

**FIMBANK**

## **COMPANY ANNOUNCEMENT**

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

*Quote*

The Board of Directors of FIMBank met in London on 5 August 2014, to approve the Consolidated and the Bank's Interim Financial Statements for the six months ended 30 June 2014.

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

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

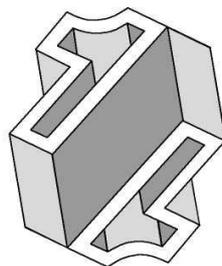
*Unquote*

**Andrea Batelli**  
**Company Secretary**

6 August 2014

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**FIMBANK**

condensed interim  
financial statements  
2014

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# directors' report pursuant to listing rule 5.75.2

For the six months ended 30 June 2014

The Directors ("Board" or "Directors") are pleased to issue their Report pursuant to the Malta Financial Services Authority Listing Rules and the Prevention of Financial Markets Abuse Act, 2005. This Report, which shall be read in conjunction with the condensed interim financial statements of the Group and the Bank for the six months ended 30 June 2014, including the Notes thereto, forms part of the Half-Yearly Report of FIMBank p.l.c., drawn up in accordance with the requirements of Listing Rule 5.75.2.

## principal activities and developments

The FIMBank Group of Companies (the "Group") includes FIMBank p.l.c. (the "Bank"), and its wholly owned subsidiaries London Forfaiting Company Limited ("LFC"), FIM Business Solutions Limited ("FBS"), FIM Property Investment Limited ("FPI") and FIMFactors B.V. ("FIMFactors"). LFC, in turn, is the parent company of a group of subsidiaries, incorporated in various jurisdictions but acting mainly as marketing offices, whilst FIMFactors has a controlling interest in Menafactors Limited ("Menafactors" – 100% shareholding), and during the period ended 30 June 2014 acquired control of CIS Factors Holdings B.V. ("CIS Factors" – 80% shareholding) and India Factoring and Finance Solutions Limited ("India Factoring" – 79% shareholding).

The Bank is a public limited company incorporated in accordance with the laws of Malta and listed on the Malta Stock Exchange. It is a licensed credit institution under the Banking Act, 1994 and its principal activities are the provision of international trade finance services to corporate traders and financial institutions, international banking transactions, factoring and loan syndications.

LFC is registered in the United Kingdom as a private limited liability company. It was founded in 1984 and provides international trade finance services, particularly focusing on forfaiting business through an international network of offices – some of which have a distinct legal status in the jurisdictions where they operate.

FBS, a wholly owned subsidiary registered in Malta, focuses on the provision of information technology services to the Group and its associated companies as well as to correspondent banks. FPI, a wholly owned subsidiary registered in Malta, is responsible for the day-to-day management of the FIMBank Head Office building in St. Julian's, Malta, and the leasing, if any, of office space to third parties.

FIMFactors, a wholly owned subsidiary registered in the Netherlands, serves as a corporate vehicle for FIMBank's holdings in factoring subsidiaries and associated companies. Menafactors is licensed by the Dubai Financial Services Authority to provide international factoring and forfaiting services in the Gulf and MENA countries. CIS Factors is a company set up under the laws of the Netherlands and serves as the investment vehicle for a factoring company, FactorRus, incorporated under the laws of the Russian Federation and which provides factoring services in Russia. India Factoring is a company incorporated in Mumbai, India, to carry out the business of factoring, forfaiting and trade finance related activities in India.

FIMFactors also holds the following equity interests of the Group:

- a) 40% in BRASILFactors S.A. ("Brasilfactors"), a company incorporated in São Paulo, Brazil with its core business focused on factoring and forfaiting services targeting small and medium-sized companies; and
- b) 50% in Levant Factors S.A.E., through Menafactors, a company incorporated in Lebanon providing factoring and trade finance related services.

The Bank also holds a 40% equity investment in The Egyptian Company for Factoring SAE ("Egypt Factors") a company incorporated in Egypt, which is active in providing international factoring and forfaiting services to Egyptian companies.

The Group is supervised on a solo and consolidated basis by the Malta Financial Services Authority. Menafactors and FIMBank's Branch in Dubai are authorised and regulated by the Dubai Financial Services Authority whilst India Factoring is licensed and regulated by the Reserve Bank of India.

During the period under review the Bank obtained authorisation to conduct the business of a credit institution in Greece under the freedom of services and establishments. Procedures were also started to obtain authorisation to open a representative office in the Swiss Federation.

## salient developments

While forecasting global trade to grow by around 5% for both 2014 and 2015, reversing the trend of the previous two years and matching the historical 30-year average for 1983-2013, the WTO warned that the positive uptick in trade flows could be put at risk by the onset of geopolitical tensions, conflicts and territorial disputes. Such events have indeed been characterizing parts of the Middle East, Asia, Eastern Europe and Africa over the past months and the concern that they could provoke higher energy and commodity prices and disrupt trade flows if they escalate is a real one. In the emerging economies, China and other East Asian economies have been the strongest performers during the period under review while others like Turkey, Russia, Brazil, India and Egypt lag behind in that order and still create some downside risks. On the other hand developed countries are becoming increasingly stable as the EU continued to show signs of resilience fuelled also by improving performance of the weaker members.

In this mixed context which saw overall global activity strengthening in the first half of 2014, FIMBank Group enjoyed growth in business, opportunities and operating profitability but suffered again in some of its key markets due to the economic downturns and generally difficult market conditions. This was especially the case for its offering of products, such as factoring, through its equity investments in India, Russia and Egypt where the entities concerned also under-performed. LFC saw its profits strengthening during the period under review, a result of improved operating performance and much reduced fair value adjustments on its portfolio when compared to 2013. Menafactors also continued to make a consistent and meaningful contribution to the Group results. Against this challenging background, FIMBank strengthened its integration with its principal shareholders, United Gulf Bank and Burgan Bank, part of KIPCO Group, now quite evident not only in terms of equity involvement but also funding and treasury support.

In summary, the period under review is marked by good operating results from FIMBank, LFC and Menafactors which are contrasted by impairments that are particularly evident in India Factoring, FactorRus and Egypt Factors.

## review of performance

The condensed interim financial statements have been prepared in accordance with EU adopted IAS 34 Interim Financial Reporting. These published figures have been extracted from the FIMBank p.l.c. Group's unaudited accounts for the six months ended 30 June 2014 as approved by the Board of Directors on 5 August 2014.

For the six months ended 30 June 2014, the FIMBank Group posted an after-tax profit of USD1.45 million compared to a loss of USD6.98 million registered for the same period in 2013. The Directors do not recommend the payment of an interim dividend for the period under review.

## income statement

The results for the period under review are summarised in the table below which should be read in conjunction with the explanatory commentary that follows:

	Group		
	2014	2013	Movement
	USD	USD	USD
Net interest income	14,546,910	7,374,744	7,172,166
Net fee and commission income	11,570,586	10,759,150	811,436
Net results from foreign currency operations	1,115,845	1,178,037	(62,192)
Other operating income	63,761	3,927	59,834
Net operating results	27,297,102	19,315,858	7,981,244
Net fair value gains on previously-held investments in associates	7,831,610	-	7,831,610
Net impairment losses	(10,191,823)	(1,812,340)	(8,379,483)
Net losses from trading assets and other financial instruments	(2,106,517)	(8,316,743)	6,210,226
Share of loss of equity accounted investees	(2,918,103)	(2,495,274)	(422,829)
Net income	19,912,269	6,691,501	13,220,768
Operating expenses	(20,254,523)	(14,182,259)	(6,072,264)
Loss before income tax	(342,254)	(7,490,758)	7,148,504
Taxation	1,797,171	510,080	1,287,091
Profit/(loss) for the period	1,454,917	(6,980,678)	8,435,595

The results for the six months under review include the post-acquisition performance of India Factoring and CIS Factors/FactorRus (see Notes 7, 9, 10 and 11).

Prior to impairment losses, marked-to-market adjustments and share of equity results, the Group improved its operating performance by 41%, from USD19.32 million to USD27.30 million. Net Interest Income almost doubled to USD14.55 million mainly as a result of lower cost of funding, higher volumes for funded business and the inclusion of results from India and Russia. Net Fee and Commission Income increased by 8% to USD11.57 million, aided by improved business volumes across all Group companies.

