1.92)	1.51	(14.28)	(0.33)	(27.34)
	2024	2023	2022	2021	2020
Weighted average number of shares in issue (000's)	522,444	522,444	522,444	522,444	522,444
Net assets per share (US cents)	31.92	31.54	29.51	38.40	39.19
Basic earnings per share (US cents)	(0.61)	0.48	(4.21)	(0.13)	(10.71)

Directors and executive management

Board of Directors

John C. Grech (Chairman)
 Masaud M.J. Hayat (Vice Chairman)
 Edmond Brincat (Independent Director)
 Hussain Abdul Aziz Lalani
 Rabih Soukarieh
 Samer Abbouchi
 Simon Jethro Lay (Executive Director)
 Sunny Bhatia
 Teuta Bakalli (Independent Director)

Company secretary

Andrea Batelli

Registered address

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

Contact number

Tel: +356 2132 2100

Executive Management

FIMBank p.l.c.

Group chief executive officer

Simon Jethro Lay

Executive vice presidents

Andrea Batelli
 Christine Coleiro
 Juraj Beno
 Modesto Luengo
 Ronald Haverkorn
 Thomas Dodd

Group General Counsel,
 Head of Investor Relations & Company Secretary
 Group Chief Human Resources Officer
 Group Chief Financial Officer
 Group Chief Risk Officer
 Advisor to the GCEO
 Group Chief Compliance Officer & MLRO

London Forfating Company Limited

Chief executive officer

Simon Jethro Lay

Company secretary

William Ramzan

Chief Financial Officer

India Factoring and Finance Solutions (Private) Limited

Chief executive officer

Ravi Valecha

Company secretary

Mandar Karmarkar

Manager – Company Secretary

The Egyptian Company for Factoring S.A.E.

Chief executive officer

Ahmed Shaheen

Company secretary

Mohamed Gamaleldien

Head of Legal



Independent auditor's report

To the Shareholders of FIMBank p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and the Parent Company ("the Bank") financial statements (the "financial statements") of FIMBank p.l.c. give a true and fair view of the Group and the Parent Company's financial position as at 31 December 2024, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

FIMBank p.l.c.'s financial statements comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2024;
- the Consolidated and Parent Company statements of profit or loss and statements of other comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

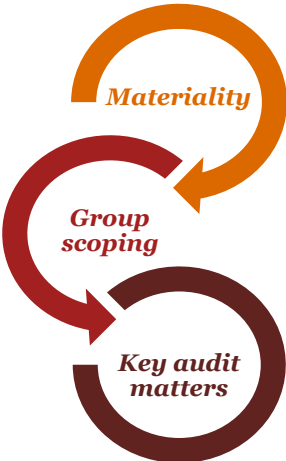
We are independent of the Group and the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Bank and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the Bank and its subsidiaries, in the period from 1 January 2024 to 31 December 2024, are disclosed in note 15 to the financial statements.

Our audit approach

Overview

	• Overall group materiality: USD1,844,000, which represents 1% of net assets.
	• The group auditor performed a full scope audit on the financial statements of the Bank and an audit of selected financial statement line items within the financial statements of FIM Property Investment Limited, which is one of the Bank’s subsidiaries. • The other three significant components, namely FIMFactors B.V. (and its subsidiary India Factoring and Finance Solutions (Private) Limited), The Egyptian Company for Factoring S.A.E. and London Forfaiting Company Limited, were audited by component auditors. • The group auditor performed oversight procedures on the work of component auditors.
	• Credit loss allowances in respect of loans and advances to customers of the Group and Bank • Valuation of the Group’s trading assets measured at fair value • Recoverability of deferred tax assets of the Group and Bank

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	USD1,844,000
How we determined it	1% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark in view of the volatility of the Group's profit before tax over the past five years. Moreover, in our view, the actual return attributable to equity holders is dependent on the adequacy of the Group's capitalisation in view of the regulatory restrictions in respect of dividend distributions, while also being a generally accepted benchmark. In this respect, we considered net assets to be more reflective of the financial position and financial performance of the Group. We chose 1% which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above USD92,200 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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. 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.