During the period under review, the Group is recognising a one-off net fair value gain of USD7.83 million on the re-measurement to fair value of the 49% and 30% interest previously held in India Factoring and FactorRus respectively. As further disclosed in the Notes 7, 10 and 11, if new information obtained within one year of the acquisition date identifies adjustments to the implied fair values of these entities on acquisition date, the accounting for the acquisition will be revised retrospectively, including a possible impact to the fair value gains and losses.

Net impairment losses increased from USD1.81 million to USD10.19 million. This result is largely attributed to specific impairment charges taken in the Russia and India entities which reflect particular recoverability difficulties in both markets attributable to a combination of worsening credit outlooks on specific assets and challenging economic outlook experienced in the local market.

Net losses from trading assets and other financial instruments resulted in a loss of USD2.11 million, compared to a loss of USD8.32 million in 2013. This negative performance is attributed to two factors namely a) a net loss of USD2.26 million on the Group's forfeiting book, which loss mainly represents unrealised marked-to-market adjustments on specific distressed assets and b) a net gain of USD0.15 million on the Group's credit linked notes, which gain is fully attributable to marked-to-market adjustments on the remaining notes held in the book.

The Group's factoring entities accounted through the equity method yielded a net share of loss of USD2.90 million compared to a net loss of USD2.50 million in 2013. These results include the share of losses for India and Russia up to acquisition date as well as the results from the other investments in Egypt, Brazil and Lebanon. The worsening result is broadly attributable to the Egypt and Russia entities, with both performances impacted by specific provisions on assets with a worsening credit assessment.

Operating expenses for the six months under review increased by 43% from USD14.18 million in 2013 to USD20.25 million, reflecting the inclusion of the India and Russia entities as well as increases to staff and operating costs.

## financial position

At 30 June 2014, total Consolidated Assets stood at USD1.33 billion, reflecting a 7% increase to the USD1.24 billion reported at end 2013. The main increase is attributable of USD120 million is attributable to the India and Russia factoring portfolios which are now consolidated on a line-by-line basis. The Group's exposure to Malta Government Treasury Bills also increased by USD46 million, from USD62 million to USD108 million reflecting the Group's ongoing strategy to optimise its liquidity management and short term yields. As a result, Loans and Advances to Banks decreased by 31% to broadly mirror the shift from bank deposits to treasury bills. During the period under review the Group also booked Goodwill of USD22.5 million arising on the acquisition of India Factoring and CIS Factors.

Total Consolidated Liabilities as at 30 June 2014 stood at USD1.12 billion, 3% above the USD1.09 billion in December 2013. The increase is mainly attributable to third-party funding of portfolio by India Factoring, compensated by lower bank deposits from Bank Solo.

Group Equity as at Financial Reporting date stood at USD201 million, a 35% increase from the USD149 million at 31 December 2013. This increase is broadly reflecting the proceeds from the Rights Issue (see Notes 13 and 15), which at 30 June 2014 were recorded under "Other Reserves" as well as the reversal of Currency Translation differences arising on the previously held investment in India and Russia.

## changes to controlling shareholding

As anticipated in the 2013 Annual Report and Audited Financial Statements, during the period under review United Gulf Bank B.S.C. ("UGB") of Bahrain and Burgan Bank S.A.K ("Burgan Bank") of Kuwait acquired control of the Group. The two entities are in turn ultimately controlled by Kuwait Investments Projects (Holding) ("KIPCO"). UGB is licensed and supervised by the Central Bank of Bahrain whilst Burgan is licensed and supervised by the Central Bank of Kuwait.

On 28 January 2014 FIMBank announced that as a result of a joint voluntary bid launched by Burgan Bank and UGB the two entities increased their aggregate shareholding in the Bank to 80.14%, held by UGB as to 60.6% and Burgan Bank as to 19.5% respectively.

Subsequently on 3 June 2014, the Bank published a prospectus for a 16:41 Rights Issue of 77,009,494 new Ordinary Shares at USD0.65 per

New Ordinary Share. The Rights Issue closed on 25 June 2014 but lapsed rights were subject to an Intermediaries' Offer and any remaining untaken rights were underwritten, up to a maximum of USD5 million, by Tunis International Bank S.A. , a member of the KIPCO Group.

As a result of the Rights Issue (and taking into effect the dilution arising from the execution of Share Options during the period up to 30 June 2014), shareholders holding 5% or more of the Issued Share Capital as at 30 June 2014 and their respective holdings at 31 July 2014 are as follows:

	At 30 June 2014		At 31 July 2014	
	Number of Shares	Percentage Holding	Number of Shares	Percentage Holding
United Gulf Bank B.S.C.	119,476,459	60.5	166,101,419	61.2
Burgan Bank S.A.K.	38,500,000	19.5	53,524,391	19.7

## annual general meeting 2014

The Bank convened its Annual General Meeting on 8 May 2014. Along with the statutory Ordinary Resolutions, the Meeting approved a Resolution presented two resolutions as special business namely (a) a Bonus Issue of Shares and (b) the approval of a Rights Issue and Directors' Authority to issue Equity Securities. The meeting also approved three Extraordinary Resolutions namely (a) Directors' Authority to Restrict or Withdraw pre-emption rights, (b) amendments to Executive Share Option Scheme Rules and (c) amendments to the Memorandum and Articles of Association of the Bank. The Board composition following the Annual General Meeting is as follows:

John C. Grech (*Chairman*)  
 Masaud M. J. Hayat (*Vice Chairman*)  
 Majed Essa Al-Ajeel  
 Eduardo Eguren Linsen  
 Adrian Alejandro Gostuski  
 Rogers David LeBaron  
 Fakh Ahmed Mohamed  
 Rabih Soukarieh

## related party transactions

Consistent with the 2013 Annual Report and Audited Financial Statements, the Bank maintained a related party relationship with its subsidiaries, associates, shareholders, directors and executive officers. In particular, the following related party balances and/or transactions were undertaken during the period under review:

1. "Loans and Advances to Subsidiaries" at 30 June 2014 amounted to USD266 million (31 December 2013: USD231 million). Interest earned from subsidiaries for the six months ended 30 June 2014 amounted to USD2.79 million (six months ended 30 June 2013: USD2.49 million).
2. "Amounts owed to Banks" at 30 June 2014 include loan funding of USD165 million (31 December 2013: USD150 million) from Burgan Bank S.A.K. and USD10 million (31 December 2013: Nil) from United Gulf Bank. Interest paid on this funding for the six months ended 30 June 2014 amounted to USD1.85 million (30 June 2013: Nil).
3. No dividend was received by the Bank from any of its subsidiary undertakings or equity accounted investees (six months ended 30 June 2014: NIL).

Related party transactions with shareholders and directors were undertaken in the ordinary course of business.

Related party transactions carried out by the Bank and its wholly owned subsidiaries are reported to the Audit Committee which reviews them and assesses their nature and arm's-length consideration. This responsibility arises from the Committee's Charter, which is drafted in accordance with the listing rules as well as current best recommendations and practices of good corporate governance.

## the second half of 2014

By assuming majority control in FactorRus and India Factoring, the Group is consolidating its position in these entities and in markets which are important to the development of its factoring strategy. India in particular shows positive signs following the change of government with substantial growth upside while markets like Russia and Egypt are the ones where downside risks remain a concern, primarily because of geopolitical uncertainty leading to economic difficulties. The lack of robust momentum in advanced economies and less optimistic outlook for several emerging markets are marking down the global growth projections for the rest of 2014 and also longer. In this challenging environment, the Group reaffirms its intent to step up recovery efforts over impairments which have marked its performance since 2013 and will continue to guard and monitor to limit further similar events going forward. It is encouraged in this process by the support of its shareholders, manifested so strongly in the recent Rights Issue that generated \$48 million of new equity. This support serves as a platform which should significantly lift FIMBank's capability to do more business and create future opportunities for profit.

Approved by the Board on 5 August 2014 and signed on its behalf by:



John C. Grech  
Chairman



Masaud M. J. Hayat  
Vice Chairman

# condensed interim statements of financial position

At 30 June 2014

	Note	Group		Bank	
		30 Jun 14 USD	31 Dec 13 USD	30 Jun 14 USD	31 Dec 13 USD
<b>ASSETS</b>					
Balances with the Central Bank of Malta, Treasury Bills and cash		115,867,680	69,707,225	115,849,203	69,680,966
Trading assets		284,340,656	272,831,977	-	-
Derivative assets held for risk management		617,508	828,234	729,277	883,480
Financial assets designated at fair value through profit or loss		18,000,000	17,700,000	18,000,000	17,700,000
Loans and advances to banks		232,487,850	337,975,471	216,326,977	328,578,318
Loans and advances to customers		537,085,397	417,469,537	629,376,183	593,801,221
Investments available-for-sale		31,824,021	26,476,204	31,822,737	26,475,502
Investments held-to-maturity		6,947,459	6,783,621	6,947,459	6,783,621
Investments in equity accounted investees	9	2,767,143	22,276,790	6,013,425	6,013,425
Investments in subsidiaries	10	-	-	97,844,348	79,234,301
Property and equipment		38,854,061	39,006,893	2,286,042	2,070,762
Intangible assets and goodwill	11	24,150,003	1,342,722	1,035,499	715,513
Current tax assets		55,593	2,064,313	55,593	2,064,316
Deferred taxation		23,345,629	13,243,752	6,218,600	6,494,506
Other assets		4,009,805	4,992,409	2,610,780	3,984,761
Prepayments and accrued income		6,998,348	3,067,655	8,617,468	2,635,135
<b>Total assets</b>		<b>1,327,351,153</b>	<b>1,235,766,803</b>	<b>1,143,733,591</b>	<b>1,147,115,827</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Derivative liabilities held for risk management		591,351	506,477	591,351	506,477
Amounts owed to banks		635,045,068	603,452,860	535,104,100	593,551,588
Amounts owed to customers		433,946,138	431,686,766	415,291,562	414,846,277
Debt securities in issue	12	26,057,730	35,498,006	-	-
Current tax liabilities		908,451	-	-	-
Provisions		1,347,349	1,360,910	-	-
Other liabilities		10,324,963	368,017	10,324,963	368,015
Accruals and deferred income		15,989,130	14,137,625	4,967,022	5,039,952
<b>Total liabilities</b>		<b>1,124,210,180</b>	<b>1,087,010,661</b>	<b>966,278,998</b>	<b>1,014,312,309</b>
<b>Equity</b>					
Called up share capital	13	98,667,853	89,599,085	98,667,853	89,599,085
Share premium	13	10,905,687	19,820,564	10,905,687	19,820,564
Reserve for general banking risks		109,074	80,893	109,074	80,893
Currency translation reserve		(720,152)	(6,397,892)	-	-
Fair value reserve		671,761	159,362	671,761	159,362
Other reserves	13	45,653,128	2,681,041	45,653,128	2,681,041
Retained earnings		45,706,750	42,813,089	21,447,090	20,462,573
<b>Total equity attributable to equity holders of the Bank</b>		<b>200,994,101</b>	<b>148,756,142</b>	<b>177,454,593</b>	<b>132,803,518</b>
Non-controlling interests		2,146,872	-	-	-
<b>Total equity</b>		<b>203,140,973</b>	<b>148,756,142</b>	<b>177,454,593</b>	<b>132,803,518</b>
<b>Total liabilities and equity</b>		<b>1,327,351,153</b>	<b>1,235,766,803</b>	<b>1,143,733,591</b>	<b>1,147,115,827</b>

# condensed interim statements of financial position

At 30 June 2014

	Group		Bank	
	30 Jun 14 USD	31 Dec 13 USD	30 Jun 14 USD	31 Dec 13 USD
<b>MEMORANDUM ITEMS</b>				
<b>Contingent liabilities</b>	<b>25,137,412</b>	25,658,655	<b>45,547,405</b>	61,549,236
<b>Commitments</b>	<b>284,776,985</b>	269,423,193	<b>276,509,200</b>	237,393,657

The condensed interim financial statements set out on pages 7 to 32 were approved by the Board of Directors on 5 August 2014 and were signed on its behalf by:



John C. Grech  
Chairman



Masaud M. J. Hayat  
Vice Chairman

# condensed interim statements of changes in equity

For the six months ended 30 June 2014

Group

	Attributable to equity shareholders of the Bank							Total equity USD	Non-controlling interests USD	Total equity USD
	Share capital USD	Share premium USD	Reserve for general banking risk	Currency translation reserve USD	Fair value reserve USD	Other reserve USD	Retained earnings USD			
<b>At 1 January 2014</b>	<b>89,599,085</b>	<b>19,820,564</b>	<b>80,893</b>	<b>(6,397,892)</b>	<b>159,362</b>	<b>2,681,041</b>	<b>42,813,089</b>	<b>148,756,142</b>	-	<b>148,756,142</b>
<i>Total comprehensive income for the period</i>										
Profit for the period	-	-	-	-	-	-	2,921,842	2,921,842	(1,466,925)	1,454,917
<i>Other comprehensive income</i>										
Change in fair value of available-for-sale assets	-	-	-	-	512,399	-	-	512,399	-	512,399
Currency translation reserve	-	-	-	5,677,740	-	-	-	5,677,740	(9,741)	5,667,999
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,677,740</b>	<b>512,399</b>	<b>-</b>	<b>2,921,842</b>	<b>9,111,981</b>	<b>(1,476,666)</b>	<b>7,635,315</b>
<i>Transactions with owners, recorded directly in equity</i>										
Bonus issue of shares	8,969,968	(8,969,968)	-	-	-	-	-	-	-	-
Exercise of share options	98,800	55,091	-	-	-	-	-	153,891	-	153,891
Shareholders' contribution, pending allotment of Rights Issue shares	-	-	-	-	-	42,972,087	-	42,972,087	-	42,972,087
<b>Total contributions by and distributions</b>	<b>9,068,768</b>	<b>(8,914,877)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,972,087</b>	<b>-</b>	<b>43,125,978</b>	<b>-</b>	<b>43,125,978</b>
<i>Changes in ownership interests</i>										
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	-	3,623,538	3,623,538
<b>Total changes in ownership interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,623,538</b>	<b>3,623,538</b>
<b>Total transactions with owners</b>	<b>9,068,768</b>	<b>(8,914,877)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,972,087</b>	<b>-</b>	<b>43,125,978</b>	<b>3,623,538</b>	<b>46,749,516</b>
Transfer to reserve for general banking risks	-	-	28,181	-	-	-	(28,181)	-	-	-
<b>At 30 June 2014</b>	<b>98,667,853</b>	<b>10,905,687</b>	<b>109,074</b>	<b>(720,152)</b>	<b>671,761</b>	<b>45,653,128</b>	<b>45,706,750</b>	<b>200,994,101</b>	<b>2,146,872</b>	<b>203,140,973</b>

# condensed interim statements of changes in equity

For the six months ended 30 June 2014

Group

	Attributable to equity shareholders of the Bank								Non-controlling interests USD	Total equity USD
	Share capital USD	Share premium USD	Reserve for general banking risk	Currency translation reserve USD	Fair value reserve USD	Other reserve USD	Retained earnings USD	Total USD		
<b>At 1 January 2013</b>	<b>71,471,801</b>	<b>8,028,945</b>	-	<b>(3,832,562)</b>	<b>(97,470)</b>	<b>10,463,255</b>	<b>44,606,297</b>	<b>130,640,266</b>	-	<b>130,640,266</b>
<i>Total comprehensive income for the period</i>										
Transfer to retained earnings	-	-	-	-	-	(892,201)	892,201	-	-	-
Loss for the period	-	-	-	-	-	-	(6,980,678)	(6,980,678)	-	(6,980,678)
<i>Other comprehensive income</i>										
Currency translation reserve	-	-	-	(1,847,610)	-	-	-	(1,847,610)	-	(1,847,610)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,847,610)</b>	<b>-</b>	<b>(892,201)</b>	<b>(6,088,477)</b>	<b>(8,828,288)</b>	<b>-</b>	<b>(8,828,288)</b>
<i>Transactions with owners, recorded directly in equity</i>										
Dividends to equity holders	-	-	-	-	-	-	(5,279,120)	(5,279,120)	-	(5,279,120)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,279,120)</b>	<b>(5,279,120)</b>	<b>-</b>	<b>(5,279,120)</b>
<b>At 30 June 2013</b>	<b>71,471,801</b>	<b>8,028,945</b>	-	<b>(5,680,172)</b>	<b>(97,470)</b>	<b>9,571,054</b>	<b>33,238,700</b>	<b>116,532,858</b>	-	<b>116,532,858</b>