Key audit matter	How our audit addressed the key audit matter
<i>Credit loss allowances in respect of loans and advances to customers of the Group and Bank</i> Credit loss allowances in respect of loans and advances to customers represent management's best estimate of expected credit losses ('ECLs') within the loan portfolios at the balance sheet date. The Group has four lending portfolios:	During our audit of the financial statements for the year ended 31 December 2024, we focused on the key drivers of the estimation of ECL. In this respect, we evaluated and tested the appropriateness of management assumptions and key parameters. Discussions with the Audit Committee included:

- the Local Corporate Lending portfolio, predominantly comprising loans to entities within the real estate sector in Malta;
- the Factoring Receivables portfolio, consisting of factored receivables (both on a non-recourse and recourse basis) originated in Europe, India and the Middle East;
- the Trade Finance portfolio, comprising import and export finance facilities originated in Europe; and
- a portfolio of other facilities including syndicated senior secured facilities to international corporates and shipping finance facilities.

The measurement of ECLs in respect of loans and advances to customers requires a considerable level of judgement since the determination of ECLs is subject to a high degree of estimation uncertainty. In this respect, it is considered a key area of focus.

The level of estimation uncertainty surrounding the measurement of ECLs in respect of the Group's lending portfolios remained elevated during the financial year ended 31 December 2024 in view of the inflationary pressures and interest rate environment experienced internationally, as well as the geopolitical tensions as a result of the ongoing Russia-Ukraine and Middle East conflicts. This affected a number of components forming part of the ECL calculation, including the determination of staging, the modelling of expected default levels and loss severities, and the determination of forward-looking scenarios giving rise to heightened subjectivity requiring a higher level of expert judgement.

Credit loss allowances relating to all loans and advances to customers are determined at an instrument level.

Significant judgement is required in the development and/or calibration of the models designed to estimate ECLs on loans measured at amortised cost in accordance with the requirements of IFRS 9, which has become more pronounced due to the macroeconomic conditions being experienced and the complexities in the modelling aspects of the ECL calculation.

In general, the Group calculates ECL by using the following key inputs: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

- the final ECL for Stage 1 and 2 exposures estimated by the vendor's model;
- observations in respect of the methodology applied by the Group to estimate ECLs in accordance with the requirements emanating from IFRS 9, including the appropriateness of the models and staging criteria used by the Group as part of the ECL calculation;
- the controls and governance framework implemented by management in respect of the estimation of ECLs in accordance with IFRS 9; and
- impairment allowances in respect of exposures classified as Stage 3.

In respect of the Group's ECL models used for estimating credit loss allowances attributable to non-defaulted exposures, the appropriateness of the modelling methodology used was independently assessed by reference to the requirements of IFRS 9. In addition, the appropriateness of the key assumptions used in, and the conceptual soundness of, the adapted discounted cash flow model utilised for the estimation of credit loss allowances attributable to defaulted exposures were similarly assessed, particularly the methodology used to determine forecasted operating cash flows.

ECL calculation for non-defaulted exposures

We understood and critically assessed the model used by the Group to measure expected credit loss allowances on exposures classified within Stages 1 and 2.

Our audit approach focused specifically on:

- obtaining comfort over the accuracy and completeness of model inputs, with the updating process being largely manual;
- assessing the reasonableness of the staging criteria applied by the Group, as well as the macroeconomic modelling aspect within the ECL model, especially in respect of the calibration of forward-looking economic scenarios within the ECL model; and
- backtesting the ECL outcome against both publicly available and internal historical information on observed

The maximum period considered when measuring ECL is the maximum period over which the Group is exposed to credit risk. In this respect, the EAD for exposures within the Group's portfolios is based on contractual maturity.

For non-defaulted (Stages 1 and 2) exposures, the Group uses a model developed by an external vendor in which key risk parameters, including both PDs and LGDs, are estimated using statistical models mainly by benchmarking exposure-specific characteristics against an underlying dataset. Specifically, the PDs and LGDs attributable to financial assets within the Group's lending portfolios are determined by reference to the default and loss history of comparable borrowers with similar characteristics in terms of size, industry, country of operation and financial soundness of the borrower.

PDs are computed taking cognisance of quantitative and qualitative model inputs, which are used to generate a borrower-specific credit score. For exposures classified within the Local Corporate Lending portfolio, the credit score is determined by reference to inputs related to the project being financed, such as the property type, property valuation upon completion, project costs and project complexity, whereas the credit scores for exposures classified within the Bank's Factoring Receivables and Trade Finance portfolios, as well as syndicated loans, are determined by reference to financial statement inputs and other qualitative inputs, comprising the entity's competitive position in the market, the customer concentration level and management quality amongst other factors. Similarly, credit scores for exposures classified within the Group's Factoring Receivables portfolio originated at subsidiary level on a with-recourse basis are computed using internally developed scorecards taking into account quantitative (for instance sales growth and net worth of the entity) and qualitative (such as industry and market conditions) inputs. Finally, credit scores for shipping finance loans and the Group's Factoring Receivables portfolio originated at subsidiary level on a non-recourse basis are determined by relationship managers on the basis of a qualitative assessment, unless the buyer is externally rated, in which case the external rating is used.

Credit scores are then mapped to a rating scale, on the basis of which a Through-The-Cycle ("TTC") PD

default levels and expected default levels in the short-to-medium term.

For the purpose of obtaining comfort on the credit loss allowances for Stage 1 and 2 exposures within the Group's lending portfolios, emanating from a vendor model, we carried out the following substantive procedures:

- Performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Group's portfolio, risk profile, credit risk management practices and the macroeconomic environment.
- Tested a sample of exposures classified within the Local Corporate Lending portfolio, as well as syndicated facilities, to independently review the borrower's financial performance and ability to meet loan repayments, and assess the appropriateness of the internal credit rating assigned by management.
- Challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9 and tested assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage.
- Tested the completeness and accuracy of certain instrument-specific model data inputs utilised within the models for the purposes of the year end ECL calculation.
- Performed backtesting to obtain comfort on the level of ECL allowances for each specific portfolio by benchmarking ECL coverage against publicly available information for peer market participants as well as internal historical experience.
- Benchmarked LGDs estimated by the model in respect of exposures classified within the Factoring Receivables and Trade Finance portfolios, as well as syndicated facilities, against publicly available information reflecting the loss experience in the market for instruments with comparable seniority within a borrower's debt structure, as well as by comparing with internal historical experience.
- For exposures classified within the Local Corporate Lending portfolio, we tested

is assigned to each borrower. The rating scale to PD matrix is calibrated by reference to historical market default data sourced from external credit rating agencies. Accordingly, the Group's ECL model estimates TTC PDs at a borrower level by benchmarking model inputs against those attributable to peers with similar credit risk characteristics and operating in the same industry. TTC PDs are then adjusted using a macroeconomic modelling tool to first reflect current macroeconomic conditions (deriving an unconditional Point-in-Time or PiT PD) and then to simulate the PD under multiple macroeconomic forecasts developed by the external vendor (deriving a conditional PiT PD).

Similarly, the unsecured LGD is estimated at a facility level by benchmarking facility-specific model inputs against observed losses for facilities which are similar in nature. In this respect, the model is principally driven by the nature of the exposure (term vs. revolver), the relative ranking of the facility in the borrower's capital structure, the country and industry in which the borrower operates, together with the borrower-specific PD.

Secured loans and advances to customers are primarily secured by residential and/or commercial real estate, as well as cash pledges and, in the case of certain exposures within the Factoring Receivables portfolio, credit insurance cover purchased from foreign third party underwriters which provide cover in respect of losses up to a pre-determined percentage of each eligible receivable. In this respect, the secured LGD is derived through the application of adjustments to the unsecured LGD to reflect the collateral value after taking into consideration pre-determined haircuts.

The same macroeconomic modelling elements used to transform TTC PDs to PiT PDs are then used to convert the TTC LGDs to conditional PiT LGDs. In this regard, macroeconomic conditioning is applied to the LGD term structure through a modelled correlation between PD and LGD term structures.

Estimation uncertainty is particularly relevant in relation to the level of subjectivity and expert judgement required to develop macroeconomic forecasts to capture the potential movement in default levels and loss severities under multiple forward-looking scenarios. Specifically, the Group applies three macroeconomic scenarios to capture

the accuracy of property valuations against source data and assessed the reasonableness of market value haircuts used as inputs to modelled LGDs on a sample basis. We also tested the accuracy of the Group's data in respect of the status of perfection of collateral on a sample basis.