# condensed interim statements of changes in equity

For the six months ended 30 June 2014

Bank

	Share capital USD	Share premium USD	Reserve for general banking risks USD	Fair value reserve USD	Other reserve USD	Retained earnings USD	Total USD
<b>At 1 January 2014</b>	<b>89,599,085</b>	<b>19,820,564</b>	<b>80,893</b>	<b>159,362</b>	<b>2,681,041</b>	<b>20,462,573</b>	<b>132,803,518</b>
<i>Total comprehensive income for the period</i>							
Profit for the period	-	-	-	-	-	1,012,698	1,012,698
<i>Other comprehensive income</i>							
Change in fair value of available-for-sale assets	-	-	-	512,399	-	-	512,399
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>512,399</b>	<b>-</b>	<b>1,012,698</b>	<b>1,525,097</b>
<i>Transactions with owners, recorded directly in equity</i>							
Bonus issue of shares	8,969,968	(8,969,968)	-	-	-	-	-
Exercise of share options	98,800	55,091	-	-	-	-	153,891
Shareholders' contribution, pending allotment of Rights Issue shares	-	-	-	-	42,972,087	-	42,972,087
<b>Total contributions by and distributions to owners</b>	<b>9,068,768</b>	<b>(8,914,877)</b>	<b>-</b>	<b>-</b>	<b>42,972,087</b>	<b>-</b>	<b>43,125,978</b>
Transfer to reserve for general banking risks	-	-	28,181	-	-	(28,181)	-
<b>At 30 June 2014</b>	<b>98,667,853</b>	<b>10,905,687</b>	<b>109,074</b>	<b>671,761</b>	<b>45,653,128</b>	<b>21,447,090</b>	<b>177,454,593</b>

# condensed interim statements of changes in equity

For the six months ended 30 June 2014

Bank

	Share capital USD	Share premium USD	Reserve for general banking risks USD	Fair value reserve USD	Other reserve USD	Retained earnings USD	Total USD
<b>At 1 January 2013</b>	<b>71,471,801</b>	<b>8,028,945</b>	-	<b>(97,470)</b>	<b>2,681,041</b>	<b>28,653,355</b>	<b>110,737,672</b>
<i>Total comprehensive income for the period</i>							
Loss for the period	-	-	-	-	-	(1,146,445)	(1,146,445)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	<b>(1,146,445)</b>	<b>(1,146,445)</b>
<i>Transactions with owners, recorded directly in equity</i>							
Dividends to equity holders	-	-	-	-	-	(5,279,120)	(5,279,120)
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-	<b>(5,279,120)</b>	<b>(5,279,120)</b>
<b>At 30 June 2013</b>	<b>71,471,801</b>	<b>8,028,945</b>	-	<b>(97,470)</b>	<b>2,681,041</b>	<b>22,227,790</b>	<b>104,312,107</b>

# condensed interim income statements

For the six months ended 30 June 2014

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Interest income	24,840,240	17,302,736	14,133,043	12,155,708
Interest expense	(10,293,330)	(9,927,992)	(7,049,254)	(9,158,203)
<b>Net interest income</b>	<b>14,546,910</b>	<b>7,374,744</b>	<b>7,083,789</b>	<b>2,997,505</b>
Fee and commission income	13,506,443	11,822,055	8,266,120	7,566,523
Fee and commission expense	(1,935,857)	(1,062,905)	(1,107,626)	(583,599)
<b>Net fee and commission income</b>	<b>11,570,586</b>	<b>10,759,150</b>	<b>7,158,494</b>	<b>6,982,924</b>
Net trading results	(815,649)	(6,919,296)	1,179,755	717,721
Net (loss)/income from other financial instruments carried at fair value	(175,023)	(219,410)	150,907	(221,559)
Net fair value gain on previously-held investments in associates	7,831,610	-	-	-
Dividend income	-	691	-	691
Other operating income	63,760	3,236	8,214	7,245
<b>Operating income before net impairment losses</b>	<b>33,022,194</b>	<b>10,999,115</b>	<b>15,581,159</b>	<b>10,484,527</b>
Net impairment losses	(10,191,823)	(1,812,340)	(718,717)	(1,973,017)
<b>Operating income</b>	<b>22,830,371</b>	<b>9,186,775</b>	<b>14,862,442</b>	<b>8,511,510</b>
Administrative expenses	(18,919,498)	(13,151,849)	(12,831,881)	(9,795,033)
Depreciation and amortisation	(1,335,024)	(1,030,410)	(425,364)	(373,002)
<b>Total operating expenses</b>	<b>(20,254,522)</b>	<b>(14,182,259)</b>	<b>(13,257,245)</b>	<b>(10,168,035)</b>
<b>Operating profit/(loss)</b>	<b>2,575,849</b>	<b>(4,995,484)</b>	<b>1,605,197</b>	<b>(1,656,525)</b>
Share of loss of equity accounted investees (net of tax)	(2,918,103)	(2,495,274)	-	-
<b>(Loss)/profit before income tax</b>	<b>(342,254)</b>	<b>(7,490,758)</b>	<b>1,605,197</b>	<b>(1,656,525)</b>
Taxation	1,797,171	510,080	(592,499)	510,080
<b>Profit/(loss) for the period</b>	<b>1,454,917</b>	<b>(6,980,678)</b>	<b>1,012,698</b>	<b>(1,146,445)</b>
<b>Profit/(loss) attributable to:</b>				
Equity holders of the bank	2,921,842	(6,980,678)	1,012,698	(1,146,445)
Non- controlling interests	(1,466,925)	-	-	-
<b>Profit/(loss) for the period</b>	<b>1,454,917</b>	<b>(6,980,678)</b>	<b>1,012,698</b>	<b>(1,146,445)</b>
Basic earnings per share	1.59c	(4.88c)	0.55c	(0.80c)
Diluted earnings per share	1.58c	(4.87c)	0.55c	(0.80c)

# condensed interim statements of comprehensive income

For the six months ended 30 June 2014

	Group		Bank	
	2014	2013	2014	2013
	USD	USD	USD	USD
<b>Profit/(loss) for the period</b>	<b>1,454,917</b>	(6,980,678)	<b>1,012,698</b>	(1,146,445)
<b>Other comprehensive income:</b>				
<i>Items that are, or may be, reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operations:				
- reclassified to profit or loss	5,066,657	-	-	-
- other	611,083	(1,847,610)		
Fair value reserve (available-for-sale financial assets), net of deferred tax	512,399	-	512,399	-
<b>Total comprehensive income for the period</b>	<b>7,645,056</b>	(8,828,288)	<b>1,525,097</b>	(1,146,445)