- For Factoring Receivables which are collateralised by credit insurance cover, we assessed the reasonableness of the LGD determined by reference to the terms of the credit insurance arrangement with third party underwriters.
- Performed a recalculation of the ECL for a sample of exposures across portfolios.
- For a sample of Factoring Receivables facilities which were past due by more than 90 days as at 31 December 2024, performed procedures to assess the recoverability of such exposures.
- Assessed the reasonableness of the multiple macroeconomic scenarios and variables. Specifically, we challenged the reasonableness of the severity of the multiple forward-looking macroeconomic scenarios used in the ECL calculation, as well as the appropriateness of the assigned probability weightings.

ECL calculation for defaulted exposures

For Stage 3 exposures, the appropriateness of provisioning methodologies and policies was independently assessed.

For Stage 3 loans, we performed tests of detail to review and challenge the Group's estimate of credit loss allowances, in light of the latest information on the borrower, together with the appropriateness of key parameters used. An independent view was formed on the level of credit loss allowances recorded based on the detailed loan and customer information available.

Substantive procedures were performed on defaulted exposures in respect of the estimation of the size of the respective ECL provisions, as follows:

the current economic environment, reflecting management's view of the range of potential outcomes. In this respect, the current economic conditions induce additional elements of complexity in determining the severity and likelihood of macroeconomic forecasts used in the Group's ECL calculation across different countries and the extent to which these potential scenarios will impact PiT PD and LGD parameters.

Staging is determined based on a combination of quantitative and qualitative criteria.

Quantitative criteria comprise a comparison of model-calculated PDs/implied ratings as at reporting date with the calculated PDs/implied ratings upon origination.

For exposures classified within the Local Corporate Lending portfolio as well as syndicated and shipping finance facilities, qualitative criteria for staging purposes are based on aspects such as the regular monitoring of the financial performance of borrowers and developments affecting the borrowers' future abilities to repay.

Factoring receivables and Trade Finance facilities are not managed on a credit by credit basis due to the high volume of homogeneous exposures. In this respect, the Group's internal credit risk management framework designed to identify Significant Increase in Credit Risk ('SICR') and Unlikelihood-to-Pay ('UTP') events in respect of such exposures is primarily based on delinquency.

The Group applies a set of SICR and UTP criteria to determine staging on a qualitative basis, which require a significant element of judgement.

For loans which are classified as Stage 3 (defaulted) exposures, judgement is required to estimate the expected future cash flows related to that loan. In this regard, the ECL calculation for defaulted exposures is driven by a process based on an internally developed discounted cash flow methodology.

The measurement of ECLs for Stage 3 exposures is therefore dependent on parameters and assumptions including the estimation of cash flows under multiple scenarios, the determination of borrower-specific discount rates, and the weighting assigned to each scenario.

Estimated future cash flows are generally based on parameters or assumptions around borrowers' operating cash flows, judgements around the possible outcome of litigation and/or liquidation

- Reviewed the credit files of loans and advances classified within stage 3 to understand the latest developments at the level of the borrower and the basis of measuring the ECL provisions and considered whether key judgements (such as the appropriateness of the timing and level of expected cash flows by reference to the current status of litigation / liquidation proceedings) were appropriate given the borrowers' circumstances.
- Assessed the discount rate used to determine the present value of discounted cash flows.
- Challenged the appropriateness of the Group's methodology in respect of scenarios applied for the exposures referred to above, particularly in respect of the extent to which the Group considers multiple scenarios in determining the recoverability of stage 3 loans, by forming an independent view of the recoverability of stage 3 loans under different scenarios.
- Tested the accuracy of key inputs and reperformed the impairment calculation used to derive expected cash flows under different scenarios.
- Reviewed the perfection of collateral in line with the Group's policy, where the exposure is secured by immovable property.

Based on the evidence obtained, we formed a different view from that of management on the level of credit loss allowances recorded by management in respect of defaulted and non-defaulted exposures, but in our view the differences were within a reasonable range of outcomes.

proceedings and out-of-court settlements, and recoveries through the sale or repossession of collateral to determine a probability weighted recoverable amount of the loan.

In view of the above matters, the risk of misstatement in the estimation of ECLs in respect of Stage 3 loans and advances to customers, which is subjective in nature and inherently judgemental in respect of both timing of recognition of impairment and the estimation of the size of any such impairment, remains high.