# condensed interim statements of cash flows

For the six months ended 30 June 2014

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
<b>Cash flows from operating activities</b>				
Interest and commission receipts	34,953,031	24,409,990	16,166,036	15,045,678
Exchange received/(paid)	1,615,568	2,241,908	1,419,797	2,192,952
Interest and commission payments	(12,508,296)	(10,254,551)	(8,510,576)	(9,070,546)
Payments to employees and suppliers	(20,434,975)	(14,935,106)	(12,715,275)	(10,532,203)
Operating profit/(loss) before changes in operating assets / liabilities	3,625,328	1,462,241	(3,640,018)	(2,364,119)
(Increase)/decrease in operating assets:				
- Trading assets	(14,047,044)	200,949	-	-
- Financial assets at fair value through profit or loss	-	4,250,000	-	4,250,000
- Loans and advances to customers and banks	28,566,506	(33,986,181)	20,858,793	(27,424,678)
- Other assets	5,772,501	(5,003,265)	1,373,981	(4,619,600)
Increase/(decrease) in operating liabilities:				
- Amounts owed to customers and banks	15,583,817	22,487,919	38,714,306	29,984,328
- Other liabilities	9,956,949	(150,878)	9,956,949	(150,878)
- Net advances to subsidiary companies	-	-	(36,201,284)	(6,222,075)
Net cash flows (used in)/from operating activities before income tax	49,458,057	(10,739,215)	31,062,727	(6,547,022)
Income tax (paid)/refund	(337,585)	(259,438)	1,416,224	(259,438)
<b>Net cash flows (used in)/from operating activities</b>	<b>49,120,472</b>	<b>(10,998,653)</b>	<b>32,478,951</b>	<b>(6,806,460)</b>
<b>Cash flows from investing activities</b>				
- Acquisition of property and equipment	(652,683)	(1,660,864)	(546,070)	(244,830)
- Acquisition of intangible assets	(629,291)	(252,153)	(425,752)	(202,899)
- Acquisition of subsidiaries	(18,606,301)	-	(18,610,047)	-
- Acquisition of available-for-sale investments	(4,709,569)	-	(4,708,987)	-
- Proceeds from sale of property and equipment	19,404	7,245	19,404	7,245
- Dividend received	-	691	-	691
<b>Net cash flows used in investing activities</b>	<b>(24,578,440)</b>	<b>(1,905,081)</b>	<b>(24,271,452)</b>	<b>(439,793)</b>
<b>Cash flows from financing activities</b>				
- Proceeds from shareholders in lieu of new ordinary shares in process of allotment	42,972,087	-	42,972,087	-
- Proceeds from exercise of share options	153,891	-	153,891	-
- Repayment of subordinated convertible loan	-	(857,144)	-	(857,144)
- Net issue/(repayment) of debt securities	(9,440,276)	13,978,856	-	-
- Dividends paid	-	(5,279,120)	-	(5,279,120)
<b>Net cash flows from/(used in) financing activities</b>	<b>33,685,702</b>	<b>7,842,592</b>	<b>43,125,978</b>	<b>(6,136,264)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>58,227,734</b>	<b>(5,061,142)</b>	<b>51,333,477</b>	<b>(13,382,517)</b>
Analysed as follows:				
- Effect of exchange rate changes on cash and cash equivalents	77,763	(1,451,066)	77,763	(1,446,439)
- Net increase/(decrease) in cash and cash equivalents	58,149,971	(3,610,076)	51,255,714	(11,936,078)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>58,227,734</b>	<b>(5,061,142)</b>	<b>51,333,477</b>	<b>(13,382,517)</b>
Cash and cash equivalents at beginning of period	(6,249,977)	127,760,024	(16,238,598)	122,477,077
<b>Cash and cash equivalents at end of period</b>	<b>51,977,757</b>	<b>122,698,882</b>	<b>35,094,879</b>	<b>109,094,560</b>

# notes to the condensed interim financial statements

For the six months ended 30 June 2014

## 1 reporting entity

FIMBank p.l.c. ("the Bank") is a credit institution domiciled in Malta with its registered address at Mercury Tower, The Exchange Financial and Business Centre, Elia Zammit Street, St. Julian's, STJ3155, Malta. The condensed interim financial statements of the Bank as at and for the six months ended 30 June 2014 include the Bank and its subsidiaries (together referred to as the "Group") and individually as "Group Entities".

The consolidated financial statements of the Group as at and for the year ended 31 December 2013 are available upon request from the Bank's registered office and are available for viewing on its website at [www.fimbank.com](http://www.fimbank.com).

## 2 basis of accounting

The condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, adopted by the EU. The interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of FIMBank p.l.c. as at and for the year ended 31 December 2013.

The condensed interim financial statements were approved by the Board of Directors on 5 August 2014.

## 3 significant accounting policies

Except as disclosed below, the accounting policies applied by the Group in these condensed interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013. The following changes in accounting policies will be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2014:

- IFRS 10 'Consolidated Financial Statements' (2011) introduces a single control model to determine whether an investee should be consolidated. As a result, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. The change did not have an impact on the Group's financial statements.
- IFRS 11 'Joint Arrangements' outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control. Arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly). IFRS 11 did not have any impact on the Group because the Group already accounts for its joint arrangements using the equity method of accounting.

These standards have been adopted by the EU and are effective for annual periods beginning on or after 1 January 2014.

## 4 use of judgements and estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2013.

## *measurements of fair value*

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

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Note 6 - Financial Instruments.

## *impairment testing for cash generating units (CGUs) containing goodwill*

Key assumptions underlying recoverable amounts for CGUs containing goodwill are included in Note 11 – Intangible assets and goodwill.

## 5 operating segments

The Group identified four significant reportable segments: Trade Finance, Factoring, Forfaiting and IT Solutions, which are represented by different Group entities. For each of the entities, Executive Management reviews internal management reports on a monthly basis.

### information about operating segments

GROUP - 2014

USD

	Trade Finance	Factoring	Forfaiting	IT Solutions	Other	Total
<b>External revenue:</b>						
Interest income	10,519,375	7,944,097	6,376,768	-	-	24,840,240
Fee and commission income	7,508,342	1,967,450	3,763,739	239,618	27,294	13,506,443
Trading income	1,150,506	305,328	(2,268,216)	(939)	(2,329)	(815,650)
	<u>19,178,223</u>	<u>10,216,875</u>	<u>7,872,291</u>	<u>238,679</u>	<u>24,965</u>	<u>37,531,033</u>
<b>Intersegment revenue:</b>						
Interest income	2,679,682	-	-	-	-	2,679,682
Fee and commission income	-	-	44,156	141,170	-	185,326
	<u>2,679,682</u>	<u>-</u>	<u>44,156</u>	<u>141,170</u>	<u>-</u>	<u>2,865,008</u>
<b>Reportable segment profit/(loss) before income tax</b>	<u>657,813</u>	<u>(8,448,207)</u>	<u>2,366,224</u>	<u>34,440</u>	<u>(658,844)</u>	<u>(6,048,574)</u>
<b>Reportable segment assets</b>	<u>1,089,852,947</u>	<u>257,822,875</u>	<u>292,892,507</u>	<u>1,300,034</u>	<u>78,516,764</u>	<u>1,720,385,127</u>
<b>Reportable segment liabilities</b>	<u>961,337,046</u>	<u>173,312,748</u>	<u>224,555,856</u>	<u>251,763</u>	<u>33,790,676</u>	<u>1,393,248,089</u>

GROUP - 2013

USD

	Trade Finance	Factoring	Forfaiting	IT Solutions	Other	Total
<b>External revenue:</b>						
Interest income	9,152,140	2,527,190	5,623,406	-	-	17,302,736
Fee and commission income	7,139,238	1,147,517	3,245,562	289,738	-	11,822,055
Trading income	711,587	105,214	(7,740,159)	390	3,673	(6,919,295)
	<u>17,002,965</u>	<u>3,779,921</u>	<u>1,128,809</u>	<u>290,128</u>	<u>3,673</u>	<u>22,205,496</u>
<b>Intersegment revenue:</b>						
Interest income	2,480,387	-	-	-	-	2,480,387
Fee and commission income	-	-	77,420	130,479	-	207,899
	<u>2,480,387</u>	<u>-</u>	<u>77,420</u>	<u>130,479</u>	<u>-</u>	<u>2,688,286</u>
<b>Reportable segment (loss)/profit before income tax</b>	<u>(2,300,316)</u>	<u>1,298,169</u>	<u>(3,570,248)</u>	<u>13,549</u>	<u>(429,909)</u>	<u>(4,988,755)</u>
<b>Reportable segment assets</b>	<u>1,006,395,790</u>	<u>89,105,989</u>	<u>248,442,561</u>	<u>1,486,471</u>	<u>62,552,010</u>	<u>1,407,982,821</u>
<b>Reportable segment liabilities</b>	<u>924,829,703</u>	<u>53,172,084</u>	<u>187,385,085</u>	<u>531,696</u>	<u>33,433,983</u>	<u>1,199,352,551</u>

## reconciliation of reportable segment profit or loss

GROUP	2014 USD	2013 USD
Total profit or loss for reportable segments	(5,389,730)	(4,558,846)
Other profit or loss	(658,844)	(429,909)
	<u>(6,048,574)</u>	<u>(4,988,755)</u>
Share of loss of equity accounted investees	(2,918,103)	(2,495,274)
Net fair value gains on previously-held investments in associates	7,831,610	-
Effect of other consolidation adjustments on segment results	792,813	(6,729)
<b>Consolidated loss before income tax</b>	<b><u>(342,254)</u></b>	<b><u>(7,490,758)</u></b>