Accordingly, summarising the key areas relevant to the Group's measurement of ECLs would include:

- Allocation of exposures to stage 1, 2, or 3 using criteria in accordance with IFRS 9;
- Accounting interpretations and modelling assumptions used to build the models that calculate the ECL;
- Completeness and accuracy of data used to calculate the ECL;
- Inputs and assumptions used to estimate the impact of multiple macroeconomic scenarios; and
- Measurements of individually assessed provisions including the assessment of multiple scenarios.

Relevant references in the Annual Report and Financial Statements:

- Material accounting policies: Note 3.9;
- Note on Net movement in expected credit losses and other credit impairment charges: Note 4;
- Credit risk: Note 4.2; and
- Note on Loans and advances to customers: Note 22.

Valuation of the Group's trading assets measured at fair value

At 31 December 2024, the Group's assets included trading assets measured at fair value through profit or loss amounting to USD274.7 million. These assets are not actively traded and, as such, are not quoted in an established market.

The fair valuation of trading assets is determined through the application of an internally developed valuation model that involves the exercise of judgement and the use of assumptions based on limited observable market data.

Key inputs used in the valuation methodology to discount expected future cash flows comprise:

- instrument specific characteristics used to determine credit spreads, including counterparty creditworthiness and transaction currency; and
- market risk-free rates determined by reference to contractual terms as well as interest rates observed in the market at reporting date.

The Group's trading assets are classified as Level 3 instruments in the fair value hierarchy given that their fair value is determined by reference to significant unobservable inputs.

In this respect, the valuation of trading assets is deemed to represent a key audit matter.

Relevant references in the Annual Report and Financial Statements:

- Material accounting policies: Note 3.9; and
- Note on Trading assets: Note 20.

We involved our valuation experts, as appropriate, in performing our procedures in relation to the trading assets. As part of those procedures:

- we evaluated the appropriateness of the valuation methodology used by the Group to determine the fair value of the trading assets;
- we assessed the reasonableness of discount rates applied in the internally developed discounted cash flow model to determine the fair value of trading assets at reporting date. Specifically:
 - we assessed whether the instrument-specific credit spreads were within an appropriate range by reference to movements in instrument-specific external ratings (where available) and country external ratings on a sample basis;
 - we tested the appropriateness of market risk-free rates applied by the Group for the determination of discount rates to be used for the fair valuation of trading assets at reporting date across the portfolio; and
- we tested the accuracy of inputs used in the discounted cash flow model at reporting date for a sample of assets by agreeing key inputs to contractual agreements; and
- we determined the fair value of a sample of trading assets independently by reference to the discount rates assessed as outlined previously.

In addition to the above, we also:

- assessed the reasonableness of the Group's valuation methodology by performing backtesting by reference to realised gains or losses on disposals of trading assets during the financial year ended 31 December 2024; and
- recomputed realised fair value gains/losses for a sample of disposals.

We also reviewed the appropriateness of the disclosures in respect of fair values of the trading assets in accordance with the requirements of IFRS 13.

Based on the work performed, the valuation methodology as well as the assumptions and inputs used in the fair valuation of trading assets appear to be reasonable. In addition, the related disclosures are deemed to be appropriate.

Recoverability of deferred tax assets of the Group and Bank

At 31 December 2024, the Group and Bank had recognised deferred tax assets amounting to USD15.7 million and USD15.0 million respectively. The deferred tax assets are predominantly related to unutilised tax losses attributable to the Bank and one of its subsidiaries, India Factoring and Finance Solutions Private Ltd.

In accordance with the requirements of IFRSs as adopted by the EU, deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available, against which these tax benefits can be utilised. The recognition of deferred tax assets therefore requires significant judgement in estimating future taxable profits based on profit forecasts drawn up by management at the reporting date. The amount of deferred tax assets recognised in the financial statements is expected to be recovered within the foreseeable future.

Such estimation uncertainty might lead to material differences between the projected period for utilisation of tax losses compared to actual timing of utilisation. In this respect, this area has been deemed to represent a key audit matter.

Relevant references in the Annual Report and Financial Statements:

- Material accounting policies: Note 3.8;
- Note on Taxation: Note 16; and
- Note on Deferred taxation: Note 31.