## 6 financial instruments

### carrying amount and fair values

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

Group - 30 June 2014

	Trading USD	Designated at fair value USD	Loans and receivables USD	Available- for-sale USD	Liabilities at amortised cost USD	Total carrying amount USD	Fair value USD
<b>Financial assets measured at fair value</b>							
Trading assets	284,340,656	-	-	-	-	284,340,656	284,340,656
Derivative assets held for risk management	-	617,508	-	-	-	617,508	617,508
Financial assets designated at fair value through profit or loss	-	18,000,000	-	-	-	18,000,000	18,000,000
Investments available-for-sale	-	-	-	31,824,021	-	31,824,021	31,824,021
<b>Financial assets not measured at fair value</b>							
Balances with the Central Bank of Malta, Treasury Bills and cash	-	-	115,867,680	-	-	115,867,680	115,867,680
Loans and advances to banks	-	-	232,487,850	-	-	232,487,850	232,487,850
Loans and advances to customers	-	-	537,085,397	-	-	537,085,397	537,085,397
Investments held-to-maturity	-	-	6,947,459	-	-	6,947,459	6,947,459
<b>Financial liabilities measured at fair value</b>							
Derivative liabilities held for risk management	-	591,351	-	-	-	591,351	591,351
<b>Financial liabilities not measured at fair value</b>							
Amounts owed to banks	-	-	-	-	635,045,068	635,045,068	635,045,068
Amounts owed to customers	-	-	-	-	433,946,138	433,946,138	433,946,138
Debt securities in issue	-	-	-	-	26,057,730	26,057,730	26,057,730

	Trading USD	Designated at fair value USD	Loans and receivables USD	Available- for-sale USD	Liabilities at amortised cost USD	Total carrying amount USD	Fair value USD
<b>Financial assets measured at fair value</b>							
Trading assets	272,831,977	-	-	-	-	272,831,977	272,831,977
Derivative assets held for risk management	-	828,234	-	-	-	828,234	828,234
Financial assets designated at fair value through profit or loss	-	17,700,000	-	-	-	17,700,000	17,700,000
Investments available-for-sale	-	-	-	26,476,204	-	26,476,204	26,476,204
<b>Financial assets not measured at fair value</b>							
Balances with the Central Bank of Malta, Treasury Bills and cash	-	-	69,707,225	-	-	69,707,225	69,707,225
Loans and advances to banks	-	-	337,975,471	-	-	337,975,471	337,975,471
Loans and advances to customers	-	-	417,469,537	-	-	417,469,537	417,469,537
Investments held-to-maturity	-	-	6,783,621	-	-	6,783,621	6,783,621
<b>Financial liabilities measured at fair value</b>							
Derivative liabilities held for risk management	-	506,477	-	-	-	506,477	506,477
<b>Financial liabilities not measured at fair value</b>							
Amounts owed to banks	-	-	-	-	603,452,860	603,452,860	603,452,860
Amounts owed to customers	-	-	-	-	431,686,766	431,686,766	431,686,766
Debt securities in issue	-	-	-	-	35,498,006	35,498,006	35,498,006

	Trading	Designated at fair value	Loans and receivables	Available- for-sale	Liabilities at amortised cost	Total carrying amount	Fair value
	USD	USD	USD	USD	USD	USD	USD
<b>Financial assets measured at fair value</b>							
Derivative assets held for risk management	-	729,277	-	-	-	729,277	729,277
Financial assets designated at fair value through profit or loss	-	18,000,000	-	-	-	18,000,000	18,000,000
Investments available-for-sale	-	-	-	31,822,737	-	31,822,737	31,822,737
<b>Financial assets not measured at fair value</b>							
Balances with the Central Bank of Malta, Treasury Bills and cash	-	-	115,849,203	-	-	115,849,203	115,849,203
Loans and advances to banks	-	-	216,326,977	-	-	216,326,977	216,326,977
Loans and advances to customers	-	-	629,376,183	-	-	629,376,183	629,376,183
Investments held-to-maturity	-	-	6,947,459	-	-	6,947,459	6,947,459
<b>Financial liabilities measured at fair value</b>							
Derivative liabilities held for risk management	-	591,351	-	-	-	591,351	591,351
<b>Financial liabilities not measured at fair value</b>							
Amounts owed to banks	-	-	-	-	535,104,100	535,104,100	535,104,100
Amounts owed to customers	-	-	-	-	415,291,562	415,291,562	415,291,562

Bank - 31 December 2013

	Trading USD	Designated at fair value USD	Loans and receivables USD	Available- for-sale USD	Liabilities at amortised cost USD	Total carrying amount USD	Fair value USD
<b>Financial assets measured at fair value</b>							
Derivative assets held for risk management	-	883,480	-	-	-	883,480	883,480
Financial assets designated at fair value through profit or loss	-	17,700,000	-	-	-	17,700,000	17,700,000
Investments available-for-sale	-	-	-	26,475,502	-	26,475,502	26,475,502
<b>Financial assets not measured at fair value</b>							
Balances with the Central Bank of Malta, Treasury Bills and cash	-	-	69,680,966	-	-	69,680,966	69,680,966
Loans and advances to banks	-	-	328,578,318	-	-	328,578,318	328,578,318
Loans and advances to customers	-	-	593,801,221	-	-	593,801,221	593,801,221
Investments held-to-maturity	-	-	6,783,621	-	-	6,783,621	6,783,621
<b>Financial liabilities measured at fair value</b>							
Derivative liabilities held for risk management	-	506,477	-	-	-	506,477	506,477
<b>Financial liabilities not measured at fair value</b>							
Amounts owed to banks	-	-	-	-	593,551,588	593,551,588	593,551,588
Amounts owed to customers	-	-	-	-	414,846,277	414,846,277	414,846,277

## financial 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 - 30 June 2014

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Trading assets	-	-	284,340,656	284,340,656
Derivative assets held for risk management	-	617,508	-	617,508
Financial assets designated at fair value through profit or loss	-	-	18,000,000	18,000,000
Investments available-for-sale	-	24,701,760	7,122,261	31,824,021
	-	25,319,268	309,462,917	334,782,185
Derivative liabilities held for risk management	-	591,351	-	591,351
	-	591,351	-	591,351

Group - 31 December 2013

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

Bank - 30 June 2014

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Derivative assets held for risk management	-	729,277	-	729,277
Financial assets designated at fair value through profit or loss	-	-	18,000,000	18,000,000
Investments available-for-sale	-	24,701,760	7,120,977	31,822,737
	<u>-</u>	<u>25,431,037</u>	<u>25,120,977</u>	<u>50,552,014</u>
Derivative liabilities held for risk management	-	591,351	-	591,351
	<u>-</u>	<u>591,351</u>	<u>-</u>	<u>591,351</u>

Bank - 31 December 2013

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

## measurement of fair values

### valuation techniques and significant unobservable inputs

The below sets out information about valuation techniques used in measuring Level 2 and Level 3 fair values at 30 June 2014 and 31 December 2013 as well as the significant unobservable inputs used.

- **Trading assets**

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

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

The Group uses the LIBOR yield curve as of each reporting date plus an adequate credit margin spread to discount the trading assets held. At 30 June 2014, the interest rates used range between 0.84% to 10.71% (31 December 2013: 1.28% to 10.96%).

The effect of an estimated general increase of one percentage point in interest rate on trading assets at 30 June 2014 would reduce the Group's profit before tax by approximately USD291,527 (31 December 2013: USD 668,031).

- **Derivative assets and liabilities held for risk management**

Derivative assets and liabilities held for risk management comprise foreign-exchange forward contracts and interest-rate future contracts. The forward contracts are over-the-counter derivatives whilst the interest-rate futures are traded on appropriate exchanges.

The Group establishes the fair value of: a) forward foreign-exchange contracts by reference to forward exchange rates published by financial information agencies on each valuation date and b) interest rate futures by reference to independent valuations provided by portfolio custodians.

No significant unobservable inputs are used in valuing the forward and future derivative portfolio.

- **Financial assets designated at fair value through profit or loss**

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

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

All credit linked notes have a floating-interest rate characteristic and the impact of interest rates on the value of the instrument is therefore limited to the interest repricing period which generally occurs on a quarterly or half-yearly basis.

The effect of a 10% decrease in the price of credit linked notes at 30 June 2014 would reduce the Group's profit before tax by USD1,800,000 (31 December 2013: USD1,700,000).

- **Investments available-for-sale**

Available-for-sale investments mainly represent holdings in two unlisted sub-funds of a collective investment scheme whose underlying investments would be classified as either Level 2 or Level 3 assets.

The fair value is measured by the Group based on periodical net-asset-valuations prepared by the scheme's independent administrator. The sub-fund's assets are marked at fair market value. Assets are marked at observable traded prices where that is possible. Where there is no observable price, the assets are marked in accordance with best market practise. 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 assertions.