As part of our audit procedures:

- we reviewed the profitability projections prepared by management and evaluated the assumptions utilised in the preparation of taxable profit forecasts at the reporting date with reference to our understanding of the Group's and Bank's business, historical trends, and relevant documentation on the Group's and Bank's business strategy over the foreseeable future;
- we reviewed the computation of taxable profits within the projections on the basis of tax laws (and tax rates) enacted by the reporting date and the expected utilisation of tax losses, and assessed whether these tax losses are expected to be utilised within a reasonable timeframe; and
- we evaluated the adequacy of disclosures made in Notes 16 and 31 to the financial statements, including those regarding key assumptions.

Based on the work performed, the carrying amount of deferred tax assets, as well as the related disclosures, appear to be consistent with the explanations and evidence obtained.

How we tailored our group audit scope

The Group is composed of six components: FIMBank p.l.c. (the "Parent Company" or "Bank"), and its subsidiaries FIM Property Investment Limited, London Forfaiting Company Limited, FIMFactors B.V. (and its subsidiary India Factoring and Finance Solutions (Private) Limited) and The Egyptian Company for Factoring S.A.E., which are determined to be financially significant entities.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group auditor carried out a full scope audit on the Bank and an audit of selected financial statement line items within the financial statements of one of the Bank's subsidiaries located in Malta, namely FIM Property Investment Limited.

The financial statements of London Forfaiting Company Limited, FIMFactors B.V. (and its subsidiary India Factoring and Finance Solutions (Private) Limited) and The Egyptian Company for Factoring S.A.E. (the

remaining subsidiaries within the Group), predominantly based in the United Kingdom, India and Egypt respectively, were audited by component auditors. In this respect, we issued instructions to the component auditors auditing these three components.

In establishing the overall audit approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group auditor, or by component auditors. For the work performed by component auditors operating under our instructions, we determined the level of involvement we needed to have in the audit work at those locations to be satisfied that sufficient audit evidence had been obtained for the purposes of our opinion. We ensured that our involvement in the work of other auditors, together with the additional procedures performed at the Group level, were sufficient to allow us to conclude on our opinion on the Group's consolidated financial statements as a whole.

The audit engagement team of the Group performed all of this work by applying the overall materiality at the level of the Group's consolidated financial statements, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the consolidated financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises all of the information presented in the *Annual Report and Financial Statements 2024* (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386), and 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 Group's and the Bank'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 Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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.
- 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 Group's and the Bank'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 Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group or the Bank 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 safeguards applied.

From the matters communicated with those charged with governance, 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 auditor's 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.

Report on other legal and regulatory requirements

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the “ESEF RTS”), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the “ESEF Directive 6”) on the Annual Financial Report of FIMBank p.l.c. for the year ended 31 December 2024, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the Annual Financial Report, including the consolidated financial statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the consolidated financial statements and the relevant electronic tagging therein, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS.
- Obtaining the Annual Financial Report and performing validations to determine whether the Annual Financial Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the Annual Financial Report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Annual Financial Report for the year ended 31 December 2024 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Other reporting requirements

The *Annual Financial Report and Financial Statements 2024* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Financial Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the <i>Annual Financial Report and Financial Statements 2024</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Bank and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: - the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and - the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.

Statement of compliance with the principles of good corporate governance The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the Bank has complied with the provisions of the Code, presenting the extent to which the Bank has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.	We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements. We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Bank's corporate governance procedures or its risk and control procedures.	In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.
Remuneration report The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Capital Markets Rules.	We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Capital Markets Rules, has been included.	In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.

	Other matters prescribed by the Maltese Banking Act (Cap. 371) In terms of the requirements of the Maltese Banking Act (Cap. 371), we are also required to report whether: • 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 of those books; • the Bank's financial statements are in agreement with the books of account; • in our opinion, and to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by any law which may from time to time be in force in the manner so required.	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 of those books; • the Bank's financial statements are in agreement with the books of account; and • to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by any law in force in the manner so required.
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.	We have nothing to report to you in respect of these responsibilities.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Bank's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Group and Bank on 17 January 2024. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 2 years.

Fabio Axisa
Principal

For and on behalf of
PricewaterhouseCoopers
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Malta

9 April 2025