The effect of a ten percentage point decrease in the net asset value of the sub-funds at 30 June 2014 would decrease the Bank and Group equity by approximately USD3,178,242 (31 December 2013: USD2,638,346).

### reconciliation of Level 3 fair values

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

Group	Trading assets	Financial assets designated at fair value through profit or loss	Investments available-for-sale	Total
	USD	USD	USD	USD
Balance at 1 January 2013	245,061,077	42,402,000	41,015	287,504,092
Total gains and losses in profit or loss	(5,335,896)	(612,000)	-	(5,947,896)
Purchases	171,979,849	-	-	171,979,849
Settlements	(171,685,553)	(4,250,000)	-	(175,935,553)
<b>Balance at 30 June 2013</b>	<b>240,019,477</b>	<b>37,540,000</b>	<b>41,015</b>	<b>277,600,492</b>
Balance at 1 January 2014	272,831,977	17,700,000	2,098,557	292,630,534
Total gains and losses in trading income	(3,215,735)	300,000	-	(2,915,735)
Total gains and losses in other comprehensive income	-	-	262,513	262,513
Purchases	190,571,233	-	4,761,191	195,332,424
Settlements	(175,846,819)	-	-	(175,846,819)
<b>Balance at 30 June 2014</b>	<b>284,340,656</b>	<b>18,000,000</b>	<b>7,122,261</b>	<b>309,462,917</b>

Bank	Financial assets designated at fair value through profit or loss	Investments available-for-sale	Total
	USD	USD	USD
Balance at 1 January 2013	42,402,000	40,314	42,442,314
Total gains and losses in trading income	(612,000)	-	(612,000)
Settlements	(4,250,000)	-	(4,250,000)
<b>Balance at 30 June 2013</b>	<b>37,540,000</b>	<b>40,314</b>	<b>37,580,314</b>
Balance at 1 January 2014	17,700,000	2,097,856	19,797,856
Total gains and losses in trading income	300,000	-	300,000
Total gains and losses in other comprehensive income	-	262,513	262,513
Purchases	-	4,760,608	4,761,191
<b>Balance at 30 June 2014</b>	<b>18,000,000</b>	<b>7,120,977</b>	<b>25,120,977</b>

### Sensitivity analysis of Level 3 fair values

For the fair values of Level 3 financial instruments, reasonably possible changes at 30 June 2014 and 31 December 2013 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

- **Trading assets**

The effect of an estimated general increase of one percentage point in interest rate on trading assets at 30 June 2014 would reduce the Group's profit before tax by approximately USD291,527 (31 December 2013: USD 668,031).

- **Financial assets designated at fair value through profit or loss**

The effect of a 10% decrease in the price of credit linked notes at 30 June 2014 would reduce the Group's profit before tax by USD1,800,000 (31 December 2013: USD1,700,000).

- **Investments available-for-sale**

The effect of a ten percentage point decrease in the net asset value of the Level 3 sub-funds at 30 June 2014 would decrease the Bank and Group equity by approximately USD708,066 (31 December 2013: USD205,754).

## 7 net fair value gain on previously-held investments in associates

	Group		Bank	
	2014 USD	2013 USD	2014 USD	2013 USD
Fair value gain on previously held 49% investment in India Factoring	8,242,601	-	-	-
Fair value loss on previously held 40% investment in CIS Factors	(410,991)	-	-	-
	<b>7,831,610</b>	-	-	-

During the six months ended 30 June 2014, the Group acquired a controlling interest in India Factoring and CIS Factors which were previously classified as "Associates" and measured using the "Equity Method". Upon making the further investment in these two entities, the Group re-measured its previously held non-controlling interest to fair value. As disclosed in Note 10, if new information obtained within one year of the acquisition date identifies adjustments to the implied fair values of the entities on acquisition date, then the accounting for the acquisition will be revised retrospectively, including a possible impact to the fair value gains and losses as disclosed in this note.

## 8 taxation

Taxation is recognised based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

For the six months period ending 30 June 2014, the Group is estimating a net taxation credit of USD1,797,172 (30 June 2013: credit of USD510,080). The change in effective tax rate when compared to the Malta corporate income tax rate of 35% was caused mainly by the following factors:

- Net fair value gains on previously-held investments in associates of USD7,831,610 (30 June 2013: Nil) are not subject to tax both in the respective country of incorporation as well as in Malta;
- Different rates of tax for non-Malta based entities, mainly arising in the United Kingdom, United Arab Emirates, India, Russia and Brazil.

## 9 investments in equity accounted investees

Movement in investment in equity accounted investees during the six months ended 30 June 2014 is analysed as follows:

	Group 2014 USD	Bank 2014 USD
At 1 January	22,276,790	6,013,425
Net share of losses	(2,918,103)	-
Reclassification resulting from the acquisition of controlling interest in India Factoring and CIS Factors	(17,126,243)	-
Currency translation differences	534,699	-
At 30 June	<b>2,767,143</b>	6,013,425

During the period under review the Group, through its fully owned subsidiary FIM Factors B.V., acquired a further 30% and 40% shareholding in India Factoring and CIS Factors respectively (see note 10). As a result of these transactions, the Group now has control over the entities and has changed the classification of these investments from "Investments in equity accounted investees" to "Investments in subsidiaries". Likewise, the measurement has changed from using the "equity" method to a "line-by-line" consolidation from the date the Group acquired control.

# 10 investments in subsidiaries

During the six months ended 30 June 2014, the Group acquired a controlling interest in two entities previously recognised and measured as Investment in Equity Accounted Investees (see Note 9).

## a) CIS Factors Holdings B.V.

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

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

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

Since acquisition up to 30 June 2014, FactorRus contributed a loss of USD4.36 million to the Group's results. If the acquisition had occurred on 1 January 2014, management estimates that consolidated losses would have increased by USD0.17 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

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

### consideration transferred

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

### acquisition-related costs

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

### identifiable assets acquired and liabilities assumed

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

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

### fair values measured on a provisional basis

This business combination has been accounted for on a provisional basis.

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

If new information obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional assets/liabilities that existed at the acquisition date, then the accounting for the acquisition will be revised retrospectively. This may impact, amongst other, the "net fair value gain on previously-held investment in associates" (see Note 7) and "goodwill" (see Note 11).

## goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Russian roubles	US Dollars (at acquisition date)
Total consideration transferred	20,419,213	577,540
NCI, based on their proportionate interest in the recognised amounts of the asset and liabilities of FactorRus	(12,768,580)	(361,148)
Fair value of existing interest in FactorRus	20,419,213	577,540
Fair value of identifiable net liabilities	63,842,899	1,805,742
<b>Goodwill (see note 11)</b>	<b>91,912,745</b>	<b>2,599,674</b>

The re-measurement to fair value of the Group's existing 40% interest in CIS Factors resulted in a loss of USD410,911 (this loss is explained by the fair value of the existing interest of USD577,540 less the USD988,531 of translation reserve reclassified to profit or loss – on acquisition date the carrying amount of equity accounted investment was Nil) – see Note 7. This amount has been included in "Net fair value gains on previously held investments in associates" in the condensed interim income statements.

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

## b) India Factoring and Finance Solutions Private Limited

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

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

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

In the three months to 30 June 2014, India Factoring contributed to a loss of USD2.83 million to the Group's results. If the acquisition had occurred on 1 January 2014, management estimates that consolidated loss for the period would have increased by USD0.02 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

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

## consideration transferred

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

## acquisition-related costs

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

## identifiable assets acquired and liabilities assumed

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

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

## fair values measured on a provisional basis

This business combination and the following fair values have been determined on a provisional basis.

- The fair value of India Factoring's intangible assets (customer relationships and internet domain) has been measured provisionally pending completion of an independent valuation.
- No contingent liabilities have been identified upon the acquisition of India Factoring.

If new information obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional assets/liabilities that existed at the acquisition date, then the accounting for the acquisition will be revised retrospectively. This may impact, amongst other, the "net fair value gain on previously-held investment in associates" (see Note 7) and "goodwill" (see Note 11).

## goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Indian Rupees	US Dollars (at acquisition date)
Total consideration transferred	1,078,300,000	18,028,758
NCI, based on their proportionate interest in the recognised amounts of the asset and liabilities of India Factoring	438,324,074	7,328,608
Fair value of existing interest in India Factoring	1,761,223,333	29,446,971
Fair value of identifiable net assets	(2,087,257,497)	(34,898,136)
<b>Goodwill (see note 11)</b>	<b>1,190,589,911</b>	<b>19,906,201</b>

The remeasurement to fair value of the Group's existing 49% interest in India Factoring resulted in a gain of USD8,242,601 (this gain is explained by the fair value of the existing interest of USD29,446,971 less the USD17,126,244 carrying amount of equity-accounted investee at the date of acquisition less USD4,078,126 of translation reserve reclassified to profit or loss) – see Note 7. This amount has been included in "Net fair value gains on previously held investments in associates" in the condensed consolidated interim income statements.

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

<sup>1</sup> Other assets include an amount of INR200,000,000 (USD3,343,922 on acquisition date) due from non-controlling interests and representing the balance due from the latter to India Factoring for the subscription of share capital.

# 11 intangible assets and goodwill

	Group		Bank	
	30 Jun 14 USD	31 Dec 13 USD	30 Jun 14 USD	31 Dec 13 USD
Goodwill	22,506,191	-	-	-
Software licences	1,643,812	1,342,722	1,035,499	715,513
	<b>24,150,003</b>	<b>1,342,722</b>	<b>1,035,499</b>	<b>715,513</b>

## reconciliation of carrying amount of goodwill

	Group 30 Jun 14 USD
<b>Cost</b>	
Balance at beginning of period	-
Acquisition through business combination:	
- India Factoring	19,906,201
- CIS Factors	2,599,674
Currency translation differences	316
<b>Balance at end of period</b>	<b>22,506,191</b>
<b>Carrying amount</b>	
Balance at beginning of period	-
<b>Balance at end of period</b>	<b>22,506,191</b>

If new information obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional assets/liabilities that existed at the acquisition date, then the accounting for the acquisition will be revised retrospectively. This may impact, amongst other, the "net fair value gain on previously-held investment in associates" (see Note 7) and "goodwill" (see Note 11).

## impairment testing for CGUs containing goodwill

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

	Group 30 Jun 14 USD
India Factoring	19,946,706
CIS Factors	2,559,485
	<b>22,506,191</b>

No impairment losses on goodwill were recognised during the six months ended 30 June 2014.

The recoverable amounts of India Factoring and CIS Factors have been calculated using a discounted cash flow approach based on free cash flows to equity. The methodology, referred to as the Excess Return DCF Model values the entity's equity in terms of the aggregate of the equity capital currently invested in the firm and the present value of expected excess returns to equity investors. The model is based on the notion that a firm that earns the fair-market rate of return (the cost of equity) on its equity should see the market value of its equity converge on the equity capital currently invested in it. No impairment losses were recognised during 2014 because the recoverable amounts were determined to be higher than their carrying amounts.

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

	<b>India Factoring</b>	<b>CIS Factors</b>
	30 Jun 14 %	30 Jun 14 %
Discount rate	14.5	15.1
Terminal value growth rate	8.0	5.0
Budgeted profit growth rates (average during projection period)	61.0	197.0

The discount rate used is based on the rate of 10-year government bonds issued by the government in the respective country 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.

Cash flows of ten years and four years for India Factoring and CIS Factors respectively were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the countries in which the entity operates and the long-term compound annual profit growth rate estimated by the respective entity. For India Factoring, a projection period longer than five years is being used in view of the relatively short incorporation period of the entity and the resultant goodwill on acquisition.

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

The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of either entity to decline below the carrying amount.

## 12 debt securities in issue

During the six months ended 30 June 2014 a subsidiary undertaking issued new promissory notes of USD37,433,497 and repaid notes amounting to USD46,873,733. Outstanding balance as at 30 June 2014 amounts to USD26,057,730 (31 December 2013: USD35,498,006).

## 13 capital and reserves

As disclosed in the Directors' Report under "Annual general meeting 2014", during the Annual General Meeting held on 8 May 2014 the Shareholders approved a Bonus Issue of Shares through the capitalisation of Share Premium account. This resulted in the allotment of 17,939,936 ordinary shares of USD0.50 each with the corresponding increase in Share Capital and decrease in Share Premium.

As also disclosed in the Directors Report under "Changes in controlling shareholding", on 3 June 2014, the Bank announced a 16:41 Rights Issue, which offer closed on 25 June 2014 with 66,111,225 Rights fully paid and taken up at USD0.65 per share. At 30 June 2014, such Rights have not yet been allotted to existing shareholders and the related proceeds are being recorded and disclosed in the Statement of Financial Position as "Other reserves".

## 14 contingent liabilities

No events occurred that require any additional disclosure to the contingent liabilities disclosed in the financial statements for the year ended 31 December 2013.

## 15 events after financial reporting date

As disclosed in the Directors Report under “Changes in controlling shareholding” and in Note 13 to this Interim Report, on 30 June 2014 the Bank was in the process of allotting 66,111,225 new Ordinary Shares offered at a price of USD0.65 per share, subscribed to by Existing Shareholders under the Rights Issue launched on 3 June 2014. These new Ordinary Shares were issued, allotted and admitted to the Official List of the Malta Stock Exchange on 4 July 2014.

The lapsed rights were subject to an Intermediaries’ Offer which closed on 15 July 2014, and as a result of which 257,354 lapsed rights at USD0.65 were taken up by Intermediaries. The new Ordinary Shares were issued, allotted and admitted to the Official List of the Malta Stock Exchange on 22 July 2014.

As a result of a Rights Issue underwriting agreement which the Bank has entered into with Tunis International Bank S.A. (a member of the KIPCO Group), the Group is, at the date of this report, finalising the allotment process of 7,692,307 new Ordinary Shares at a subscription price of USD0.65 each.

## statement pursuant to listing rule 5.75.3

I hereby confirm that to the best of my knowledge:

- the condensed interim financial statements give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2014, as well as of the financial performance and cash flows for the period then ended, fully in compliance with IAS 34, Interim Financial Reporting, adopted by the EU; and
- the Interim Directors' Report includes a fair review of the information required in terms of Listing Rules 5.75.2 and 5.81 to 5.84.

A handwritten signature in black ink, appearing to read 'M. Lütschg-Emmenegger', with a stylized flourish at the end.

Margrith Lütschg-Emmenegger  
President

# independent auditors' report on review of condensed interim financial statements

To the Board of Directors of FIMBank p.l.c.

## introduction

We have reviewed the accompanying condensed interim financial statements of FIMBank p.l.c. ("the Bank") and of the Group of which the Bank is the parent ("the Condensed Interim Financial Statements") set out on pages 7 to 32 which comprise the condensed statements of financial position as at 30 June 2014, and the related condensed statements of income, condensed statements of comprehensive income, condensed statements of changes in equity and condensed cash flow statements for the six-month period then ended. Management is responsible for the preparation and presentation of the condensed interim financial statements in accordance with IAS 34, Interim Financial Reporting, adopted by the EU. Our responsibility is to express a conclusion on these interim financial statements based on our review.

This report is made solely to the Board of Directors in accordance with the terms of our engagement and is released for publication in compliance with the requirements of Listing Rule 5.75.4 issued by the Listing Authority. Our review has been undertaken so that we might state to the Board of Directors those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors for our review work, for this report, or for the conclusions we have expressed.

## scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements for the six month period ended 30 June 2014 are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting, adopted by the EU.

## emphasis of matter

During the period under review, the Group acquired controlling interests in two entities previously classified as 'equity-accounted investees'. Consequently, these entities are now consolidated subsidiaries of the Group. As required by IFRS 3, *Business Combinations*, the carrying amounts of those investments at the date of such step-up acquisitions have been re-measured to fair value, resulting in a net fair value gain recognised in profit or loss amounting to USD 7,831,610.

Without qualifying our conclusion above, we draw attention to Notes 7, 10 and 11 to the condensed interim financial statements which state that the accounting for these acquisitions was carried out on a provisional basis as permitted by IFRS 3. Those notes explain that, should new information obtained within one year of the acquisitions in question identifies adjustments to the implied fair values of the entities at the date when the Group obtained control, then the accounting for the acquisitions under IFRS 3 will be revised retrospectively. Any such adjustments may impact, amongst others, the 'Net fair value gain on previously-held investments in associates' in the Income Statement and 'Goodwill' amounting to USD 22,506,191 in the Statement of Financial Position.



Hilary Galea-Lauri (Partner) for and on behalf of  
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Malta

05 August 2014